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**河北建設集團股份有限公司**

**HEBEI CONSTRUCTION GROUP CORPORATION LIMITED**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1727)**

**ANNOUNCEMENT**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2022 TO 2024**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2022 TO 2024**

**1. Renewal of the New Engineering Construction Service Framework Agreement**

References are made to the announcement dated 17 May 2019 and the circular dated 31 May 2019 of the Company in relation to, among others, the Engineering Construction Service Framework Agreement entered into between the Company and Zhongming Zhiye on 17 May 2019, and the annual caps set for the continuing connected transactions thereunder for 2019, 2020 and 2021.

As the Engineering Construction Service Framework Agreement will expire on 31 December 2021, the Company has entered into the New Engineering Construction Service Framework Agreement with Zhongming Zhiye on 22 November 2021, and proposed the annual caps for 2022, 2023 and 2024 thereunder to renew such continuing connected transactions.

**2. Renewal of the New Construction Auxiliary Service Framework Agreement**

The Company has entered into the Construction Auxiliary Service Framework Agreement with Zhongming Zhiye on 17 May 2019, and set annual caps for the continuing connected transactions thereunder for 2019, 2020 and 2021.

As the Construction Auxiliary Service Framework Agreement will expire on 31 December 2021, the Company has entered into the New Construction Auxiliary Service Framework Agreement with Zhongming Zhiye on 22 November 2021, and proposed the annual caps for 2022, 2023 and 2024 thereunder to renew such continuing connected transactions.

## **IMPLICATIONS OF THE LISTING RULES**

As of the date of this announcement, Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling Shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group, and thus according to the Listing Rules, the transactions contemplated under the New Engineering Construction Service Framework Agreement and the New Construction Auxiliary Service Framework Agreement constitute continuing connected transactions of the Company.

For the purpose of the New Engineering Construction Service Framework Agreement, as its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 5%, it is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the purpose of the New Construction Auxiliary Service Framework Agreement, as its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it is subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Having considered the pricing policies, basis of determination for the proposed annual caps, reasons for and benefits of the continuing connected transactions, and internal control measures of the Company, the Directors (including the independent non-executive Directors) are of the view that the New Engineering Construction Service Framework Agreement and the New Construction Auxiliary Service Framework Agreement are entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

### **EGM**

An extraordinary general meeting will be held by the Company for Shareholders to consider and approve (among other things) the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024.

Zhongru Investment and Qianbao Investment will abstain from voting on relevant resolutions at the EGM. To the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, except for Zhongru Investment and Qianbao Investment, no other Shareholders will be required to abstain from voting at the EGM regarding the relevant resolutions.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

A circular containing, among other things, (i) details of the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024; (ii) a letter from the Independent Board Committee to Independent Shareholders on the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024; (iii) an opinion letter from the independent financial adviser to the Independent Board Committee and Independent Shareholders on the above matters; and (iv) the notice of the EGM, will be despatched to the Shareholders on or before 10 December 2021.

## **I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2022 TO 2024**

### **1. New Engineering Construction Service Framework Agreement**

#### **(1) Background**

References are made to the announcement dated 17 May 2019 and the circular dated 31 May 2019 in relation to, among others, the Engineering Construction Service Framework Agreement entered into between the Company and Zhongming Zhiye on 17 May 2019 and the formulation of annual caps for the continuing connected transactions thereunder for 2019, 2020 and 2021. As disclosed in the announcement and the circular, pursuant to the Engineering Construction Service Framework Agreement, the Group provides engineering construction services, including but not limited to engineering procurement construction, decoration and landscape engineering, to Zhongming Zhiye and its associates in the daily business process, and Zhongming Zhiye and its associates will pay service fees to the Group.

As the Engineering Construction Service Framework Agreement will expire on 31 December 2021, the Company has entered into the New Engineering Construction Service Framework Agreement with Zhongming Zhiye on 22 November 2021, and proposed the annual caps for 2022, 2023 and 2024 for the purpose of renewal of the continuing connected transaction. Subject to the approval on the EGM, the agreement is valid for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024.

#### **(2) New Engineering Construction Service Framework Agreement**

**Date:** 22 November 2021

**Parties:** the Company (as the service provider); and  
Zhongming Zhiye (as the service recipient).

**Principal terms:**

According to the New Engineering Construction Service Framework Agreement, the Group provides engineering construction services, including but not limited to engineering procurement construction, decoration and landscape engineering, to Zhongming Zhiye and its associates in the daily business process, and Zhongming Zhiye and its associates will pay service fees to the Group. The term of the New Engineering Construction Service Framework Agreement starts from the 1 January 2022 until 31 December 2024 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Group will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Engineering Construction Service Framework Agreement.

**Pricing policy:**

According to the New Engineering Construction Service Framework Agreement, the cost for the Group to provide construction services to Zhongming Zhiye and its associates will be determined based on arms-length negotiation with Zhongming Zhiye and its associates. The main reference factors include: (i) availability and cost of raw materials and equipment and machinery, labor and subcontractors; (ii) the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed by the Company from the cost units under the local housing and urban-rural construction bureaus; (iii) the project schedule, the complexity and scale of the construction project, and the potential revision of the scope of work; (iv) the geographical location and environmental conditions of the project site; (v) the Group's estimate of competitive bidding; and (vi) contractual risks.

Regarding the evaluation and analysis of competitive bidding, the Company has mainly formulated the following mechanisms: (i) the competitive quotation analysis mechanism, which is based on collecting bid opening records, network data, competitors' usual quotation methods and the importance attached to the project, which provides a comprehensive and overall analysis basis for quotation decision-making procedures; (ii) the bidding decision-making process mechanism led by the market operation department with the overall participation of each functional department (including but not limited to the production and technology department, the material procurement department and the finance department), where the bidding documents will be interpreted and the bidding strategic plan, division of responsibilities and specific timetable will be formulated through the pre-bidding meeting with the participation of the management of the above departments; and (iii) the final quotation decision-making team comprising the Company's general manager and market operation manager will determine the final quotation of the project with reference to the relevant information of competitors, the specific needs of the project and the impact on the Company's macro strategy.

In order to ensure that the fees charged by the Group for the provision of construction services are fair and reasonable and conform to market practices, the Group will closely follow the current level of market fees and market conditions and Independent Third Party cost consultation institutions will review the pricing. In addition, the Group will also refer to the fees charged historically for providing similar construction services to Independent Third Party customers.

**(3) Historical amount**

For the three years ended 31 December 2019, 2020 and 2021, the annual caps of the total service fee charged by the Group for providing engineering construction services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total service fee	1,100	1,200	1,400

For the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, the actual total service fee charged by the Group for providing engineering construction services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount for the year ended 31 December</b>		<b>Actual transaction amount for the nine months ended 30 September</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total service fee	534.05	410.53	551.79

**(4) Proposed annual caps**

For the three years ending 31 December 2022, 2023 and 2024, the proposed annual caps of the total service fee charged by the Group for providing engineering construction services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total service fee	1,200	1,000	900

**(5) Basis of determination of proposed annual caps**

The proposed annual caps under the New Engineering Construction Service Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 are determined mainly with reference to: (i) the construction service fees previously paid to the Group by Zhongming Zhiye and its affiliated real estate companies; (ii) expected project contract amount and construction progress; (iii) the number of projects currently available to the Group that require construction services; and (iv) new construction service projects in the next three years expected by the Group. In particular:

- (i) although the historical amounts of the Group's relevant engineering construction services with Zhongming Zhiye and its associates recorded a declining trend in the past few years, the Company estimates an increase in the annual caps of engineering construction service fees charged to Zhongming Zhiye and its associates for the coming three years. On the one hand, the Company's project backlog for the next three years records a significant increase from historical level. During the period from 2019 to 2021, the Company completed seven projects and it is expected that 17 projects will be conducted from 2022 to 2024. On the other hand, cost of construction contracting services has been on the rise in the past few years. According to Beijing Lange Steel and the price guidance for labor cost of construction work, from the first half of 2019 to the second half of 2021, the price of steel and labor increased by approximately 40% and 21%, respectively. Therefore, the prospective increase in construction costs was also taken into account in the formulation of the relevant annual caps. In addition, an appropriate buffer has been added when formulating the annual caps to cope with potential new projects that cannot be confirmed at present;

- (ii) major considerations referred by the Company in estimating prospective project contract amounts of the engineering construction service provided to Zhongming Zhiye and its associates include:
  - (a) the existing agreements entered into between the Group and Zhongming Zhiye and its associates, total contract amount of the relevant agreements as well as the estimation of cost according to the expected construction progress during the term of the Engineering Construction Service Framework Agreement;
  - (b) the prospective agreements to be entered into between the Group and Zhongming Zhiye and its associates for the three years ending 31 December 2024, the prospective total contract value and the prospective project progress;

of which, the total contract amount of the existing agreements and the total contract amount of the projects to be entered into are estimated based on the Company's cost budget for related projects with reference to the gross profit margin of similar projects. The prospective construction progress is estimated according to the Company's experience and construction schedule in previous similar projects;

- (iii) as mentioned in (i) above, the Company expected that 17 projects will be conducted from 2022 to 2024. Of such 17 projects, six are under construction, two have been acquired but yet to be commenced and another nine have not been acquired but are currently under the Company's continuous and active tracking, which are expected to be acquired in a high probability.

**(6) *Reasons for and benefits of entering into the New Engineering Construction Service Framework Agreement***

Given that: (i) the Group has provided engineering construction services to Zhongming Zhiye and its branches and subsidiaries in the past, and the relevant services provided in the past have provided stable and substantial profits to the Group; (ii) the pricing of construction services provided by the Group to Zhongming Zhiye and its affiliated real estate companies is fair and on normal commercial terms; and (iii) Zhongming Zhiye and its affiliated real estate companies have made timely payments in the past without bad debts. In the future, Zhongming Zhiye and its affiliated real estate companies will also give priority to the payment of project funds to the Group.

The Directors (including independent non-executive Directors) are of the opinion that, the New Engineering Construction Service Framework Agreement and its proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

**(7) Implications of the Listing Rules**

As of the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group, and thus according to the Listing Rules, the transactions contemplated under the New Engineering Construction Service Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 5%, therefore, it shall comply with the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(8) Internal Control Measures**

In order to ensure that the terms of the New Engineering Construction Service Framework Agreement are fair and reasonable or no less favourable than those available to or from Independent Third Parties and are conducted on normal commercial terms. The Company has adopted the following internal control measures:

- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company's policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under the New Engineering Construction Service Framework Agreement, especially the pricing policy of the transaction; the market operation department, the production security department and the finance management department are responsible for the approval of the annual caps and its fairness under such transaction;
- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of the New Engineering Construction Service Framework Agreement and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board of the Company will regularly review the pricing policy of the New Engineering Construction Service Framework Agreement on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the New Engineering Construction Service Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transaction is conducted in accordance with the terms of the agreement and in accordance with normal commercial terms and pricing policy; and

- When considering the construction services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and not inferior to those provided to Independent Third Parties.

**(9) Opinions of the Board**

Having considered the pricing policies, basis of determination for the proposed annual caps, reasons for and benefits of the continuing connected transactions, and internal control measures of the Company, the Directors (including the independent non-executive Directors) are of the view that the New Engineering Construction Service Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

As Mr. Li Baoyuan, Mr. Li Baozhong, Mr. Cao Qingshe, Mr. Shang Jinfeng, Mr. Liu Yongjian and Mr. Zhao Wensheng are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to be connected to the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the New Engineering Construction Service Framework Agreement and its annual caps. Save for those disclosed above, none of the other Directors have any material interest in the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and none of the other Directors are required to abstain from voting on the Board resolution to consider and approve the New Engineering Construction Service Framework Agreement and its annual caps.

**(10) Independent Board Committee and Independent Financial Adviser**

The Company has established the Independent Board Committee (comprising all the independent non-executive Directors, namely Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny) to advise the Independent Shareholders in respect of the New Engineering Construction Service Framework Agreement and its proposed annual caps. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

**(11) Information on Parties to the Agreement**

*Information on the Company*

The Company is a joint stock company incorporated in the PRC on 7 April 2017 with limited liability and is engaged in the provision of integrated solutions primarily for the construction contracting of buildings and infrastructure projects.

*Information on Zhongming Zhiye*

Zhongming Zhiye is a company incorporated in the PRC on 1 December 2016 with limited liability and is primarily involved in real estate consulting services, ecological tourism development and elderly care services. As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively.

**2. New Construction Auxiliary Service Framework Agreement**

**(1) Background**

The Company has entered into the Construction Auxiliary Service Framework Agreement with Zhongming Zhiye on 17 May 2019, and set annual caps for the continuing connected transactions thereunder for 2019, 2020 and 2021. According to the Listing Rules, the transactions contemplated under the Construction Auxiliary Service Framework Agreement constitute continuing connected transactions of the Company. As all of its applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%, it is exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the Construction Auxiliary Service Framework Agreement, the Group shall provide construction auxiliary services, including but not limited to design and consultancy, to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates shall pay service fees to the Group.

As the Construction Auxiliary Service Framework Agreement will expire on 31 December 2021, the Company has entered into the New Construction Auxiliary Service Framework Agreement with Zhongming Zhiye on 22 November 2021, and proposed the annual caps for 2022, 2023 and 2024 thereunder to renew such continuing connected transactions. The agreement will be valid for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024.

(2) ***New Construction Auxiliary Service Framework Agreement***

**Date:** 22 November 2021

**Parties:** the Company (as the service provider); and

Zhongming Zhiye (as the service recipient).

**Principal terms:**

Pursuant to the New Construction Auxiliary Service Framework Agreement, the Group shall provide construction auxiliary services, including but not limited to design and consultancy, to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates shall pay service fees to the Group. The term of the New Construction Auxiliary Service Framework Agreement shall commence from 1 January 2022 up to and including 31 December 2024. Subject to the relevant laws, regulations and the Listing Rules, the term may be renewed for another three years upon its expiry as agreed by the relevant parties, upon which the Group will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Construction Auxiliary Service Framework Agreement.

**Pricing policy:**

According to the New Construction Auxiliary Service Framework Agreement, the fees for the construction auxiliary services provided by the Group to Zhongming Zhiye and its associates shall be determined after arm's length negotiation with Zhongming Zhiye and its associates.

In order to ensure that the fees charged by the Group for the provision of building engineering construction auxiliary services are fair and reasonable and conform to market practices, the Group will closely follow the current level of market fees and market conditions. In addition, before providing any construction auxiliary service, the Group will also refer to the fees charged historically for providing similar building engineering construction auxiliary services to Independent Third Party customers.

**(3) Historical amount**

For the three years ended 31 December 2019, 2020 and 2021, the annual caps of the total service fee charged by the Group for providing construction auxiliary services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total service fee	9	8	3

For the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, the actual total service fee charged by the Group for providing construction auxiliary services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount for the year ended 31 December</b>		<b>Actual transaction amount for the nine months ended 30 September</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total service fee	2.70	3.37	0.56

**(4) Proposed annual caps**

For the three years ending 31 December 2022, 2023 and 2024, the proposed annual caps of the total service fee charged by the Group for providing construction auxiliary services to Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total service fee	7	2	2

**(5) Basis of determination of proposed annual caps**

The proposed annual caps under the New Construction Auxiliary Service Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 are determined mainly with reference to: (i) the construction auxiliary service fees previously paid to the Group by Zhongming Zhiye and its affiliated real estate companies; (ii) expected project contract amount and transaction progress; (iii) the number of projects currently available to the Group that require construction auxiliary services; and (iv) new construction auxiliary service projects in the next three years expected by the Group. In particular:

- (i) although the historical amounts of the Group's relevant construction auxiliary services with Zhongming Zhiye and its associates recorded a declining trend in the past few years, the Company estimates an increase in the annual caps of total service fee charged to Zhongming Zhiye and its associates for the provision of construction auxiliary services for the coming three years. The Company's project backlog for the next three years records a significant increase from historical level. During the period from 2019 to 2021, the Company completed seven projects and it is expected that 17 projects will be conducted from 2022 to 2024. Therefore, the prospective increase in number of projects was also taken into account in the formulation of the relevant annual caps. In addition, an appropriate buffer has been added when formulating the annual caps to cope with potential new projects that cannot be confirmed at present;
- (ii) major considerations referred by the Company in estimating prospective project contract amounts of the construction auxiliary services provided to Zhongming Zhiye and its associates include:
  - (a) the existing agreements entered into between the Group and Zhongming Zhiye and its associates, total contract amount of the relevant agreements as well as the Company's estimation of cost according to the expected transaction progress during the term of the Engineering Construction Service Framework Agreement;
  - (b) the prospective agreements to be entered into between the Group and Zhongming Zhiye and its associates for the three years ending 31 December 2024, the prospective total contract amount and the prospective transaction progress;

of which, the total contract amount of the existing agreements and the total contract amount of the projects to be entered into are estimated based on the Company's pricing standard for one square meter for related projects. The prospective transaction progress is estimated according to the Company's experience in, and transaction schedule of, previous similar projects;

- (iii) as mentioned in (i) the Company expected that 17 projects will be conducted from 2022 to 2024. Of such 17 projects, six are under construction, two have been acquired but yet to be commenced and another nine have not been acquired but are currently under the Company's continuous and active tracking, which are expected to be acquired in a high probability.

**(6) *Reasons for and benefits of entering into the New Construction Auxiliary Service Framework Agreement***

Given that: (i) the Group has provided construction auxiliary services to Zhongming Zhiye and its branches and subsidiaries in the past, and the relevant services provided in the past have provided stable profits to the Group; (ii) the pricing of construction auxiliary services provided by the Group to Zhongming Zhiye and its affiliated real estate companies is fair and on normal commercial terms; and (iii) Zhongming Zhiye and its affiliated real estate companies have made timely payments in the past without bad debts. In the future, Zhongming Zhiye and its affiliated real estate companies will also give priority to the payment of contract amounts to the Group.

The Directors (including independent non-executive Directors) are of the opinion that, the New Construction Auxiliary Service Framework Agreement and its proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

**(7) *Implications of the Listing Rules***

As of the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group, and thus according to the Listing Rules, the transactions contemplated under the New Construction Auxiliary Service Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it is subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(8) Internal Control Measures**

In order to ensure that the terms of the New Construction Auxiliary Service Framework Agreement are fair and reasonable or no less favourable than those available to or from Independent Third Parties and are conducted on normal commercial terms, the Company has adopted the following internal control measures:

- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company's policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under the New Engineering Construction Service Framework Agreement, especially the pricing policy of the transaction; the market operation department, the production security department and the finance management department are responsible for the approval of the annual caps and its fairness under such transaction;
- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of the New Construction Auxiliary Service Framework Agreement and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board of the Company will regularly review the pricing policy of the New Construction Auxiliary Service Framework Agreement on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the New Construction Auxiliary Service Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transaction is conducted in accordance with the terms of the agreement and in accordance with normal commercial terms and pricing policy; and
- When considering the construction auxiliary services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and not inferior to those provided to Independent Third Parties.

**(9) Opinions of the Board**

Having considered the pricing policies, basis of determination for the proposed annual caps, reasons for and benefits of the continuing connected transactions, and internal control measures of the Company, the Directors (including the independent non-executive Directors) are of the view that the New Construction Auxiliary Service Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

As Mr. Li Baoyuan, Mr. Li Baozhong, Mr. Cao Qingshe, Mr. Shang Jinfeng, Mr. Liu Yongjian and Mr. Zhao Wensheng are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to have material interests in the New Construction Auxiliary Service Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the New Construction Auxiliary Service Framework Agreement and its annual caps. Save for those disclosed above, none of the other Directors have any material interest in the New Construction Auxiliary Service Framework Agreement and the transactions contemplated thereunder, and none of the other Directors are required to abstain from voting on the Board resolution to consider and approve the New Construction Auxiliary Service Framework Agreement and its annual caps.

**(10) Information on Parties to the Agreement**

*Information on the Company*

For information about the Company, please refer to “1. New Engineering Construction Service Framework Agreement – (11) Information on Parties to the Agreement” above.

*Information on Zhongming Zhiye*

For information about Zhongming Zhiye, please refer to “1. New Engineering Construction Service Framework Agreement – (11) Information on Parties to the Agreement” above.

## II. EGM

An extraordinary general meeting will be held by the Company for shareholders to consider and, if thought fit, approve (among other things) the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024.

Zhongru Investment and Qianbao Investment will abstain from voting on relevant resolutions at the EGM. To the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, except for Zhongru Investment and Qianbao Investment, no other Shareholders will be required to abstain from voting at the EGM regarding the relevant resolutions.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

A circular containing, among other things, (i) the details of the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024; (ii) a letter from the Independent Board Committee to Independent Shareholders on the New Engineering Construction Service Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps for 2022, 2023 and 2024; (iii) an opinion letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the above matters; and (iv) the notice of the EGM, will be despatched to the Shareholders on or before 10 December 2021.

### III. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Hebei Construction Group Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“EGM”	the 2021 first extraordinary general meeting of the Company to be convened and held at 8:30 a.m. on Tuesday, 28 December 2021 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors independent from related matters to advise Independent Shareholders in respect of the New Engineering Construction Service Framework Agreement and its proposed annual caps

“Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Engineering Construction Service Framework Agreement and its proposed annual caps
“Independent Shareholders”	Shareholders of the Company other than Zhongru Investment and Qianbao Investment
“Independent Third Party(ies)”	to the best knowledge of the Directors after having made all reasonable enquiries, person(s) not connected to the Group and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“New Construction Auxiliary Service Framework Agreement”	the construction auxiliary service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“New Engineering Construction Service Framework Agreement”	the engineering construction service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the date of this announcement, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)”	Domestic Shares and H Shares
“Shareholders(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively
“Zhongru Investment”	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As at the date of this announcement, Zhongru Investment directly held approximately 68.3% equity interests of the Company and is a controlling shareholder of the Company
“%”	per cent

By order of the Board  
**Hebei Construction Group Corporation Limited**  
**LI Baozhong**  
*Chairman and Executive Director*

Hebei, the PRC  
22 November 2021

*As of the date of this announcement, the executive Directors are Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. LIU Yongjian and Mr. ZHAO Wensheng; the non-executive Directors are Mr. LI Baoyuan and Mr. CAO Qingshe; and the independent non-executive Directors are Ms. SHEN Lifeng, Ms. CHEN Xin and Mr. CHAN Ngai Sang Kenny.*