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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”). This announcement is in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) relating to the information to be included in the preliminary annual results announcement.

FINANCIAL HIGHLIGHTS

In 2021, our revenue amounted to RMB47,828 million, representing an increase of 19% as compared with that of 2020.

In 2021, our net losses amounted to RMB358 million, representing a decrease of 148% as compared with that of 2020.

In 2021, our losses per share amounted to RMB0.2, representing a decrease of 146% as compared with that of 2020.

I. SELECTED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		<i>Unit: RMB'000</i>	
Assets	<i>Note</i>	31 December 2021	31 December 2020
Current assets			
Cash and cash equivalents		8,809,963	8,453,271
Held-for-trading financial assets		2,472	743
Accounts receivable	3	7,740,447	5,427,035
Receivables at fair value through other comprehensive income		504,212	1,699,431
Prepayments		764,030	822,212
Other receivables		2,617,864	2,437,425
Inventories		265,873	337,772
Contract assets	4	39,658,331	38,503,175
Current portion of non-current assets	5	49,386	35,102
Other current assets		414,533	180,561
Total current assets		60,827,111	57,896,727
Non-current assets			
Long-term receivables	5	164,226	85,792
Long-term equity investments		522,110	540,801
Contract assets	4	2,504,857	2,020,415
Other equity instrument investments		779,793	769,108
Investment property		137,000	136,700
Fixed assets		954,757	362,101
Construction in progress		163,644	575,027
Right-of-use assets		24,011	31,773
Intangible assets		98,539	100,746
Deferred tax assets		771,205	274,692
Total non-current assets		6,120,142	4,897,155
Total assets		66,947,253	62,793,882

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2021**Unit: RMB'000*

Liabilities and owners' equity	<i>Note</i>	31 December 2021	31 December 2020
Current liabilities			
Short-term borrowings		2,260,771	2,269,541
Bills payable		915,410	571,443
Accounts payable	6	37,936,655	35,025,888
Contract liabilities		6,006,902	6,015,490
Employee benefits payable		209,025	202,579
Taxes payable	7	858,261	694,775
Other payables		6,073,401	5,304,087
Current portion of non-current liabilities		1,498,619	964,713
Other current liabilities		3,571,785	3,323,576
Total current liabilities		59,330,829	54,372,092
Non-current liabilities			
Long-term borrowings		1,729,252	1,959,599
Lease liabilities		14,580	22,112
Total non-current liabilities		1,743,832	1,981,711
Total liabilities		61,074,661	56,353,803
Owners' equity			
Share capital		1,761,384	1,761,384
Capital reserve		1,662,063	1,661,232
Other comprehensive income		178,092	141,182
Surplus reserve		500,912	500,912
Retained profit		1,591,242	2,181,233
Total equity attributable to owners of the Company		5,693,693	6,245,943
Non-controlling interests		178,899	194,136
Total owners' equity		5,872,592	6,440,079
Total liabilities and owners' equity		66,947,253	62,793,882

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

Unit: RMB'000

	Note	2021	2020
Revenue	8	47,828,266	40,149,925
Less: Cost of Sales		45,341,436	38,010,238
Taxes and surcharges		137,598	113,346
Selling and distribution expenses		1,061	1,193
General and administrative expenses		535,823	501,124
Research and development costs		76,417	94,476
Finance costs		308,076	263,207
Including: Interest expenses		326,851	304,527
Interest income		40,926	39,167
Add: Other income		4,982	10,759
Investment income		3,679	27,754
Including: Share of (losses)/profits of associates and joint ventures		(1,274)	3,225
Losses on derecognition of financial assets at amortised cost		(64,795)	(59,197)
Gains on fair value changes		66	1,950
Impairment (losses)/gains of credit losses	9	(623,156)	55,392
Impairment losses on assets		(1,301,616)	(325,197)
(Losses)/gains from disposal of assets		(1,624)	214
Operating (loss)/profit		(489,814)	937,213
Add: Non-operating income		8,039	2,444
Less: Non-operating expenses		13,522	3,523
(Loss)/Profit before tax		(495,297)	936,134
Less: Income tax expenses	11	(137,131)	183,903
Net (loss)/profit		(358,166)	752,231

CONSOLIDATED INCOME STATEMENT (Continued)

Year ended 31 December 2021

Unit: RMB'000

	Note	2021	2020
Classified by the continuity of operation			
Net (loss)/profit from continuing operations		(358,166)	752,231
Classified by the ownership			
Net (loss)/profit attributable to owners of the Company		(345,975)	759,856
Net loss attributable to non-controlling interests		(12,191)	(7,625)
Other comprehensive income, net of tax		39,488	12,072
Other comprehensive income attributable to shareholders of the parent, net of tax		39,488	12,072
Other comprehensive income/(loss) not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		<u>17,426</u>	<u>23,715</u>
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables at fair value through other comprehensive income		<u>22,062</u>	<u>(11,643)</u>
Total comprehensive (loss)/income		<u>(318,678)</u>	<u>764,303</u>
Including:			
Total comprehensive (loss)/income attributable to owners of the Company		(306,487)	771,928
Total comprehensive loss attributable to non-controlling interests		(12,191)	(7,625)
(Loss)/ earnings per share (RMB/share)			
Basic and diluted (loss)/earnings per share	12	<u>(0.20)</u>	<u>0.43</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance, and the specific accounting standards, application guidance, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as the “**Accounting Standards for Business Enterprises**”).

The financial statements have been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention, except for certain financial instruments and investment properties. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, which truly and completely reflect the financial position of the Company and the Group as at 31 December 2021, as well as its operating results and cash flows in 2021.

2. CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Changes to the accounting treatment of public-private partnership (PPP) project contracts by private companies

PPP project contract refers to the contract entered into between the Group and the government party for cooperation of PPP projects in accordance with relevant laws and regulations, which shall also meet the following characteristics (hereinafter referred to as “**dual characteristics**”):

- (1) The Group provides public goods and services on behalf of the government party using the assets of the PPP project for the period of operation as agreed in the contract;
- (2) The Group is compensated for the public goods and services it provides during the period as agreed in the contract.

The following conditions shall also be met (hereinafter referred to as “**dual control**”):

- (1) The government party controls or regulates the type, recipients and prices of public goods and services that the Group must provide using the PPP project assets;
- (2) The government party controls a significant residual interest in the PPP project assets through ownership, revenue rights or other forms upon termination of the PPP project contract.

According to the Accounting Standards for Business Enterprises Interpretation No. 14 (“**Interpretation No. 14**”), a private company providing construction services (including construction and renovation and expansion, the same hereinafter) or outsourcing such services to other parties shall determine its capacity as a principal or an agent, and account for the same in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue, and recognise the contract assets. Where a private company provides multiple services (such as providing both PPP project asset construction services and post-completion operation and maintenance services) as agreed in a PPP project contract, it shall identify the individual performance obligations in the contract and allocate the transaction price to each performance obligation in the relative proportion of the individual selling price of each performance obligation in accordance with the requirements of Accounting Standards for Business Enterprises No. 14 – Revenue.

Borrowing costs incurred during the construction of PPP project assets shall be accounted for by the private company in accordance with the requirements of Accounting Standards for Business Enterprises No. 17 – Borrowing Costs. The private company shall capitalise the part of the borrowing costs recognised as intangible assets in the following cases when the relevant borrowing costs meet the conditions for capitalisation and shall carry forward to intangible assets when the assets of the PPP project become ready for intended use. Borrowing costs other than those mentioned above shall be expensed by the private company.

Where a private company has the right to charge the recipients of public goods and services during the project operation period as agreed in the PPP project contract, but the amount to be charged is uncertain, the right does not constitute an unconditional right to receive cash and the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset shall be recognised as an intangible asset when the PPP project asset becomes ready for intended use and shall be accounted for in accordance with the requirements of Accounting Standards for Business Enterprises No. 6 – Intangible Assets. A private company that satisfies the condition of having the right to receive a determinable amount of cash (or other financial assets) during the project operation period as agreed in the PPP project contract shall recognise a receivable when the private company has the right to receive such consideration (which right is only dependent on the passage of time) and account for it in accordance with the requirements of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. The private company should recognise the excess of the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset over the right to receive a determinable amount of cash (or other financial assets) as an intangible asset when the PPP project asset become ready for intended use.

The Group applies the above requirements for accounting purposes starting from 1 January 2021. In accordance with the transitional provisions, no adjustment is made to the information for comparable periods, and for the cumulative effect of the initial implementation of the above provisions and the current standards, the opening balances of retained earnings and other related items in the financial statements on the date of application of Interpretation No. 14 are adjusted.

The above change in accounting policy had no material impact on the Company’s financial statements.

3. ACCOUNTS RECEIVABLE

The Group’s accounts receivable are mainly for the provision of construction services. The credit period for accounts receivable, other than project quality deposits receivable, is normally 1 to 3 months. The credit period for project quality deposits receivable of construction contract normally expires two to five years after the completion and acceptance of the project. All accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable is as follows:

	<i>Unit: RMB'000</i>	
	2021	2020
Within 1 year	6,740,211	4,061,800
1 to 2 years	1,005,807	1,039,175
2 to 3 years	602,930	303,467
Over 3 years	649,443	686,242
	8,998,391	6,090,684
Less: Impairment of credit losses	1,257,944	663,649
	<u>7,740,447</u>	<u>5,427,035</u>

Except for project quality deposits receivable, the ageing of accounts receivable was calculated since the invoice date.

4. CONTRACT ASSETS

Contract assets are mainly generated by the construction contracting business of the Group. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset while progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

Unit: RMB'000

	2021			2020		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	<u>43,950,031</u>	<u>(1,786,843)</u>	<u>42,163,188</u>	<u>41,008,817</u>	<u>(485,227)</u>	<u>40,523,590</u>
Including:						
Non-current assets	<u>2,644,972</u>	<u>(140,115)</u>	<u>2,504,857</u>	<u>2,131,282</u>	<u>(110,867)</u>	<u>2,020,415</u>

5. LONG-TERM RECEIVABLES

The Group's long-term receivables are mainly for provision of build-operate-transfer water supply services. The amounts due to the Group by customers under the construction services for comprehensive renovation projects will be settled in installments during a period from 1 to 25 years.

The ageing analysis of long-term receivables is as follows:

Unit: RMB'000

	2021	2020
Long-term concession project receivables	<u>213,612</u>	<u>120,894</u>
Less: Long-term receivables due within one year	<u>49,386</u>	<u>35,102</u>
	<u>164,226</u>	<u>85,792</u>

The ageing of long-term receivables shall be calculated since the date upon satisfaction for the completion of concession project and the management of the Group considers that there is no need to provide for bad debts for long-term receivables.

6. ACCOUNTS PAYABLE

Accounts payable are non-interest bearing and are generally settled within an agreed period.

The ageing analysis of accounts payable is as follows:

	<i>Unit: RMB'000</i>	
	2021	2020
Within 1 year	23,059,261	20,476,009
1 to 2 years	12,459,296	11,596,292
2 to 3 years	1,616,528	2,248,033
Over 3 years	801,570	705,554
	<u>37,936,655</u>	<u>35,025,888</u>

The ageing of accounts payable was calculated since the date the procurement was made.

7. TAXES PAYABLE

	<i>Unit: RMB'000</i>	
	2021	2020
Enterprise income tax	815,530	670,351
Value-added tax	26,750	17,725
City maintenance and construction tax	7,968	1,958
Personal income tax	1,852	2,996
Others	6,161	1,745
	<u>858,261</u>	<u>694,775</u>

8. REVENUE

The operating revenue is as follows:

	<i>Unit: RMB'000</i>	
	2021	2020
Revenue from major business	47,006,296	39,504,481
Revenue from other business	821,970	645,444
	<u>47,828,266</u>	<u>40,149,925</u>

The operating revenue is as follows:

	<i>Unit: RMB'000</i>	
	2021	2020
Revenue from contracts with customers	47,796,921	40,118,580
Rental income	31,345	31,345
	<u>47,828,266</u>	<u>40,149,925</u>

The disaggregation of revenue from contracts with customers with customers is set out as follows:

2021

	<i>Unit: RMB'000</i>		
Reporting segment	Construction	Others	Total
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	46,168,502	1,479,476	47,647,978
Other countries and regions	148,943	-	148,943
	<u>46,317,445</u>	<u>1,479,476</u>	<u>47,796,921</u>
Major products			
Building construction	30,482,753	-	30,482,753
Infrastructure construction	10,762,510	1,245,734	12,008,244
Specialized and other construction	4,515,299	-	4,515,299
Sewage and reclaimed water treatment	-	40,341	40,341
Sales of goods and others	556,883	193,401	750,284
	<u>46,317,445</u>	<u>1,479,476</u>	<u>47,796,921</u>
Timing of revenue recognition			
At a point of time			
Sales of goods and others	556,883	193,401	750,284
Within a period of time			
Building construction	30,482,753	-	30,482,753
Infrastructure construction	10,762,510	1,245,734	12,008,244
Specialized and other construction	4,515,299	-	4,515,299
Sewage and reclaimed water treatment	-	40,341	40,341
	<u>46,317,445</u>	<u>1,479,476</u>	<u>47,796,921</u>

2020

Unit: RMB'000

Reporting segment	Construction	Others	Total
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	38,690,419	1,276,690	39,967,109
Other countries and regions	<u>151,471</u>	<u>–</u>	<u>151,471</u>
	<u>38,841,890</u>	<u>1,276,690</u>	<u>40,118,580</u>
Major products			
Building construction	25,992,215	–	25,992,215
Infrastructure construction	7,854,453	1,120,772	8,975,225
Specialized and other construction	4,537,041	–	4,537,041
Sewage and reclaimed water treatment	–	33,755	33,755
Sales of goods and others	<u>458,181</u>	<u>122,163</u>	<u>580,344</u>
	<u>38,841,890</u>	<u>1,276,690</u>	<u>40,118,580</u>
Timing of revenue recognition			
At a point of time			
Sales of goods and others	458,181	122,163	580,344
Within a period of time			
Building construction	25,992,215	–	25,992,215
Infrastructure construction	7,854,453	1,120,772	8,975,225
Specialized and other construction	4,537,041	–	4,537,041
Sewage and reclaimed water treatment	<u>–</u>	<u>33,755</u>	<u>33,755</u>
	<u>38,841,890</u>	<u>1,276,690</u>	<u>40,118,580</u>

The revenue recognized this year included in the carrying amounts of the contract liabilities at the beginning of the year is as follows:

Unit: RMB'000

	2021	2020
Building construction	2,798,898	1,883,995
Infrastructure construction	1,585,969	894,187
Specialized and other construction	<u>453,654</u>	<u>561,094</u>
	<u>4,838,521</u>	<u>3,339,276</u>

The information related to performance obligations of the Group is as follows:

Construction services

The performance obligation is fulfilled within the time when the service is provided, and the contract price is usually settled within 90 days after the project payment is invoiced. Generally, the customer retains a certain percentage as the warranty money. The warranty money is usually settled after the warranty period expires, because according to the contract, the Group's right to receive the final payment depends on the customer's satisfaction with the service quality over a period of time.

Sale of goods

The performance obligation is fulfilled when the goods is delivered to the customer. For old customers, the contract price is usually settled within 90 days of delivery; for new customers, advance payment is usually required.

Sewage and reclaimed water treatment

The performance obligation is fulfilled within the period of provision of relevant services. The contract period for sewage and reclaimed water treatment is 25 years. The contract sum is normally paid within 90 days after settlement.

9. IMPAIRMENT LOSSES/(GAINS) OF CREDIT LOSSES

	<i>Unit: RMB'000</i>	
	2021	2020
Losses/ (gains) from impairment of account receivable	594,295	(71,442)
Losses from impairment of other receivables	33,732	7,319
Impairment (gains)/losses on financial guarantee contracts	<u>(4,871)</u>	<u>8,731</u>
	<u>623,156</u>	<u>(55,392)</u>

10. EXPENSES BY NATURE

	<i>Unit: RMB'000</i>	
	2021	2020
Construction costs	45,341,436	38,010,238
Employee benefits for the management and sales staff	327,899	298,917
Research and development costs	76,417	94,476
Depreciation and amortization	24,637	10,870
Audit fees	5,700	5,000
Others	<u>178,648</u>	<u>187,530</u>
	<u>45,954,737</u>	<u>38,607,031</u>

11. INCOME TAX EXPENSES

	<i>Unit: RMB'000</i>	
	2021	2020
Current income tax	378,888	267,843
Deferred income tax	(516,019)	(83,940)
	<u>(137,131)</u>	<u>183,903</u>

The relationship between income tax expenses and the total (loss)/profit is as follows:

	<i>Unit: RMB'000</i>	
	2021	2020
(Loss)/profit before tax	(495,297)	936,134
Income tax expenses at the statutory tax rate (<i>Note</i>)	(123,824)	234,033
Tax effect of share of profits and losses of joint ventures and associates	7,502	(806)
Effect of non-taxable income	(18,590)	(23,790)
Effect of non-deductible expenses	4,887	1,557
Effect of utilisation of unrecognised deductible tax losses	(26,589)	(32,147)
Unrecognized deductible temporary differences and deductible tax losses	27,932	14,021
Adjustments on the income tax of previous periods	(8,449)	(8,965)
Income tax expenses at the Group's effective rate	<u>(137,131)</u>	<u>183,903</u>

Note: Provision for income tax of the Group has been made at 25% on the estimated taxable profit generated in the PRC.

12. (LOSSES)/EARNINGS PER SHARE

Unit: RMB'000

	2021	2020
	<i>RMB per share</i>	<i>RMB per share</i>
Basic (losses)/earnings per share		
Continuing operations	<u>(0.20)</u>	<u>0.43</u>

Basic (losses)/earnings earnings per share are calculated by dividing the net (loss)/profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to the specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

The calculation of the basic (losses)/earnings per share and diluted (losses)/earnings per share is as follows:

Unit: RMB'000

	2021	2020
(Losses)/Earnings		
Net (loss)/profit for the year attributable to owners of the Company		
Continuing operations	<u>(345,975)</u>	<u>759,856</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,761,383,500</u>	<u>1,761,383,500</u>

The Company had no dilutive potential ordinary shares, therefore diluted (losses)/earnings per share equals to basic (losses)/earnings per share.

13. DIVIDEND

Pursuant to the resolution of the general meeting on 8 June 2021, the Company declared a cash dividend of RMB0.14 (tax inclusive) per share based on the total share capital as at 31 December 2020, totalling RMB246,593,690 (tax inclusive). On 16 July 2021, the cash dividend was fully paid.

The Company does not plan to pay dividend for the year ended 31 December 2021.

II. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading non-state-owned construction group in China and are principally engaged in the following businesses:

- Construction contracting business. The Company provides construction project contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.
- Other businesses. The Company is also engaged in service concession arrangements and other businesses.

A substantial majority of the Company's revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In 2021, the Company's new contract value amounted to RMB48,183 million, as compared with RMB56,621 million for the corresponding period of last year.

New contract value (by region):

Year	2021		2020	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	481.83	100%	566.21	100%
Beijing-Tianjin-Hebei	293.66	60.95%	277.69	49.04%
Other	188.17	39.05%	288.52	50.96%

New contract value (by segment):

Year	2021		2020	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	481.83	100%	566.21	100%
Building construction	306.64	63.64%	401.27	70.87%
Infrastructure construction	125.95	26.14%	130.11	22.98%
Specialized and other construction	49.24	10.22%	34.83	6.15%

Building Construction Business

The Company provides construction contracting services for residential, public works, industrial and commercial construction projects. The Company undertakes most of such construction projects as a general contractor. As a general contractor, the Company undertakes all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. The Company is also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. In 2021, the new contract value from the building construction business was RMB30,664 million, compared with RMB40,127 million for the corresponding period of last year.

New contract value of the building construction business (by segment):

Year	2021		2020	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	306.64	100%	401.27	100%
Residential construction	124.16	40.49%	234.81	58.52%
Public building construction	114.81	37.44%	113.54	28.30%
Industrial building construction	54.52	17.78%	34.09	8.50%
Commercial building construction	13.15	4.29%	18.83	4.68%

Infrastructure Construction Business

The Company provides construction contracting services for municipal and transportation infrastructure projects, including facilities for wedged and reclaimed water treatment, gas and heating, urban pipelines, landscaping, roads, bridges and airport runways. The Company undertakes most of such construction projects as general contractor. The Company's infrastructure construction customers are primarily local governments. In 2021, the new contract value from the infrastructure construction business was RMB12,595 million, compared with RMB13,011 million for the corresponding period of last year.

New contract value of the infrastructure construction business (by segment):

Year	2021		2020	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	125.95	100%	130.11	100%
Municipal infrastructure construction	78.40	62.25%	82.97	63.77%
Transportation infrastructure construction	47.55	37.75%	47.14	36.23%

Specialized and Other Construction Contracting Business

The Company also undertakes construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. The Company's electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 2021, new contracts from the specialized and other construction contracting business were valued at RMB4,924 million, compared with RMB3,483 million for the corresponding period of the last year.

New contract value of the specialized and other construction contracting business (by segment):

Year	2021		2020	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	49.24	100%	34.83	100%
Mechanical and electrical installation	14.60	29.66%	7.59	21.79%
Steel structures	2.24	4.54%	6.41	18.41%
Decoration	10.30	20.92%	11.21	32.19%
Other construction business	22.10	44.88%	9.62	27.61%

FINANCIAL REVIEW

Revenue, Cost of sales and Gross profit

The revenue of the Group for 2021 amounted to RMB47,828 million, representing an increase of approximately RMB7,678 million as compared with last year, which was mainly due to the increase in revenue from construction contracting segment of RMB7,502 million.

In particular:

(1) Segment Operating Results of Construction Contracting Business

	As at 31 December 2021				As at 31 December 2020			
	Revenue <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %	Revenue <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %
Building construction business	304.83	291.82	4.3	64.8	259.92	248.00	4.6	65.8
Infrastructure construction business	120.08	112.05	6.7	25.5	89.75	83.89	6.5	22.7
Specialized and other construction business	45.15	42.68	5.5	9.7	45.37	42.93	5.4	11.5
Total	<u>470.06</u>	<u>446.55</u>	5.0		<u>395.04</u>	<u>374.82</u>	5.1	

The revenue from construction contracting segment for 2021 increased by RMB7,502 million, which was mainly due to the fact that the Group's relevant business was not significantly affected by the COVID-19 pandemic in the current year as compared to last year.

Detail analysis is as follows:

- (1) Building construction business, being the largest revenue contributor to construction contracting business, was not significantly affected by the COVID-19 pandemic during the Reporting Period, which resulted in an increase in revenue from building construction business of RMB4,491 million as compared to last year. During the Reporting Period, the gross profit rate of the building construction business was lower than last year due to the impact of the property market.
- (2) The revenue from infrastructure construction business increased by RMB3,033 million as compared to last year as the impact of the COVID-19 pandemic diminished during the Reporting Period, the revenue from infrastructure construction business recovered to previous years' levels, and the Group undertook more new infrastructure construction projects, which led to increase in proportion of infrastructure construction business with higher gross profit.
- (3) The revenue from specialized and other construction business in 2021 does not change much from last year. Such business mainly comprises other construction businesses such as electrical and mechanical installation and steel structures, which have shorter construction periods and more stable revenue.

Administrative Expenses

Administrative expenses amounted to RMB536 million in 2021, representing an increase of RMB35 million as compared with that of 2020, which remained stable with a relatively small change from the same period of last year.

Research and Development Costs

Research and development costs amounted to RMB76 million in 2021, representing a decrease of RMB18 million as compared with that of 2020. The research and development costs mainly include the Group's costs incurred for research of special projects or production process. Projects that were initiated in recent years were completed last year, resulting in a decrease in research and development costs.

Credit Impairment Losses

Credit impairment losses amounted to RMB623 million in 2021, representing an increase of RMB679 million as compared with that of 2020, which was mainly due to the increase in provision for individually impaired accounts receivable in view of the deterioration in the credit standing of certain customers of property developers.

Asset Impairment Losses

Asset impairment losses amounted to RMB1,302 million in 2021, representing an increase of RMB976 million as compared with that of 2020, which was mainly because provision was made for individually impaired contract assets in relation to certain projects in view of the deterioration in the credit standing of certain customers of property development companies.

Investment Income

Investment income amounted to RMB3.68 million in 2021, representing a decrease of RMB24.08 million as compared with that of 2020, which was mainly due to the decrease in dividend declared by other equity instrument investment under strategic investment as compared to the same period of last year.

Income Tax Expenses

Income tax benefits amounted to RMB137 million in 2021, representing a decrease of RMB321 million as compared with that of 2020, which was mainly due to the recognition of deferred tax assets from timing differences of provisos and tax deductible losses.

Net Loss

Based on the above factors, net loss amounted to RMB358 million in 2021, representing a decrease of approximately RMB1,110 million from last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As of 31 December 2021 and 31 December 2020, the Group had cash and cash equivalents of approximately RMB8,810 million and approximately RMB8,453 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Cash and cash equivalents

As of 31 December 2021, the Group's cash and cash equivalent of the Group were RMB8,810 million, representing an increase of RMB357 million as compared to that at the end of 2020, which was mainly due to the greater amount of net cash inflows from operating activities.

Financial Policy

The Group regularly monitors cash flow and cash balances. Furthermore, it is dedicated to maintaining the optimal liquidity level required for working capital and keeping its business and multiple growth strategies at a stable and healthy level during the Reporting Period. In the future, the Group intends to finance operations through cash generated from operating activities and interest-bearing borrowings.

Long-term Equity Investments

On 31 December 2021, the long-term equity investment was RMB522 million, representing a decrease of RMB19 million compared with that at the end of 2020, which was mainly due to the offsetting of unrealised gains and losses on internal transactions with Qinhuangdao Yuanyi Road Construction Management Co., Ltd.

Receivables at fair value through other comprehensive income

As of 31 December 2021, the receivables at fair value through other comprehensive income of the Group were RMB504 million, representing a decrease of RMB1,195 million compared with the end of 2020, which was mainly due to the reclassification of certain notes of property developers that failed to be repaid when due to accounts receivable of the Group.

Accounts Receivable and Long-term Receivables

As of 31 December 2021, the net value of accounts receivable was RMB7,740 million, representing an increase of approximately RMB2,313 million as compared with that at the end of 2020, which was mainly due to the reclassification of notes that have failed to be repaid on maturity in accordance with relevant financial instrument standards. The net value of long-term receivables (including the portion due within one year) was RMB214 million, representing an increase of approximately RMB93 million as compared with that at the end of 2020, which was mainly due to the long-term receivables transferred to from long-term contract assets as a result of the completion, finalization and commencement of operation of concession projects.

Other Receivables

On 31 December 2021, net value of other receivables of the Group was RMB2,618 million, representing an increase of approximately RMB180 million or 7% compared with that at the end of last year, and the overall change was insignificant.

Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as of 31 December 2021 was RMB42,163 million, representing an increase of approximately RMB1,640 million as compared with that at the end of 2020, which was mainly due to the increase in long-term contract assets. Contract liabilities as of 31 December 2021 were RMB6,007 million, representing a decrease of approximately RMB8.59 million as compared with that at the end of 2020, which was mainly due to the increase in construction progress during the Reporting Period resulting in a decrease in contract liabilities corresponding to prepayments for construction last year.

Other Equity Instrument Investment

The carrying value of other equity instrument investment as at 31 December 2021 was RMB780 million, representing an increase of approximately RMB11 million as compared with that at the end of 2020, which was mainly due to the increase in fair value of the Group's investment in other equity instruments.

Borrowings

The bank borrowings of the Group mainly include long-term and short-term borrowings from financial institutions.

As at 31 December 2021, the Group's interest-bearing borrowings were approximately RMB5,479 million (31 December 2020: approximately RMB5,186 million).

Bills and Accounts Payable

The balance of accounts payable on 31 December 2021 was RMB37,937 million, representing an increase of RMB2,911 million or 8% compared with that at the end of 2020, which was mainly due to the increase in the balance of accounts payable as the business was not significantly affected by the pandemic in the current year, with an increase in procurement volume and no significant change in the settlement period. The balance of bills payable increased by RMB344 million compared with that at the end of the previous year, which was mainly due to the fact that the Group increased the proportion of bill payments during the year in order to reduce the pressure on liquidity, resulting in increase in balance of bills payable.

Capital Expenditures

Capital expenditures in 2021 were approximately RMB254 million, representing a decrease of RMB443 million as compared to that of 2020, which was mainly because there was no significant expenditure for office building construction during the Reporting Period.

Capital Commitment

As at 31 December 2021, the Group did not have any material capital commitment.

Financial Ratios

	31 December 2021	31 December 2020
Current ratio (times) ⁽¹⁾	1.0	1.1
Quick ratio (times) ⁽²⁾	1.0	1.1
Gearing ratio ⁽³⁾	93.3%	80.5%
Return on assets ⁽⁴⁾	-0.6%	1.2%
Return on equity ⁽⁵⁾	-5.8%	12.2%

Notes:

- (1) Current ratio (times) represents total current assets divided by total current liabilities as at the relevant date.
- (2) Quick ratio (times) represents total current assets minus inventory divided by total current liabilities as at the relevant date.
- (3) Gearing ratio represents total interest-bearing liabilities divided by equity as at the relevant date and multiplied by 100%.
- (4) Return on assets represents profit for the year divided by the average of total assets at the beginning and end of the year and multiplied by 100%.
- (5) Return on equity represents profit for the year divided by the average of total equity at the beginning and end of the year and multiplied by 100%.

Significant Acquisition or Disposal

During the Reporting Period, the Group increased the investment in Inner Mongolia Construction Investment Group Co., Ltd., a joint venture, by RMB4 million.

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities arising from external guarantees amounting to RMB741 million and contingent liabilities arising from pending litigation or arbitration amounting to RMB14.4 million.

RMB Exchange Rate Fluctuations and Exchange Risk

Most of the Group's businesses and all bank loans have been traded in RMB so there is no significant foreign exchange fluctuation risk. The Board does not expect that fluctuations in the RMB exchange rate and exchange fluctuations of other foreign currencies will have a significant impact on the Group's business or performance. The Group currently has no relevant foreign exchange risk hedging policies and therefore it has not carried out any hedging transactions to manage the potential risks of foreign currency fluctuations.

Employee and Remuneration Policies

As of 31 December 2021, the Group had a total of 9,064 full-time employees (31 December 2020: 8,773).

As confirmed by the Directors of the Group, in previous period, the Group did not use any forfeited contributions under the defined contribution schemes to reduce the existing level of contributions as set out in paragraph 26(2) of Appendix 16 to the Listing Rules, and such matter will not have a material impact on the financial position and operating results of the Group.

Acquisitions and Disposals of Subsidiaries

During the Reporting Period, the Group had no material acquisition or disposal of subsidiaries.

Significant Subsequent Events

The Group has no significant subsequent events as of the date of this announcement.

OUTLOOK

The year 2022 is the 70th anniversary of the founding of the Company. In the past 70 years, all staff of the Company contributed to the great development of the Company with perseverance, diligence and dedication. In the new year, international and domestic markets will see more intensified competition amid the challenges from the ongoing COVID-19 pandemic. In addition, China will continue to maintain positive fiscal policy and make moderate infrastructure investment ahead of schedule, which will create huge market opportunities for the development of construction industry. Facing new opportunities and challenges, the Company will continue to adhere to the strategy of “foundation strengthening, business upgrade, further innovation and sustainable development”, comply with different rules and regulations of list companies, center on the performance excellence model, focus on efficiency, adopt digital approach, promote innovation-driven development and leverage on the strength of the Project Department to strive to achieve all planned targets, thereby celebrating the 70th anniversary of the Company with outstanding performance.

In 2022, Hebei Construction Group will continue to capture various historical opportunities from collaborative development of Beijing-Tianjin-Hebei region, large-scale construction of Xiong’an New Area, Beijing Daxing Airport Economic Zone and developing Beijing-Tianjin-Hebei region into a world-class city cluster, and utilize favorable conditions of the Beijing-Tianjin-Hebei region to strive to become a leading comprehensive construction service provider and leading municipal service provider in China.

Building a city of quality living in the world-class city cluster of Beijing-Tianjin-Hebei region is a new development goal proposed by Dang Xiaolong, secretary of the Party committee of Baoding, at the 12th Party Congress of Baoding, based on the unique advantages and opportunities in Baoding. To achieve this development goal, Baoding has developed various initiatives such as solidly promoting the transformation of urban villages and promoting organic urban renewal; vigorously developing “healthcare, automobile, electricity, digital and tourism industries” as well as passive ultra-low energy consumption buildings and urban agricultural industries; and establishing high-quality, high-standard and high-performance education and medical industrial bases. This provides huge potential and a promising future for the high-quality development of Hebei Construction Group.

As a leading enterprise in the construction industry in Hebei Province, Hebei Construction Group will actively respond to the call of Baoding, focus on the overall development and construction planning of Baoding, play an active role in project investment and financing and project construction by giving full play to its advantages in management, investment and financing as a large comprehensive construction enterprise, provide excellent, green and energy-saving construction products, thereby actively contributing to the development of Baoding and the construction of a modern city of quality living.

We will adhere to the strategy of “selecting property projects, providing professional services and adding special features” and carefully select new projects. In particular, we will continue to promote the optimisation and upgrading of industry structure, reduce the proportion of real estate projects and private sector projects, and put more efforts in undertaking state-owned enterprise projects and professional projects to firmly follow the path of high-quality development.

We will further leverage our extensive construction experience in the fields of civil aviation, healthcare, education, greenery and landscaping, installation and environmental protection to facilitate market expansion with our professional services. “Ecological restoration, ecological environment improvement and environmental management” are important development directions for the construction market.

We will closely follow national policies and support the national goals of “carbon peaking” and “carbon neutrality” by actively developing technological reserves such as building information modelling (“**BIM**”) and city information modelling (“**CIM**”). In particular, we will give full play to the value of our research platform, produce effective results through the platform, conduct research on new practical technologies with focus on new construction methods and form our own technology and product features; increase investment in research and development and improve the incentive mechanism to enrich and empower technology-driven development. In addition, we will strengthen the development and application of technologies and products related to standardised building design and standardised production of components and parts, so as to better equip ourselves to support and serve the high-quality construction of Xiong’an New Area. We will also strengthen training on BIM technology and take the lead in fully implementing BIM integrated pipeline layout technology in hospitals, hotels and other complicated pipeline construction projects and pre-controlled projects with national quality engineering awards, in an effort to enhance the overall BIM technology standards of the Group.

In 2022, the Company will continue to fulfill its original mission of “ensuring the well-being of employees, promoting development of enterprises and making contributions to the society”, seize development opportunities and stimulate the vitality of all staff to strive to realize the grand vision of becoming “a happy enterprise that accomplishes the purposes of its own and others, a century-old company with an ever-lasting business”.

III. OTHER INFORMATION

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2021, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) set out in Appendix 14 to the Listing Rules. It has established a set of corporate governance system with respect to Board composition, Board diversity policy, duties and procedures, remuneration structure of the directors and senior management and appraisal of the Board, internal control and audit, joint company secretaries and communication between the Company and shareholders.

The Company recognizes the vital importance of good corporate governance to its success and sustainability. The Company studied relevant regulations thoroughly pursuant to the guidelines as stipulated in the Listing Rules, and introduced corporate governance practices appropriate for business operation and growth.

During the year ended 31 December 2021, the Company had complied with all the Code Provisions as set out in the Corporate Governance Code and had adopted most of the recommended best practices as set out therein.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of Listing Rules as its own code of conduct for dealing in securities of the Company by the directors and has formulated and adopted the code of conduct for dealing in securities by Supervisors and employees. Based on specific enquiry made to all directors and supervisors by the Company, each of them has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2021.

The Company is not aware of any non-compliance with the Model Code by the directors, supervisors or employees for the year ended 31 December 2021.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the year ended 31 December 2021, the Company and the Group did not repurchase, sell or redeem any of the Company’s listed securities.

AUDITOR

The Company has appointed Ernst & Young Hua Ming LLP (“**EY Hua Ming**”) as the auditor of the Company for the audit of annual financial report for the year ended 31 December 2021 under the Chinese Accounting Standards for Business Enterprises. The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company’s auditor, EY Hua Ming, as consistent with the amounts set out in the Group’s consolidated financial statements. The work performed by EY Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY Hua Ming on the results announcement.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the annual results of the Company for 2021 and the audited consolidated financial statements for the year ended 31 December 2021 prepared under the Chinese Accounting Standards for Business Enterprises.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the HKEXnews website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) at www.hkexnews.hk and the website of the Company at www.hebjs.com.cn. The annual report of the Company for 2021 will be published and dispatched to the Company’s H shareholders in due course and will be published on the aforesaid website of the HKEXnews of the Hong Kong Stock Exchange as well as the website of the Company.

By order of the Board

Hebei Construction Group Corporation Limited

LI Baozhong

Chairman and Executive Director

Hebei, the PRC
31 March 2022

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.