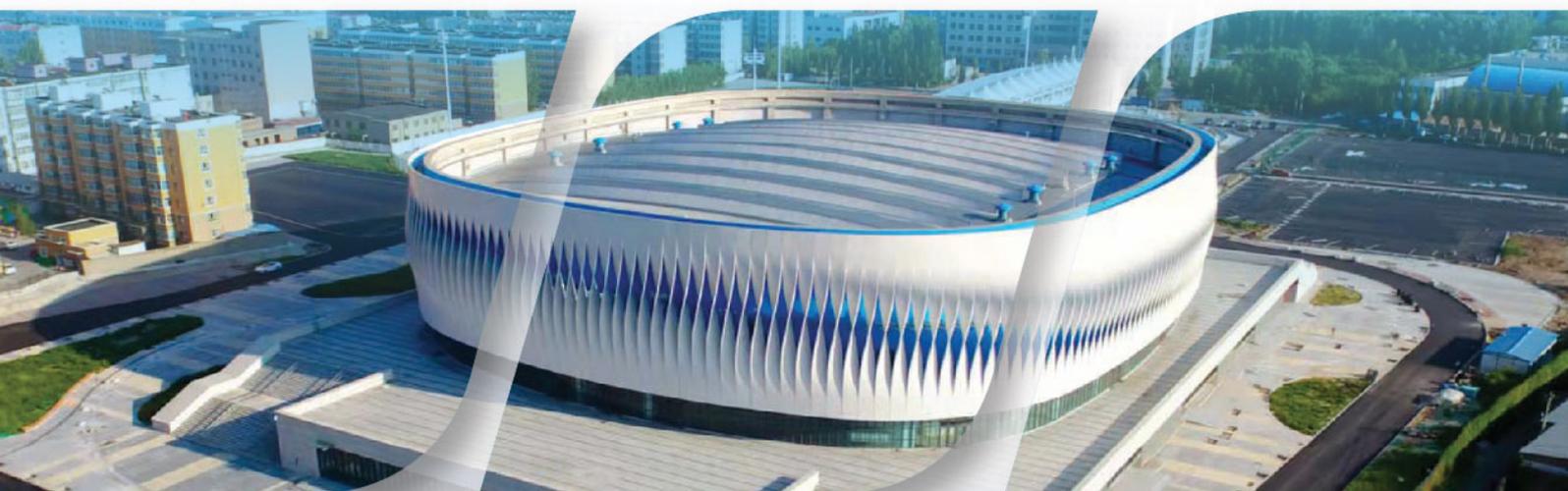




**河北建設集團股份有限公司**  
**HEBEI CONSTRUCTION GROUP CORPORATION LIMITED**

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

STOCK CODE: 1727



**2021**  
**ANNUAL REPORT**

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# CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, on behalf of the Board of Directors of the Company, I would like to express my sincere gratitude to all Shareholders and the public for the concerns and support to the Company in the past year!

2021 was the opening year of the “14th Five-Year” plan of the Company. Facing the complex situations impacted by change in economic growth rate, risk transmission in the real estate industry, pandemic prevention and control and other factors, we upheld the general keynote of “Improving Quality and Efficiency, and Achieving Stability for Sustainable Development”, adhered to our original mission, strengthened our efforts in fulfilling responsibilities and achieved new results by overcoming different difficulties and hardships.

**We stepped up to the challenges and continued to maintain a favourable development trend.** In 2021, the Company achieved operating revenue of RMB47,828 million, representing a year-on-year increase of 19%; and new contract value of RMB48,183 million. While the total amount remained basically the same as last year, the market structure was significantly optimized, with the proportion of real estate projects dropping significantly and the proportion of high-quality projects such as medical system, education system and airport system continuously increasing. A large reserve of high-quality inter-annual projects laid a solid foundation for our business operation in 2022. We recruited approximately 1,100 fresh graduates and experienced talents throughout the year, with the total number of employees exceeding 10,000, including over 280 new senior engineers and 410 new intermediate engineers. 226 employees passed the Class I certified constructor exam, and the total number of Class I certified constructor of the Group exceeded 2,300.

The Company maintained stable operation in 2021. However, due to the increase in individual provision for losses in relation to certain property developers, including China Evergrande Group, the Company made a total impairment provision of RMB1.92 billion, which eventually resulted in net loss of RMB358 million incurred by the Company.

**We strived to improve quality and efficiency, and continued to enhance our corporate internal control standards.** We have built a system of “three lines of defence” for corporate internal control to continuously improve our risk identification and prevention and control capabilities. We also innovated the management model and vigorously implemented the shareholding-like system to bring the key and backbone team together into a community with shared interests, business and destiny under the concept of partnership and a clear relationship of responsibilities, rights and interests, so as to stimulate the creativity and enterprising spirit of all team members. We continued to refine and upgrade our business management and implemented a “headquarters-to-headquarters” contract verification system to strictly control contract risks, leading to a continuous improvement in our production output and profitability.

**We sought to go above and beyond and received more recognition from the public for our works.** The Diangu Technology Centre No. 2 R&D and Production Building Project constructed by the Group won the 2021 Lu Ban Award for Construction Engineering in China. In addition, eight of our projects were admitted as national high-quality projects, four projects were awarded as the “National Safety Production Standardized Construction Site (全國安全生產標準化建設工地)”, and 134 projects were recognized as provincial-level quality projects. During the year, we submitted 232 patent applications and was granted 253 patents (including nine invention patents). For its outstanding performance in poverty alleviation, the Group was awarded the “Outstanding Entity in Poverty Alleviation in Hebei Province” by the Hebei Provincial Party Committee and the provincial government. We attached great importance to public welfare, and the Group and its subordinate organizations donated over RMB11 million of cash and goods to the local communities throughout the year.

In 2022, we will continue to adhere to the strategy of “consolidating our strength, upgrading our standards, pioneering and innovating to achieve sustainable development”, maintain compliant operation as a publicly listed company with honesty and moral integrity, focus on maintaining stability while seeking growth, and strive to facilitate business development with our passion, dedication and diligence, thereby celebrating the 70th anniversary of the founding of the Company with excellent performance.

**Li Baozhong**

*Chairman*

31 March 2022

# CORPORATE INFORMATION

Basic information of the Company is set out below:

## LEGAL NAME OF THE COMPANY

河北建設集團股份有限公司

## ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

## DIRECTORS

### Executive Directors

Mr. Li Baozhong (*Chairman of the Board*)

Mr. Shang Jinfeng (*President*)

Mr. Liu Yongjian

Mr. Zhao Wensheng

### Non-executive Directors

Mr. Li Baoyuan (*Honorary Chairman*)

Mr. Cao Qingshe (*Vice Chairman*)

### Independent Non-executive Directors

Ms. Shen Lifeng

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

## SUPERVISORS

Mr. Yu Xuefeng  
(*Chairman of the Board of Supervisors*)

Mr. Liu Jingqiao

Ms. Feng Xiujian

Mr. Yue Jianming

Mr. Wang Feng

## JOINT COMPANY SECRETARIES

Mr. Li Wutie

Ms. Wong Wai Ling (*ACG, HKACG*)

## AUTHORIZED REPRESENTATIVES

Ms. Shen Lifeng

Ms. Wong Wai Ling (*ACG, HKACG*)

## BOARD COMMITTEES

### Audit Committee

Ms. Shen Lifeng

(*Chairwoman of the committee*)

Mr. Li Baoyuan

Mr. Cao Qingshe

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

### Remuneration and Appraisal Committee

Ms. Chen Xin (*Chairwoman of the committee*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

### Nomination Committee

Ms. Chen Xin (*Chairwoman of the committee*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

## Strategic Committee

Mr. Li Baozhong (*Chairman of the committee*)  
Mr. Cao Qingshe  
Mr. Shang Jinfeng

## REGISTERED OFFICE

125 Lugang Road  
Jingxiu District  
Baoding, Hebei Province  
PRC

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

125 Lugang Road  
Jingxiu District  
Baoding, Hebei Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

## STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

## H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY WEBSITE

[www.hebjs.com.cn](http://www.hebjs.com.cn)

## INVESTOR RELATIONS CONTACT

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Postal code: 071000

## LEGAL ADVISORS

### As to Hong Kong law

Clifford Chance  
27/F, Jardine House  
One Connaught Place  
Central, Hong Kong

### As to PRC law

Jia Yuan Law Offices  
F408, Ocean Plaza  
158 Fuxing Men Nei Street  
Xicheng District, Beijing  
PRC

## AUDITOR

Ernst & Young Hua Ming LLP  
*Certified Public Accountants*  
Level 16, Ernst & Young Tower, Oriental Plaza  
No. 1 East Chang An Avenue  
Dong Cheng District, Beijing  
PRC

## 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.

# BUSINESS OVERVIEW

## PART I: 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. Our outstanding contract value was RMB73,274 million, as compared with RMB81,705 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%

## BUSINESS OVERVIEW

### 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	<b>306.64</b>	<b>100%</b>	401.27	100%
Residential construction	<b>120.81</b>	<b>39.4%</b>	234.81	58.52%
Public building construction	<b>118.17</b>	<b>39.53%</b>	113.54	28.30%
Industrial building construction	<b>54.52</b>	<b>17.78%</b>	34.09	8.50%
Commercial building construction	<b>13.15</b>	<b>4.29%</b>	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	<b>125.95</b>	<b>100%</b>	130.11	100%
Municipal infrastructure construction	<b>78.40</b>	<b>62.25%</b>	82.97	63.77%
Transportation infrastructure construction	<b>47.55</b>	<b>37.75%</b>	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	<b>49.24</b>	<b>100%</b>	34.83	100%
Mechanical and electrical installation	<b>14.60</b>	<b>29.66%</b>	7.59	21.79%
Steel structures	<b>2.24</b>	<b>4.54%</b>	6.41	18.41%
Decoration	<b>10.30</b>	<b>20.92%</b>	11.21	32.19%
Other construction business	<b>22.10</b>	<b>44.88%</b>	9.62	27.61%

## BUSINESS OVERVIEW

Representative projects of the building construction business are as follows:

### **Representative projects of new contracts**

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#) (平房鄉黃渠新村四期安置房項目(1#住宅樓等36項))	14.5	Residential building	Beijing
2	EPC General Contracting of the Construction Project of South Zone of Lot A in the West Side of Beihu Core Area, Tianqiao District, Jinan (濟南市天橋區北湖核心區西側片區地塊A南區建設項目施工總承包工程)	10.78	Residential building	Shandong
3	General Contracting of Section 1 of Phase II of Zhengzhou Zhongyuan Country Garden (鄭州中原碧桂園二期一標段總承包工程)	4.49	Residential building	Henan
4	General Contracting of Construction of Phase II of Changlingju Commercial and Residential Project (長嶺居商住項目二期工程施工總承包)	4.23	Residential building	Guangdong
5	Resettlement Housing Construction Project In Sifeng District, Pingshui (平水四豐區塊安置房建設工程)	3.75	Residential building	Zhejiang
6	Construction of the Baoding Children's Hospital General Building (保定市兒童醫院綜合樓建設項目施工)	3.36	Public building	Hebei
7	Construction of 101 Medical General Building, Zhengding New District Hospital (North Phase I) of the No. 2 Hospital of Hebei Medical University (河北醫科大學第二醫院正定新區醫院(北區一期)101醫療綜合樓施工)	7.68	Public building	Hebei
8	Construction of Medical General Building, Scientific Research Building and Medical Quarantine Building for the Relocation Project of Hohhot No.2 Hospital (呼和浩特市第二醫院遷建項目醫療綜合樓、科研樓、醫護隔離樓等工程施工)	7.11	Public building	Inner Mongolia Autonomous Region
9	Construction Project of Shengzhou Culture and Media Center (嵊州市文化傳媒中心建設工程)	5.64	Public building	Zhejiang

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
10	Minfeng County Road and Railway Transport Logistics Park (Rural Revitalization Industry Base) Construction Project (EPC General Contracting Section) (民豐縣公鐵聯運物流園(鄉村振興產業基地)建設項目(EPC總承包標段))	4.38	Public building	Xinjiang Uygur Autonomous Region
11	New Construction Project of Affiliated Senior High School of Changzhou Institute of Educational Science (General Contracting of New Construction Project of Affiliated Senior High School of Changzhou Institute of Educational Science) (常州市教科院附屬高級中學新建工程(常州市教科院附屬高級中學新建工程施工總承包))	3.67	Public building	Jiangsu
12	Construction Project of the No. 3 Middle School of Xushui District, Baoding (EPC) (保定市徐水區第三中學建設項目(EPC))	3.22	Public building	Hebei
13	Zhifeiluzhu COVID-19 Vaccine and Engineered Vaccine Industrialization Base Project (12 Items Including No. 1 Production Workshop (Including Connecting Corridor)) (智飛綠竹新型病毒疫苗和工程疫苗產業化基地項目(1號生產車間(包括連廊)等12項))	5.49	Industrial building	Beijing
14	China Smart Network Backbone (Langfang • Gu'an) Phase II Project (中國智能骨幹網(廊坊•固安)二期項目)	4.49	Industrial building	Hebei

## BUSINESS OVERVIEW

Representative projects of the infrastructure construction business are as follows:

### **Representative projects of new contracts**

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1	Xinjiang Production and Construction Corps 13th Division Xinxing City Center Ecological Green Space Construction Project (EPC General Contracting) (新疆生產建設兵團第十三師新星市中心城區生態綠地建設項目(設計採購施工一體化總承包))	6.85	Municipal infrastructure construction	Xinjiang Uygur Autonomous Region
2	General Contracting of Gaoyang County 2021 Rural Domestic Water Source River Water Replacement Project (高陽縣2021年度農村生活水源江水置換項目工程總承包)	4.72	Municipal infrastructure construction	Hebei
3	Dacheng County Urban and Rural Water Supply Integration Project (大城縣城鄉供水一體化項目)	3.14	Municipal infrastructure construction	Hebei
4	Section 003 of the Airfield Project of T3B Terminal and Fourth Runway of Chongqing Jiangbei International Airport(重慶江北國際機場T3B航站樓及第四跑道工程飛行區場道工程003標段)	6.16	Transportation infrastructure construction	Chongqing
5	New Hohhot Airport Airfield Runway Project (FXQ-CD-03) Section Construction (呼和浩特新機場飛行區場道工程(FXQ-CD-03)標段施工)	4.88	Transportation infrastructure construction	Inner Mongolia Autonomous Region
6	AGZCB-4 Section of General Contracting of Anye-Gongzhu Ridge Section of Jining-Arun Banner Connection Line of Erenhot-Guangzhou National Expressway (二連浩特至廣州國家高速公路集寧至阿榮旗聯絡綫安業至公主壩段施工總承包AGZCB-4標段)	3.51	Transportation infrastructure construction	Inner Mongolia Autonomous Region

Representative projects of the specialized and other construction contracting business are as follows:

### Representative projects of new contracts

No.	Name of project	Contract value (RMB100 million)	Business segment	Region
1	EPC General Contracting of 50MW Wind Farm Project in Chenzui Town, Wuqing District, Tianjin	3.11	Electrical and mechanical installation	Tianjin

### Representative projects of construction in progress

Business segment	Name of project	Executive contract value (RMB100 million)	Region
<b>Public building</b>	Beijing New Airport Education and Scientific Research Station Project (北京新機場教育科研基地項目)	7.17	Beijing
	Yutian County Hospital Relocation Project (玉田縣醫院整體遷建工程)	6.73	Hebei
	Baoding National University Science and Technology Park Science and Innovation Zone Project (Productive Services) (保定國家大學科技園科創分園項目(生產性服務業))	7.82	Hebei
	Knowledge City ZSCXN-B3-2 (Medical City) Project (知識城ZSCXN-B3-2(醫療城)項目)	12.60	Guangdong
	Xinjiang Production and Construction Corps 13th Division Xinxing City Center Ecological Green Space Construction Project (EPC General Contracting) (新疆生產建設兵團第十三師新星市中心城區生態綠地建設項目(設計採購施工一體化總承包))	6.85	Xinjiang Uygur Autonomous Region
	Beijing New Airport Administrative Comprehensive Business Premise, Police Station, Business Premise Project (北京新機場行政綜合業務用房、派出所、業務用房工程)	6.35	Hebei
	EPC Project of Infrastructure in Jining Taibai Lake College Technology Park (濟寧太白湖新城大學科技園基礎設施 EPC 項目)	5.37	Shandong

## BUSINESS OVERVIEW

<b>Business segment</b>	<b>Name of project</b>	<b>Executive contract value</b> (RMB100 million)	<b>Region</b>
	Construction Project of Shengzhou Culture and Media Center (嵊州市文化傳媒中心建設工程)	5.64	Zhejiang
	Minfeng County Road and Railway Transport Logistics Park (Rural Revitalization Industry Base) Construction Project (EPC General Contracting Section) (民豐縣公鐵聯運物流園(鄉村振興產業基地)建設項目(EPC總承包標段))	4.38	Xinjiang Uygur Autonomous Region
	Construction Project of Outpatient Complex and Ophthalmology Building of the East Campus of Baoding No.1 Central Hospital (保定市第一中心醫院東院門診綜合樓和眼科大樓項目施工)	3.85	Hebei
<b>Residential building</b>	EPC General Contracting of the Construction Project of South Zone of Lot A in the West Side of Beihu Core Area, Tianqiao District, Jinan (濟南市天橋區北湖核心區西側片區地塊A南區建設項目施工總承包工程)	10.78	Shandong
	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#) (平房鄉黃渠新村四期安置房項目(1#住宅樓等36項))	14.50	Beijing
	Engineering, procurement and construction (EPC) General Contracting of the Project of Renovation of Shanti Towns in Biangezai Third Village and Biangezai Fourth Village in Urban Villages in Lubei District, Tangshan (唐山市路北區城中村邊各寨三村、邊各寨四村棚戶區改造項目設計採購施工(EPC)總承包)	9.20	Hebei
	Project of Henan Provincial Young Talent Apartment in Economic Development Zone (省直青年人才公寓經開苑項目)	17.87	Hebei
	Sichuan Tourism Investment Group - Jinjiang Mansion (旅投·錦江公館)	6.08	Sichuan
	General Contracting of Construction of Phase II of Changlingju Commercial and Residential Project (長嶺居商住項目二期工程施工總承包)	4.23	Guangdong
	Construction of Resettlement Site for the Whole Village Advancement Project in Kuahe Community, Sanhe Town (三河鎮跨河社區整村推進項目安置點施工)	4.71	Anhui

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	EPC General Contracting of Section II of Land Plots FS16-0201-0012 for Type 2 Residential and Basis Education Purposes in Eastern Part of Qinglonghu Town, Fangshan District, Beijing (北京市房山區青龍湖鎮東部局部FS16-0201-0012等地塊二類居住及基礎教育用地項目二標段總承包工程)	4.58	Beijing
	General Contracting of Phase 5A of Area 1A of Wolong Bay International Business District Public Facilities and Residential Project (臥龍灣國際商務區公共設施及住宅項目一A區5A期總承包工程)	3.87	Liaoning
	9 items including 24-3# residential building (Shunyi District Renhe Town Linhe Village Shanty Town Renovation Land Development B Area Project) (24-3#住宅等9項(順義區仁和鎮臨河村棚戶區改造土地開發區B片區項目))	5.57	Beijing
<b>Commercial building</b>	EPC General Contracting of the Dezhou Emergency Supplies Reserve and Cold Chain Logistics Supporting Base Project (德州市應急物資儲備及冷鏈物流保障基地項目EPC總承包)	3.00	Shandong
	Gu'an Laikangjun North Lakeside Commercial (Elderly Care and Healthcare Project Phase II) Project (固安來康郡·大湖北側商業(養老健康養生項目二期項目)項目)	4.00	Hebei
	ZXZ-010 Plot F3 Other Mixed-Use Land Project under the Zhuxin Zhuang New Area (Phase II) Tier 1 Land Development Project in Changping District (5 projects including Huicong Building) (昌平區朱辛莊新區(二期)土地一級開發項目ZXZ-010地塊F3其他類多功能用地項目(慧聰大廈等5項))	2.45	Beijing
	Construction of Production Scheduling Room Project of Baoding Branch (保定分公司生產調度用房工程項目施工)	1.40	Hebei
	General Contracting of Design and Construction of Section 1 of Xinle City Watermelon Town Core Area Construction Project (Phase I) (新樂市西瓜小鎮核心區建設工程(一期)一標段設計施工總承包)	1.00	Hebei

## BUSINESS OVERVIEW

<b>Business segment</b>	<b>Name of project</b>	<b>Executive contract value</b> <i>(RMB100 million)</i>	<b>Region</b>
<b>Industrial building</b>	Construction Project of Hangzhou Renhe Grain Storage Depot (Second Bid Section) (杭州市仁和糧食儲備庫建設工程(標段二))	3.56	Zhejiang
	General Contracting of Design and Construction of Songshan Lake (Ecological Park) Robot Intelligent Equipment Manufacturing Industry Accelerator (松山湖(生態園)機器人智能裝備製造產業加速器設計施工總承包)	9.17	Guangdong
	China Smart Network Backbone (Langfang · Gu'an) Phase II Project (中國智能骨幹網(廊坊·固安)二期項目)	4.49	Hebei
	Beijing Electronic City IT Industry Park Electronic Industry Factory Project (D3 Workshop (for High and New Technology Industry) and B3 Workshop (for High and New Technology Industry)) (北京電子城IT產業園電子工業廠房項目(D3廠房(高新技術產業用房)、B3廠房(高新技術產業用房)))	2.49	Beijing
	Phase I Project of Waste Lead-acid Battery Disposal and Comprehensive Utilization of Lead-containing Waste with Annual Capacity of 300,000 tonnes (年處置30萬噸廢鉛蓄電池及含鉛廢物綜合利用一期工程)	1.79	Hebei
<b>Transportation infrastructure construction</b>	Section TJ03 of Phase I of the Section between Xiaoshan Nanyang and Yipeng in Qiantang New Area of Zhenhai-Xiaoshan Highway (鎮海至蕭山公路蕭山南陽至錢塘新區義蓬段一期工程第TJ03標段)	5.48	Zhejiang
	EPC General Contracting of the Construction Project of Bazhou Connecting Section (East Extension of Yingbin Road) of Beijing-Dezhou Expressway (京德高速霸州連接線(迎賓道東延)建設工程設計施工總承包)	4.07	Hebei
	PPP Project of Construction of South Section of Zhongshan Danan Highway (Addition of Six Lanes) (中山市大南公路(加六線)南區段工程PPP項目)	4.08	Guangdong
	Adiale-Girawa Road Design and Construction Project (Adiale-Girawa設計和建設道路項目)	3.37	Ethiopia

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	K31+560 (ZK31+527) -K40+098 (ZK40+082) Road Foundation Project under Zhaoqing - Gaoming Expressway Section 1 Road Project (肇明高速1標公路工程K31+560 (ZK31+527) - K40+098 (ZK40+082) 路基工程)	2.99	Guangdong
	Specialized Subcontracting Project for Construction of Shitouwo Tunnel (石頭窩隧道施工專業分包工程)	2.39	Guangdong
<b>Municipal infrastructure construction</b>	Phase I Project of the No. 2 Surface Water Plant under the South-North Water Transfer Supporting Project of Baoding City (保定市南水北調配套工程第二地表水廠一期工程)	7.40	Hebei
	Procurement and Installation of In-depth Treatment Equipment for Yindingzhuang Wastewater Treatment Plant in Baoding (保定市銀定莊污水處理廠深度處理工程設備採購及安裝)	3.98	Hebei
	Yili Modern Intelligent Health Valley Core Launch Area Infrastructure Construction Project - Taigemu Avenue (Phase II) (伊利現代智慧健康谷核心啟動區基礎設施建設項目—台閣牧大道(二期))	1.49	Inner Mongolia Autonomous Region
<b>Electrical and mechanical installation</b>	Electrical and Mechanical Installation Project for Phase III (Area C) of the Targeted Resettlement Housing Project in Changdian Cluster, Jinzhan Township (金盞鄉長店組團定向安置房三期項目(C區)機電安裝工程)	0.70	Beijing
	Xinjiang Baoneng City Lot 1# and 2# Integrated Electrical and Mechanical (Section I) (新疆寶能城1#、2#號地綜合機電(一標段))	0.65	Xinjiang Uygur Autonomous Region

## BUSINESS OVERVIEW

Business segment	Name of project	Executive contract value (RMB100 million)	Region
<b>Steel structures</b>	Construction of Anyue Jiayuan Residence Affordable Housing Project (Phase II) (Residential buildings 8#, 10#-13#, commercial building and kindergarten) (安悦佳苑小區保障性住房項目(二期) (8#、10#-13#住宅樓及商業、幼兒園)施工)	2.93	Hebei
	Construction, Installation and Procurement Project for the Dry Coal Shed of Yudean Coal Terminal in Bohe New Port Zone of Maoming Port in Guangdong (廣東茂名港博賀新港區粵電煤炭碼頭乾煤棚製作與安裝採購)	2.34	Guangdong
<b>Decoration</b>	Curtain Wall Project For Comprehensive Commercial and Financial Services Land Project (3 Items Including Commercial Building) At Lot X78C2, Hexi District, Longhu Economic And Technological Development Zone, Beijing (北京龍湖經濟技術開發區河西區X78C2地塊綜合性商業金融服務業用地項目(商業樓等3項)幕牆工程)	0.18	Beijing
<b>Specialized and Other Construction</b>	EPC General Contracting of Road Greening and Landscaping of the First Phase of Langfang Airport Economic Zone (廊坊臨空經濟區起步區道路綠化及生態綠地EPC工程總承包)	2.62	Hebei
	Jinan Lake Project, Section 2 (Construction) (晉安湖項目第2標段(施工))	2.59	Fujian
	Integrated Design and Construction of Comprehensive Habitat Improvement Project for the South Block of Airport Auxiliary Road (Helin Village, Shilandai Village, Dachangkulun Village and Dongbashan Village) (機場輔路南區塊(合林村、什蘭岱村、大廠庫倫村、東把柵村)人居環境綜合整治工程設計施工一體化)	1.31	Inner Mongolia Autonomous Region

## PART II: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

As of present, we had launched 25 projects and participated in 16 projects that won the Lu Ban Awards. Hebei Construction Group has received the “National Quality Award (全國質量獎)”, “National Quality Project Award (國家優質工程獎)”, “Steel Structure Gold Award (鋼結構金獎)”, “Star of China Installation Award (安裝之星獎)” and “National Decoration Award (全國裝飾獎)”, and was accredited for over 900 “Provincial Quality Construction (省優工程)”.

The Company was awarded the “Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎)” and a large number of provincial-level science and technology achievements and patents.

Following the introduction of the performance excellence management model, the Company won the “National Quality Award (全國質量獎)” and two “Provincial Government Quality Awards (省政府質量獎)”. Recognized by the MOHURD, it was one of the 20 recipients of the “National Excellent Project Quality Management Enterprise Award (全國工程質量管理優秀企業)”. It also received the title of “National Model of Workers’ Home (全國模範職工之家)” and the “National 1st May Labour Award (全國五一勞動獎狀)”.

### Science and Technology Research and Development

1. In 2021, three MOHURD Green Construction Technology Model Projects, namely the “Beijing New Airport Work Area Project (Municipal Transportation) – Road, Bridge and Pipeline Network Project”, the “Diangu Technology Centre No. 2 R&D and Production Building Project” and the “Hebei Construction Building Project”, passed the final inspection and acceptance process, reflecting the Company’s leading position in China in terms of overall technological innovation and application.
2. In 2021, we received 23 “Scientific and Technological Progress Awards for Construction Systems in Hebei Province (河北省建設系統科技進步獎)” and three “Science and Technology Awards of Construction Industry in Hebei Province (河北省建築業科學技術獎)”.
3. In 2021, we led or participated in the formulation of 11 sets of regulations, standards and rules, and were accredited for 20 provincial process methodologies in Hebei Province.
4. In 2021, the Company submitted 232 patent applications in China, including 37 applications for invention patents, and was granted 253 patents (including 9 invention patents).

### Leading Innovation

The Company strictly followed the Science and Technology Development Management System, the Measures for Management of Enterprise Level Science and Technology Research Projects, the Management Procedures of Science and Technology Research Projects, and the Measures for Quality, Safety and Science and Technology Incentive Funds to promote the development strategy for the financial and technology wings of the Group and stimulate employees' passion for technological innovation. The Company has established a quality and technology system and implemented a three-level management model composed of the Group, subsidiaries and project departments to govern the management of science and technology innovation.

In 2021, one project was admitted as the 2021 science and technology plan project of MOHURD, 16 projects were admitted as construction science and technology research projects of Hebei Province, 31 projects were included in the 27th batch of new technology demonstration projects in Hebei Province, 19 projects were admitted as construction science and technology demonstration projects of Hebei Province, three projects were admitted as science and technology projects by Hebei Construction Industry Association, and three projects were recognized as smart construction site demonstration projects of Hebei Province. During the year, we assessed and initiated over 300 projects and carried out nearly 50 demonstration projects. We had 314 research projects and 93 demonstration projects during the year, and prioritized the scientific and technological projects with high technological content and great promotion value.

### High-quality Works

1. The Diangu Technology Centre No. 2 R&D and Production Building Project constructed by the Group won the 2021 Lu Ban Award. We also participated in the construction of one project that won the Lu Ban Award.
2. We won the “National Quality Project Award (國家優質工程獎)” for two projects and participated in one project that won the “National Quality Project Award”.
3. We garnered two “China Construction Project Decoration Awards (中國建築工程裝飾獎)” and two “China Steel Structure Golden Awards (中國鋼結構金獎)”.
4. 134 projects were recognized as provincial-level quality projects, including two awards of general category won by the project of Hebei Xiong'an Country Park Construction.

## PART III: OUTLOOK

### 2022 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.

## BUSINESS OVERVIEW

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 contribution 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”.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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) <sup>(1)</sup>	1.0	1.1
Quick ratio (times) <sup>(2)</sup>	1.0	1.1
Gearing ratio <sup>(3)</sup>	93.3%	80.5%
Return on assets <sup>(4)</sup>	-0.6%	1.2%
Return on equity <sup>(5)</sup>	-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.

## Asset Pledge

For details of the Group's asset pledge during the Reporting Period, please refer to note VI-19 to the financial statements.

## Significant Subsequent Events

The Group has no significant subsequent events as of the Latest Practicable Date.

# REPORT OF THE BOARD OF DIRECTORS

The Board hereby presents this report of the Board of Directors, this annual report, and the audited consolidated financial statements of the Group for 2021, which have been prepared in accordance with the CASBE, to the Shareholders.

## CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability on 7 April 2017. The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017.

Basic information of the Company is set out in “Corporate Information” on page 4 to page 5 of this report.

## BUSINESS REVIEW

The Company is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. Rooted in Hebei Province for 70 years, the Company is well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

The Company is principally engaged in the following businesses:

- **Construction contracting business:** The Group provides construction contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.
- **Other businesses:** The Group also engages in service concession arrangements and other businesses.

The discussion and analysis of the Group’s results and performance, major factors affecting the results and financial condition during the Year, and future development are set out in “Business Overview” on page 7 to page 22, “Management Discussion and Analysis” on page 23 to page 29, this “Report of the Board of Directors” and “Significant Events” on page 56 to page 57 of this report.

Details of subsidiaries of the Company are set out in note V-1 to the financial statements.

## **ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY**

The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure the Group's compliance with international standards and the relevant PRC laws and regulations. The Group has adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment.

Further details of the environmental policy and performance of the Company are set out in the Environmental, Social and Governance Report on page 84 to page 168.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

As a joint stock limited liability company established in the PRC with H Shares listed on the Hong Kong Stock Exchange, the Company is governed by the Company Law and other relevant domestic laws and regulations, the Listing Rules and the Securities and Futures Ordinance. The Company mainly conducts business in China and all of its operations are subject to the applicable PRC laws, administrative regulations, departmental regulations and other regulatory documents. The Company is principally under the supervision of various government bodies in China including the MOHURD, the NDRC, the MOFCOM, the Ministry of Emergency Management, the Ministry of Ecology and Environment and the local administrative authorities for environmental protection and is required to follow the regulations promulgated by such authorities in relation to qualifications for construction contracting and construction design, bids, property development, production safety, supervision of the quality and inspection and acceptance, environmental protection and labor and personnel.

## REPORT OF THE BOARD OF DIRECTORS

The Group strictly abides by the following laws and regulations:

The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Regulation on the Implementation of the Employment Contract Law of the People's Republic of China, the Labor Dispute Mediation and Arbitration Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Implementing Measures for Having Interviews for the Work Safety Purpose (for Trial Implementation), the Administrative Measures for the Identification and Investigation of and Punishment Against Illegal Acts During Award and Undertaking of the Construction Contracts for Construction Projects, Administrative Measures for Construction Permits of Construction Projects (Revised), Regulations of Hebei Province on Water Pollution Prevention, Audit Law of the People's Republic of China, Accounting Standards for Business Enterprises-Basic Standards, Implementing Regulations of the Audit Law of the People's Republic of China, Supervision Law of the People's Republic of China, Criminal Law of the People's Republic of China, Contract Law of the People's Republic of China, Civil Procedure Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China, General Provisions of the Civil Law of the People's Republic of China, the Construction Law of the People's Republic of China, Bid Invitation and Bidding Law of the People's Republic of China, the Accounting Law of the People's Republic of China, the Budget Law of the People's Republic of China, Law of the People's Republic of China on Enterprise Income Tax, the Individual Income Tax Law of the People's Republic of China, Company Law of the People's Republic of China, Trademark Law of the People's Republic of China, and Labor Union Law of the People's Republic of China.

The Group has implemented internal control to ensure the compliance with such laws and regulations. Having reviewed the Group's business, the Board is of the view that the Group is in compliance with the requirements of relevant laws and regulations in material respects.

## RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2021 are set out in the audited Consolidated Income Statement on page 196 to page 197 of this report. The financial condition of the Group as of 31 December 2021 is set out in the audited Consolidated Balance Sheet on page 194 to page 195 of this report.

According to the Profit Distribution Proposal of the Company for 2020 considered and approved by the Shareholders at the 2020 annual general meeting on 8 June 2021, on Friday, 16 July 2021, the Company distributed 2020 final dividend of RMB0.14 per share (tax inclusive) in cash to its domestic Shareholders and H Shareholders whose names appear on the register of members of the Company on Thursday, 17 June 2021. The 2020 final dividend was denominated and declared in Renminbi, in particular, domestic Shareholders were paid in Renminbi while H Shareholders were paid in HK dollars. The exchange rate for HK dollars was calculated in accordance with the average central parity rate (being HK\$1 = RMB0.91372) as announced by the PBOC three business days before the date of the 2020 annual general meeting (inclusive of the date of the 2020 annual general meeting), i.e. HK\$0.82472 per H Share (tax inclusive) in cash. For details, please refer to the circular of 2020 annual general meeting dated 10 May 2021 and the announcement dated 8 June 2021 issued by the Company on the website of the Hong Kong Stock Exchange.

## **PROPOSAL AND POLICY FOR THE DISTRIBUTION OF THE FINAL DIVIDEND**

### **Final Dividend**

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

For the year ended 31 December 2021, the Company was not aware of any Shareholders who have waived or agreed to waive any dividend arrangements.

## **Dividend Policy**

The Company adopted the dividend policy on 25 March 2019. According to the dividend policy, the Company's dividend distribution plan is formulated by the Board and subject to consideration and approval by the general meeting. After taking into account the financial position of the Company and in accordance with relevant requirements of relevant laws and regulations, the Board may submit to the general meeting to authorize the Board to distribute and pay dividends by way of an ordinary resolution.

The Board will determine whether to declare and pay dividends based on the following factors, including but not limited to: operating results, cash flow, financial position, Shareholders' equity, overall business conditions and strategies, capital requirements, and cash dividends paid to the Company by subsidiaries and other factors that the Board may consider relevant.

## **FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS**

### **Withholding and Payment of EIT on behalf of Overseas Non-Resident Enterprise Shareholders**

Pursuant to the applicable provisions of the EIT Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules and the requirements under the Circular on Issues Relating to the Withholding of EIT by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the SAT, the Company will withhold and pay EIT at the rate of 10% when it distributes the final dividend to overseas non-resident enterprise Shareholders of H Shares (including any H Shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H Shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder on behalf of investors who invest in the H Shares of the Company through Shanghai-Hong Kong Stock Connect).

## Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules, the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the “**Tax Notice**”) and other relevant laws, regulations and requirements under normative documents, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas individual H Shareholders:

- For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividend;
- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, when the Company distributes final dividend, such Shareholders shall submit the required documents within the prescribed timeline in accordance with the Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (No. 35 of the Announcement of the State Administration of Taxation for 2019) (the “**Taxation Treaties Measures**”) and require the treatment of taxation treaties in advance. The relevant files shall be kept for future inspection. If the information filed is complete, the Company will withhold and pay individual income tax according to the requirements of the taxation laws of the PRC and the Taxation Treaties Measures. If such individual H Shareholders fail to submit the information, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them;
- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders in the distribution of the final dividend; and
- For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders in the distribution of the final dividend.

## SHARE CAPITAL IN ISSUE

As of 31 December 2021, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each. Details of the movement of the share capital of the Company during the Reporting Period are set out in Note VI-28 to the financial statements.

## REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, the Company and the Group did not repurchase, sell or redeem any of the Company's listed securities.

## PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2021 are set out in Note VI-14 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, total sales to the five largest customers of the Company accounted for approximately 5% of the total revenue for the year.

For the year ended 31 December 2021, total purchase from the five largest suppliers of the Company accounted for approximately 15% of the cost of sales for the year.

The construction contracting customers of the Group mainly include universities, hospitals, civil aviation authorities, other government agencies and public institutions, state-owned enterprises and large property development companies in the PRC. The Group has been able to establish long-term and stable relationships with customers by leveraging the track record of providing high-quality, timely and safe construction contracting services. Most of the large customers have cooperated with the Group for multiple times, and the Group's longest cooperation with existing customers has been over 30 years. As of the end of the Reporting Period, the Group had over 600 customers to whom it has provided services in two or more projects. The Group will continue to designate members of senior and mid-level management maintain relationships with major clients by conducting periodic visits to collect their feedback, understand their needs and learn about their new projects. The Group typically wins contracts for the construction services through bidding and tender procedures.

The Group's procurement of raw materials and leasing of equipment and machinery are typically conducted either through a bidding process or directly from suppliers selected from a list of qualified suppliers. Since April 2016, the majority of such biddings have been conducted through Yuncai Network, a business-to-business online procurement platform developed, operated and owned by the Group. In addition, the Group's membership in the China Construction Industry Association also offers it access to a broader range of suppliers.

During the Reporting Period, the Group maintained good cooperation with major customers and suppliers. The Group kept close connection with customers and suppliers, and established a wide range of channels, including telephone, email and physical meeting to communicate with them on an ongoing basis, so as to obtain their feedbacks and suggestions.

## EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees – Staff Information" on page 169 to page 184.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2021 are set out in Notes VI-20 and VI-26 to the financial statements.

## EXTERNAL DONATION

In 2021, the Company donated a total of RMB11.61 million to local charities and governments of impoverished counties.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors and senior management of the Company during the year of 2021 and as of the Latest Practicable Date:

<b>Name</b>	<b>Position in the Company</b>	<b>Date of Appointment</b>
<b>Directors, Supervisors and senior management currently in office</b>		
<b>Directors</b>		
<b><i>Executive Directors</i></b>		
Mr. Li Baozhong	Chairman and executive Director	25 October 2010
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Liu Yongjian	Executive Director and vice president	20 December 2013
Mr. Zhao Wensheng	Executive Director, chief accountant and director of finance	25 February 2019
<b><i>Non-executive Directors</i></b>		
Mr. Li Baoyuan	Honorary chairman and non-executive Director	26 October 1997
Mr. Cao Qingshe	Vice chairman and non-executive Director	25 October 2010
<b><i>Independent Non-executive Directors</i></b>		
Ms. Shen Lifeng	Independent non-executive Director	15 December 2017
Ms. Chen Xin	Independent non-executive Director	15 December 2017
Mr. Chan Ngai Sang Kenny	Independent non-executive Director	15 December 2017

## REPORT OF THE BOARD OF DIRECTORS

<b>Name</b>	<b>Position in the Company</b>	<b>Date of Appointment</b>
<b><i>Supervisors</i></b>		
Mr. Yu Xuefeng	Chairman of the Board of Supervisors and Shareholder Supervisor	25 June 2018
Mr. Liu Jingqiao	Employee Supervisor	31 March 2017
Ms. Feng Xiujian	Shareholder Supervisor	23 January 2013
Mr. Yue Jianming	Employee Supervisor	31 March 2017
Mr. Wang Feng	Shareholder Supervisor	31 March 2017
<b><i>Senior Management</i></b>		
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Liu Yongjian	Executive Director and vice president	17 January 2008
Mr. Zhao Wensheng	Executive Director, chief accountant and director of finance	23 January 2013
Mr. Zhang Wenzhong	Vice president	26 March 2018
Mr. Li Wutie	Board secretary and assistant to president	31 March 2017
Mr. Tian Wei	Vice president	23 June 2020
Mr. Li Zhongyi	Vice president and chief economic officer	30 December 2020
Mr. Lü Qian	Vice president	30 December 2020

## CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there was no change of Directors, Supervisors and senior management.

## BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Company are set out on page 169 to page 184 of this report.

## **SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS**

Each of the Directors and Supervisors has entered into a service contract with the Company. The principal particulars of these service contracts: (1) include the term of appointment, which commences from the date of appointment and ends on the date of expiry of the current session of the Board/Board of Supervisors; and (2) are subject to termination in accordance with the respective terms.

No Director or Supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without compensation (other than statutory compensation).

## **REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The Directors and Supervisors of the Company receive compensation in the form of fees, salaries, pension scheme contributions, discretionary bonus, housing and other allowances and benefits in kind. The remuneration of the Directors of the Company are determined in accordance with the relevant provisions of the Articles of Association and the relevant contracts entered into by the Company and the Directors, which are considered and approved at annual general meetings.

Details of the Directors and the five highest paid individuals of the Company are set out in note XV-1 to the financial statements.

During the Reporting Period, the remuneration of the senior management (except for Ms. Wong Wai Ling, one of the joint company secretaries of the Company who serves as the vice president of SWCS Corporate Services Group (Hong Kong) Limited) whose biographies are included in “Directors, Supervisors, Senior Management and Employees” in this report is disclosed in the corporate governance report herein.

As of the Latest Practicable Date, the Company was not aware of any Directors or Supervisors who have waived or agreed to waive any dividend arrangements.

## **INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

During the Reporting Period, the Group has not directly or indirectly entered into any major transactions, arrangements or contracts relating to the business of the Company, in which the Directors, Supervisors or any of their connected entities have material interests, which still remain valid during or by the end of the Year.

## **INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES**

During the Reporting Period, none of the Directors, Supervisors, the senior management or their respective associates had any interests in any business which competes or is likely to compete directly or indirectly with the business of the Group or had any other conflicts of interest with the Group.

## **CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS**

Save as disclosed under the section headed “Connected Transactions” and paragraphs headed “Related Party Relationships and Transactions” under note X of the Notes to the Financial Statements of this report, there is no contract of significance, whether for the provision of services or otherwise, to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries during the Reporting Period.

## **INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As of 31 December 2021, save as disclosed in “Directors, Supervisors, Senior Management and Employees” in this report, none of the Directors, Supervisors and chief executives of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix 10 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Hong Kong Stock Exchange.

## **RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES**

For the year ended 31 December 2021, the Company, its holding company, or any of its subsidiaries or fellow subsidiaries did not have or has participated at any time during the Year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or debentures of the Company or any other entities.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

## **EQUITY-LINKED AGREEMENTS**

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES**

For details of shareholding of substantial Shareholders in the Company, please refer to “Changes in Share Capital and Information of Shareholders – Interests and Short positions of Substantial Shareholders in the Shares and Underlying Shares of the Company” on pages 58 to 62.

## **PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS**

During the year ended 31 December 2021, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

## **PERMITTED INDEMNITY PROVISIONS**

Save as the above, the Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. As of 31 December 2021, none of the Directors of the Company were benefited from any effective permitted indemnity provisions.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2021, the Company did not have any reserves available for distribution to Shareholders.

Details of the movements in the reserves of the Group and the Company are set out in the consolidated statement of changes in owners' equity of the Group and the statement of changes in owners' equity of the Company in the financial statements.

## **COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS**

The Company received the confirmation letters from Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment, confirming that, in 2021, Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment have fully complied with all undertakings given by them in favor of the Company under the non-competition undertakings.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, as of the Latest Practicable Date, public Shareholders held not less than 26.2% of the Shares in issue of the Company, which was in compliance with the public float requirements under rules 8.08 (1) (a) and (b) of the Hong Kong Listing Rules.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

During the Reporting Period, the following continuing connected transactions of the Group were entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, they are subject to the reporting, annual review, announcement and independent Shareholders' approval (as the case may be) requirements under Chapter 14A of the Listing Rules.

### **Labor Subcontract Framework Agreement**

#### ***Parties***

The Company (as contractor) and Baoding Tianli (as subcontractor)

### **Principal Terms**

The Company entered into a labor subcontract framework agreement with Baoding Tianli on 31 December 2019 (the “**Labor Subcontract Framework Agreement**”), pursuant to which Baoding Tianli provides labor subcontract services to the Group in the ordinary course of business of the Group, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli charges the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The principal terms of the Labor Subcontract Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Labor Subcontract Framework Agreement; and
- (3) the Labor Subcontract Framework Agreement, after being approved at the 2020 first extraordinary general meeting of the Company, is valid from 1 January 2020 to 31 December 2022.

### **Pricing Policy**

In accordance with the Labor Subcontract Framework Agreement, the total subcontract fee paid by the Group to Baoding Tianli is determined based on the following pricing policy: when the Group subcontracts labor supply for the construction projects, public bidding procedures will be applied. Prior to the bidding procedures, the Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders who are Independent Third Parties attending the bidding procedures, otherwise the bidding will be canceled. The review panel for any bidding will consist of experts selected by the Group as well as the project manager, and the comparable quoted bidding prices (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees) is an important, but not the only, factor to be considered. The review panel will also take into consideration factors including, but not limited to, the bidder’s sufficient licenses and qualifications, business scale and capacities and its historical results, as well as make reference to prevailing market terms and prices. The bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will be implemented. Therefore, only in the event that Baoding Tianli wins the bidding with the highest score determined by the review panel, the Group will enter into business agreements with Baoding Tianli under the Labor Subcontract Framework Agreement.

### ***Listing Rules Implications***

Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye, which is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, respectively. As Zhongru Investment and Qianbao Investment are Controlling Shareholders of the Company, Baoding Tianli is the Company's connected person by virtue of Rule 14A.07(4) of the Listing Rules. Pursuant to the Listing Rules, the transactions contemplated under the Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli calculated according to the Listing Rules is higher than 5%, such transactions shall be subject to the reporting, announcement, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***Reasons for the transaction***

Baoding Tianli has expertise in labor subcontract services and has established a good reputation for its quality services in the labor industry. Baoding Tianli has become familiar with the Company's business needs and operational requirements through its long-term cooperation with the Company and thus can provide the Company with a sufficient number of laborers who have the requisite expertise and experience for the Company's construction business, in a timely manner and in accordance with applicable laws and regulations.

### ***Implementation of such connected transaction during the Reporting Period***

During the Reporting Period, the continuing connected transaction under the Labor Subcontract Framework Agreement was capped at RMB4,000 million for 2021. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB3,835 million for 2021.

For details of the transaction above, please refer to the Company's announcement dated 31 December 2019 and the circular dated 22 January 2020.

## Engineering Construction Service Framework Agreement

### *Parties*

The Company (as the service provider) and Zhongming Zhiye (as the service recipient)

### *Principal Terms*

On 17 May 2019, the Company and Zhongming Zhiye entered into an engineering construction service framework agreement (“**Engineering Construction Service Framework Agreement**”) and formulated the annual caps for transactions under such agreement for 2019, 2020 and 2021. Pursuant to it, 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. Principal terms of the Engineering Construction Service Framework Agreement include:

- (1) the pricing policy (see below);
- (2) the Group provides 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; and
- (3) the term of the Engineering Construction Service Framework Agreement starts from the completion of the Equity Swap and Transfer (i.e. 20 June 2019) until 31 December 2021 (inclusive), and can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement.

### *Pricing Policy*

According to the Engineering Construction Service Framework Agreement, the cost for the Group to provide construction services to Zhongming Zhiye and its associates is 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.

### ***Listing Rules Implications***

As 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 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 annual review, notice, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***Reasons for the transaction***

(i) The Group has provided construction engineering 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.

### ***Implementation of such connected transaction during the Reporting Period***

During the Reporting Period, the continuing connected transaction under the Engineering Construction Service Framework Agreement was capped at RMB1,200 million for 2021. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB610 million for 2021.

### **Confirmation by Independent Non-executive Directors**

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions were conducted in the ordinary course of business of the Group and on normal commercial terms or better, or where there were no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Company no less favorable than term available to or from (as appropriate) Independent Third Parties, and the transactions were conducted in accordance with the relevant agreement governing the transactions, on fair and reasonable terms and in the interests of the Shareholders as a whole.

### **Auditor's Letter**

Pursuant to Rule 14A.56 of the Listing Rules, the Company has appointed Ernst & Young Hua Ming LLP (“EY”) as the auditor to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Based on the works performed, EY has issued the letter to the Board confirming that, in respect of the continuing connected transactions disclosed above:

- (a) nothing has come to EY’s attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

- (b) for transactions involving the provision of products and service by the Group, nothing has come to EY's attention that causes it to believe that the transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group;
- (c) nothing has come to EY's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- (d) in connection with the total amount of each of the continuing connected transaction disclosed above, nothing has come to EY's attention that causes it to believe that such continuing connected transactions have exceeded the annual cap set by the Company.

## **Renewal of Continuing Connected Transactions**

### ***Renewal of the New Engineering Construction Service Framework Agreement***

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. 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. After being considered and approved at the 2021 first extraordinary general meeting convened by the Company on 28 December 2021, New Engineering Construction Service Framework Agreement is valid for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024. For details of renewal of connected transactions, please refer to the announcements of the Company dated 22 November 2021 and 28 December 2021 and the circular dated 8 December 2021.

### ***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. 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.

## REPORT OF THE BOARD OF DIRECTORS

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. 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. The New Construction Auxiliary Service Framework Agreement will be valid for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024. For details of renewal of connected transactions, please refer to the announcements of the Company dated 22 November 2021.

Save as disclosed above, the Company and its connected parties did not enter into any other non-exempt connected transactions during the Reporting Period.

### **RELATED PARTY TRANSACTIONS**

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of related party transactions entered into by the Group during the Reporting Period are set out in Note X to the financial statements. Save as disclosed in the "Report of the Board of Directors - Non-exempt Continuing Connected Transactions" of this report, the related party transactions as disclosed in Note X do not constitute connected transactions or are exempt from the reporting, announcement and Shareholders' approval requirements under the Listing Rules. During the Reporting Period, the Company complied with the related regulations under Chapter 14A of the Listing Rules.

Ernst & Young Hua Ming LLP has audited the 2021 annual financial report of the Company and issued a standard unqualified audit report, indicating that the 2021 annual financial report prepared by the Company has given a fair view of the financial position and operating results of the Company.

### **AUDIT COMMITTEE**

The Audit Committee of the Board has reviewed the annual results and annual report of the Company for 2021 and the audited consolidated financial statements for the year ended 31 December 2021 prepared under the CASBE.

## ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for 2021 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2020, except for changes in accounting policy as set out in Note III-27 to the financial statements.

## AUDITOR

In June 2018, upon consideration and approval at the 2017 annual general meeting of the Company, Ernst & Young was engaged as the auditor of the Company for 2018 under the IFRSs and Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2018 under the CASBE for a term commencing from the date of conclusion of the 2017 annual general meeting of the Company to the date of conclusion of the 2018 annual general meeting of the Company.

In March 2019, in view of the proposed adoption of the CASBE to prepare financial statements of the Company only, the Board proposed not to re-appoint Ernst & Young as the overseas auditor of the Company for the year of 2019. The Shareholders of the Company has approved the resolution of non-reappointment of overseas auditor by voting at the 2018 annual general meeting held on 20 June 2019. Ernst & Young confirmed that there is no matter in relation to the proposed non-reappointment of overseas auditor that needs to be brought to the attention of the Shareholders or the Stock Exchange. The Board and the Audit Committee of the Board of the Company confirmed that the Company had no disagreement with Ernst & Young regarding the proposed non-reappointment of overseas auditor.

In June 2019, upon consideration and approval at the 2018 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2019 under the CASBE for a term commencing from the date of conclusion of the 2018 annual general meeting of the Company to the date of conclusion of the 2019 annual general meeting of the Company.

In June 2020, upon consideration and approval at the 2019 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2020 under the CASBE for a term commencing from the date of conclusion of the 2019 annual general meeting of the Company to the date of conclusion of the 2020 annual general meeting of the Company.

## REPORT OF THE BOARD OF DIRECTORS

In June 2021, upon consideration and approval at the 2020 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2021 under the CASBE for a term commencing from the date of conclusion of the 2020 annual general meeting of the Company to the date of conclusion of the 2021 annual general meeting of the Company.

In March 2022, the Board proposed to re-appoint Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2022 under the CASBE for a term commencing from the date of conclusion of the 2021 annual general meeting of the Company to the date of conclusion of the 2022 annual general meeting of the Company. At the same time, the Board submitted to the general meeting to grant authorization to the Board to further delegate such authority to the President, to determine the remuneration for the appointment of the above auditor. The above proposals are subject to consideration and approval of the Shareholders at the 2021 annual general meeting of the Company.

Save as disclosed above, there has been no change in the Company's auditors in any of the last three years.

By order of the Board

**Hebei Construction Group Corporation Limited**

**Li Baozhong**

*Chairman*

# REPORT OF BOARD OF SUPERVISORS

In 2021, the Board of Supervisors of the Company adhered to the principle of good faith, diligently performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. The work report of the Board of Supervisors is as follows:

## 1. MEETINGS

On 31 March 2021, the third meeting of the second session of the Board of Supervisors was convened by the Board of Supervisors of the Company onsite. Of the 5 Supervisors entitled to attend the meeting, 5 Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposals considered and approved at the meeting are as follows:

Proposal on Delay in Convening of 2020 Annual Meeting of the Board of Supervisor of Hebei Construction Group Corporation Limited; and Proposal on the 2020 Unaudited Results Announcement of Hebei Construction Group Corporation Limited.

On 20 April 2021, the fourth meeting of the second session of the Board of Supervisors was convened by the Company onsite. Of the 5 Supervisors entitled to attend the meeting, 5 Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposals considered and approved at the meeting are as follows:

Proposal on the 2020 Annual Report and Results Announcement of Hebei Construction Group Corporation Limited; Proposal on the 2020 Financial Report of Hebei Construction Group Corporation Limited; Proposal on the 2020 Working Report of the Board of Supervisors of Hebei Construction Group Corporation Limited; Proposal on the 2020 Profit Distribution Plan of Hebei Construction Group Corporation Limited; and Proposal on the Salary of Supervisors of Hebei Construction Group Corporation Limited in 2020.

On 31 August 2021, the fifth meeting of the second session of the Board of Supervisors was convened by the Company onsite. Of the 5 Supervisors entitled to attend the meeting, 5 Supervisors were present. The procedures for convening and holding the meeting were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The proposal considered and approved at the meeting are as follows:

Proposal on the 2021 Interim Results Announcement and Interim Report of Hebei Construction Group Corporation Limited.

## 2. ATTENDANCE OF IMPORTANT MEETINGS

In 2021, the Supervisors attended 2 general meetings as required and were present at 11 Board meetings as non-voting delegates. By attending these important meetings, the Supervisors not only developed insights into the operation and management of the Company, but also actively participated in the consideration and discussion of resolutions and put forward their opinions and suggestions in a responsible manner, thus effectively supervised the procedures for convening these meetings and the discussion of proposals.

## 3. ROUTINE INSPECTIONS AND RESEARCHES

In 2021, the Board of Supervisors continually monitored the compliance of the Company's operation to ensure that the internal operation was in line with regulations and listing requirements.

## 4. INDEPENDENT OPINIONS AND SPECIAL EXPLANATIONS

- (1) Having monitored the performance of duties of the Directors and senior management members of the Company and the legal compliance of the operation of the Company, the Board of Supervisors was of the view that the Board of the Company was able to make decisions according to the laws and in strict compliance with various requirements such as the Company Law and the Articles of Association and the major business decision-making procedures of the Company were lawful and valid; that the Company further optimized and improved various internal management systems and internal control mechanisms; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information disclosure was in compliance with regulations and the securities trading system for the informed parties of insider information was in place properly; that the Directors and senior management members of the Company were able to implement diligently and thoroughly relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the performance of the duties for the Company in a faithful, pioneering and ambitious manner; and that no Directors or senior management members of the Company were found to have violated the laws, regulations or the Articles of Association or harmed the interests of the Company and the rights and interests of the Shareholders when performing their duties for the Company.

## REPORT OF BOARD OF SUPERVISORS

- (2) By communicating with the accounting firms in charge of the audit and review services for the Company, the Board of Supervisors examined the Company's financial statements, considered its periodic reports of the Company and the audit report of the accounting firm, regularly listened to the report of the internal audit department of the Company on the progress of internal audit work, and carried out effective supervision and inspection on the Company's financial management and operation through on-site inspection, research, etc. The Board of Supervisors was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2021. Ernst & Young Hua Ming LLP has audited the 2021 annual financial report of the Group and issued a standard unqualified audit report. It was of the view that the 2021 annual financial report prepared by the Group has given a fair view of the financial position and operating results of the Group.
- (3) The Board of Supervisors monitored the related party transactions and connected transaction conducted by the Company. It was of the view that such transactions were conducted in accordance with the Company Law, the Hong Kong Listing Rules as well as the Company's Articles of Association and the Rules Governing Related Party Transactions (《關聯交易管理制度》), and that the pricings of these related party transactions and connected transaction were fair, without violating the principles of openness, fairness and impartiality, and did not harm the interests of the Company and its minority Shareholders.
- (4) The Board of Supervisors made a special explanation of the Company's internal control. It was of the view that in 2021, the internal control system of the Company underwent continuous enhancement, the evaluation of the internal control was effectively implemented and the internal control continued to improve as a whole, hence it was able to provide a reasonable assurance regarding the achievement of the internal control objective.

## **SIGNIFICANT EVENTS**

### **CONVENING THE 2021 ANNUAL GENERAL MEETING**

The 2021 annual general meeting of the Company will be convened at 9:00 a.m. on Tuesday, 28 June 2022 at Meeting Room, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding, Hebei Province, the PRC. The notice and circular of convening the 2021 annual general meeting will be dispatched in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

#### **The 2021 annual general meeting**

In order to ascertain the entitlements of the Shareholders to attend the 2021 annual general meeting, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of Shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 28 June 2022 will be eligible to attend the 2021 annual general meeting. To be eligible to attend and vote at the 2021 annual general meeting, all duly completed and signed share transfer documents together with relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Wednesday, 22 June 2022.

### **MAJOR LITIGATION, ARBITRATION AND ISSUES GENERALLY QUESTIONED BY THE MEDIA**

During the Reporting Period, the Group was not involved in any major litigation, arbitration and issues generally questioned by the media. The Directors were also not aware of any pending or potential significant litigations or claims.

## **MAJOR TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES**

Save as disclosed in this report, during the Reporting Period, the Company was not involved in any major transactions of assets and mergers of enterprises.

## **EQUITY INCENTIVES SCHEME OF THE COMPANY AND ITS IMPACT**

During the Reporting Period, the Company did not have any equity incentives scheme.

## **MATERIAL CONTRACTS**

Saved as disclosed in this report, during the Reporting Period, the Company or any of its subsidiaries had not entered into any material contracts with the Controlling Shareholders or any of their subsidiaries other than the Group, and the Group did not have any material service contracts with the Controlling Shareholders or any of their subsidiaries other than the Group.

## **EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING**

During the Reporting Period, the Company was not involved in any circumstances which may lead to suspension or termination of Listing, nor involved in any detailed arrangement and planning of investor relations management as a result of suspension or termination of Listing.

## **SIGNIFICANT SUBSEQUENT EVENTS**

From 1 January 2022 to the Latest Practicable Date, there were no significant subsequent events.

# CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

## SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

The overseas-listed foreign-invested Shares (H Shares) of the Company were listed on the main board of the Stock Exchange on 15 December 2017, with a total share capital of 1,733,334,000 Shares. As at 5 January 2018, the over-allotment option described in the Prospectus was partially exercised, and 28,049,500 H Shares were allotted, increasing the number of Shares to 1,761,383,500 Shares.

As at 31 December 2021, the total registered share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00 each, including 1,300,000,000 Domestic Shares and 461,383,500 H Shares. During the Reporting Period, there was no change in the share capital of the Company.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

## CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES OF THE COMPANY

Name of the Directors, Supervisors and chief executives	Capacity	Number of Shares interested		Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2021	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2021
			Class of Shares			
Mr. Li Baoyuan <sup>1</sup>	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

*Notes:*

- As at 31 December 2021, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO. As at 31 December 2021, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly or indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 5.54% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 255,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

## CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of the Directors, Supervisors and chief executives	Name of associated corporation	Capacity	Number of ordinary shares interested in the associated corporation	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 31 December 2021
<b>Directors</b>					
Mr. Li Baoyuan <sup>1</sup>	Qianbao Investment <sup>2</sup>	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment <sup>3</sup>	Interest in controlled corporation	255,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment <sup>2</sup>	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment <sup>3</sup>	Beneficial owner	5,000,000 shares	Long position	1.97%
Mr. Shang Jinfeng	Zhongru Investment <sup>3</sup>	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Zhao Wensheng	Zhongru Investment <sup>3</sup>	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Liu Yongjian	Zhongru Investment <sup>3</sup>	Beneficial owner	2,000,000 shares	Long position	0.79%
<b>Supervisors</b>					
Mr. Yu Xuefeng	Zhongru Investment <sup>3</sup>	Beneficial owner	1,000,000 shares	Long position	0.39%
Ms. Feng Xiujian	Zhongru Investment <sup>3</sup>	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Wang Feng	Zhongru Investment <sup>3</sup>	Beneficial owner	1,000,000 shares	Long position	0.39%
Mr. Liu Jingqiao	Zhongru Investment <sup>3</sup>	Beneficial owner	500,000 shares	Long position	0.20%
Mr. Yue Jianming	Zhongru Investment <sup>3</sup>	Beneficial owner	500,000 shares	Long position	0.20%

#### Notes:

- As at 31 December 2021, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meeting of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan (through Qianbao Investment) is deemed to be interested in 100% of the equity interests, or 255,000,000 shares, in Zhongru Investment.
- As at 31 December 2021, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 31 December 2021, the total share capital of Zhongru Investment is 255,000,000 shares.

## CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as the Directors were aware, as at 31 December 2021, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES**

As of 31 December 2021, none of the Directors or Supervisors or their respective spouses or children under the age of 18 was granted any rights to acquire benefits by means of acquisition of Shares or debentures of the Company, nor exercised any such rights. The Company or any of its subsidiaries did not make any arrangement to enable the Directors or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.

## CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the following persons (not being the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be recorded in the register kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2021	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2021
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
Qianbao Investment <sup>1</sup>	Interest in controlled corporation	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
	Beneficial owner	97,500,000	Domestic Shares	Long position	7.50%	5.54%

*Notes:*

- As at 31 December 2021, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Domestic Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2021.

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the Corporate Governance Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended 31 December 2021.

For the year ended 31 December 2021, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG 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.

In particular, the Chairman assumes the major responsibility for ensuring that sound corporate governance practices and procedures of the Company are in place. The Company has adopted a corporate governance policy, which sets out terms of reference for the Board, including but not limited to: formulation and review of the corporate governance policy and practices of the Company; review and monitoring of the training and continuous professional development of the Directors and senior management; review and monitoring of the policies and practices of the Company in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of compliance by staff and Directors with the code of conduct and compliance manual; and review of the compliance of the Company with the CG Code.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high level of corporate governance to meet business needs and Shareholders’ requirements. To ensure that the Company is able to fully fulfill its obligations under the Listing Rules, the Company has established an effective corporate supervision structure and is committed to continually improving its internal control and corporate governance mechanisms. The Company also operates in strict accordance with the Articles of Association, the Working Rules of the Committees under the Board of Directors, the Company Law, and the relevant laws, regulations and regulatory documents, as well as the relevant provisions of the Hong Kong Stock Exchange, so as to do a good job in corporate information disclosure and investment relationship management and service.

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

### **BOARD**

#### **Responsibilities**

The Board is held accountable for the general meeting and is primarily responsible for overall management and control of the Company as well as providing leadership and approving strategic policies and plans with a view to enhancing Shareholder value. All Directors carry out their duties in good faith and in compliance with the applicable laws and regulations, and act in the interest of the Company and its Shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries and senior management, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations.

The Board is responsible for making decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, operating plans and investment proposals, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment or dismissal of senior management of the Company and other significant financial and operational matters.

Directors have full and timely access to independent consultation with the senior management. Any Director and committee under the Board may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the management. The management of the Company decides the investment, financing, contracts, transactions and other matters of the Company within the scope of the Articles of Association and the authorization of the Board of Directors. The respective functions of the Board and management of the Company were established and will be reviewed from time to time as appropriate. To oversee particular aspects of the Company's affairs, the Board has established four Board committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategic Committee. The Board has delegated to these Board Committees responsibilities as set out in their respective terms of reference.

## BOARD COMPOSITION

During the year ended 31 December 2021 and up to the Latest Practicable Date, the Directors were as follows:

### Executive Directors

Mr. Li Baozhong<sup>1</sup>  
Mr. Shang Jinfeng  
Mr. Liu Yongjian  
Mr. Zhao Wensheng

### Non-executive Directors

Mr. Li Baoyuan<sup>2</sup>  
Mr. Cao Qingshe

### Independent Non-executive Directors

Ms. Shen Lifeng  
Ms. Chen Xin  
Mr. Chan Ngai Sang Kenny

*Notes:*

1. Mr. Li Baozhong is the brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie.
2. Mr. Li Baoyuan is the brother of Mr. Li Baozhong and the father of Mr. Li Wutie.

Biographies of the Directors are set out in the section headed “Directors, Supervisors, Senior Management and Employees” in this report.

Saved for disclosed above, there are no relationships among the Directors, Supervisors and senior management, including financial, business, family or other material/relevant relationships.

During the year ended 31 December 2021, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing the appropriate professional accounting qualifications or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

## CORPORATE GOVERNANCE REPORT

Each of the independent non-executive Directors has provided on annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and expertise to the Board for its effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on the committees under the Board, all non-executive Directors make various contributions to the effective leadership of the Company.

### INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development programs to sharpen and update their knowledge and skills. The Company has participated in continuous professional development through seminars and/or reading materials to develop and refresh its knowledge and skills. All Directors have provided training records to the Company.

During the year ended 31 December 2021, the key methods of attaining continuous professional development by each of the Directors are summarised as follows:

<b>Name of Directors</b>	<b>Attending courses/seminars</b>	<b>Reading regulatory materials</b>
<b>Executive Directors</b>		
Mr. Li Baozhong	✓	✓
Mr. Shang Jinfeng	✓	✓
Mr. Liu Yongjian	✓	✓
Mr. Zhao Wensheng	✓	✓
<b>Non-executive Directors</b>		
Mr. Li Baoyuan	✓	✓
Mr. Cao Qingshe	✓	✓
<b>Independent non-executive Directors</b>		
Ms. Shen Lifeng	✓	✓
Ms. Chen Xin	✓	✓
Mr. Chan Ngai Sang Kenny	✓	✓

## CHAIRMAN AND PRESIDENT

The positions of the Chairman and the President of the Company are held separately. The role of Chairman of the Company is held by Mr. Li Baozhong, and the role of President of the Company is held by Mr. Shang Jinfeng.

The division of responsibilities between the Chairman and President is clearly established and set out in writing. The Chairman exercises such functions as presiding over general meetings, convening and presiding over meetings of the Board; supervising and checking on the implementation of the resolutions of the general meetings and the Board of Directors and receiving the work reports of the President, other senior management members of the Company and the persons-in-charge of the invested enterprises of the Company, so as to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The President is responsible for the Board, appointed by the Board and has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis. His major functions include being in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report on his or her work to the Board of Directors; arranging for the implementation of the Company's annual business plans and investment plans, drafting the plan for establishment of the Company's internal management organization and the Company's basic management system and formulating the basic rules and regulations of the Company.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall be subject to election at the general meetings with a term of office of three years and may be re-elected. However, an independent non-executive Director shall not serve more than nine years consecutively. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, taking into account the actual situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at the general meetings. Each of the Directors and Supervisors has entered into a contract pursuant to Rule 19A.54 and Rule 19A.55 of the Listing Rules with our Company which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company.

## BOARD COMMITTEES

### Audit Committee

The Company established the Audit Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of key senior officers of the Company, supervise and evaluate the internal audit of the Company and formulate the medium-to-long-term audit plan, annual working plan and the plan on structure of the internal audit system of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of the external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of financial reporting and risk management and internal control; and
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Audit Committee currently consists of five non-executive Directors, three of whom are independent non-executive Directors. The members of the Audit Committee are currently Ms. Shen Lifeng, Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. It is currently chaired by Ms. Shen Lifeng, an independent non-executive Director.

During the year ended 31 December 2021, the Audit Committee convened 4 meetings to review the annual result announcement and annual report for the year ended 31 December 2020, the Financial Report for Year 2020 and the Financial Budget for Year 2021, to approve and review the internal control and risk management system of the Group and to oversee the audit process, and to review the interim results announcement and interim report for the six months ended 30 June 2021 and New Engineering Construction Service Framework Agreement, etc.

### **Nomination Committee**

The Company established the Nomination Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board in this regard;
2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;
3. to conduct preliminary examination of the eligibility of candidates for Directors and senior management;
4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board Committees; and
5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Nomination Committee currently consists of two executive Directors and three independent non-executive Directors. The members of the Nomination Committee are currently Ms. Chen Xin, Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng and Mr. Chan Ngai Sang Kenny. It is currently chaired by Ms. Chen Xin, an independent non-executive Director.

During the year ended 31 December 2021, the Nomination Committee convened 1 meeting, to nominate the candidates of the Second Session of the Board and review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and the diversity of the Board.

### ***Board Diversity Policy***

The Company adopted the Board diversity policy on 5 June 2017, which is summarized as follows:

#### ***Overview of the policy***

With a view to achieving sustainable and balanced development, the Company considers increasing diversity at the Board level as an essential element in achieving strategic objectives and sustainable development. All Board appointments are based on meritocracy and candidates are considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

#### ***Measurable objectives and progress on achieving such objectives***

The selection of candidates is based on a wide range of diversity perspectives with reference to the business model and special requirements of the Company, including but not limited to gender, ethnicity, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the policy and the measurable objectives (including diversity in gender and age group of Board members, experience of Board members in a wide range of industries and knowledge and skills in different fields, etc.) on an annual basis, so as to ensure the continued effectiveness of the Board.

As at the Latest Practicable Date, the Company had a total of nine Directors, covering different gender and age groups. In addition to construction projects, members of the Board also have industry and professional experience in finance, legal affairs and corporate governance. The Nomination Committee has reviewed the Board diversity policy and the measurable objectives and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives, the measurable objectives have been achieved and the Board diversity policy has been effective.

### ***Nomination policy***

The Company adopted the Director nomination policy on 25 March 2019.

According to the Director nomination policy, the Nomination Committee adopts the following selection procedures when recommending candidates for Directors:

- (1) The Nomination Committee shall actively communicate with all business and functional departments of the Company to study the Company's need for Directors;
- (2) The Nomination Committee may extensively look for suitable candidates among substantial Shareholders, the Company and its subsidiaries, as well as relevant industry institutions and market institutions;
- (3) According to the criteria listed in the Company's Board diversity policy and Director nomination policy, identify and select the recommended candidates, and collect relevant information of the primary candidates to form written materials;
- (4) Obtaining the nominee's consent to the nomination, otherwise he/she cannot be taken as the recommended candidate;
- (5) Convening a meeting of the Nomination Committee to examine the qualifications of the primary candidates according to the qualifications of Directors;
- (6) Before the election of new directors, providing relevant materials of the recommended candidates to the Board for consideration; and
- (7) Carrying out other follow-up work according to the Board's decisions and feedback.

## CORPORATE GOVERNANCE REPORT

In considering the nomination of recommended Directors, the Nomination Committee will take into account the Board diversity policy of the Company and abide by the following criteria:

- i. The candidates will be recommended based on a series of diversified categories with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience;
- ii. The impact of the proposed candidates on the structure and diversity of the Board;
- iii. Whether the recommended candidates have the commitment to devote sufficient time and effectively perform his/her duties as Directors. Therefore, consideration should be given to the number and nature of positions held by the candidate in public companies or organizations, as well as other work burdens that the candidate has undertaken;
- iv. Whether the proposed candidate has caused potential/actual conflicts of interest as a result of his/her election;
- v. Industry status, professionalism and independence of independent non-executive Director candidates;
- vi. As for the proposed re-appointment of the independent non-executive Director, the time period he/she has served in the Company; and
- vii. Other factors that the Nomination Committee may consider relevant.

## Remuneration and Appraisal Committee

The Company established the Remuneration and Appraisal Committee on 15 December 2017, with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration and Appraisal Committee include:

1. to organize and formulate the remuneration policy and plan of the Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of the Directors and senior management and submit to the Board for approval; and
2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

The Remuneration and Appraisal Committee currently consists of two executive Directors and three independent non-executive Directors. The members of the Remuneration and Appraisal Committee are currently Ms. Chen Xin, Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng and Mr. Chan Ngai Sang Kenny. It is currently chaired by Ms. Chen Xin, an independent non-executive Director.

During the year ended 31 December 2021, the Remuneration and Appraisal Committee convened 1 meeting, to review the policies of the remuneration of the Directors and senior management and the remunerations of the Directors and senior management in 2020.

### Strategic Committee

The Company established the Strategic Committee on 19 July 2019. The primary duties of the Strategic Committee include:

1. to study and provide proposals for the interim and long-term development strategy and overall planning of the Company;
2. to study and provide proposals for the industrial structural adjustments, significant assets and business reorganization protocol of the Company;
3. to study and provide proposals for the investment and financing plans approved by the Board according to the Articles of Association;
4. to study and provide proposals for the significant capital operation, significant external investment and asset operation projects approved by the Board according to the Articles of Association;
5. to study and provide proposals on the Company's environmental, social and governance policies, strategies and reporting that are subject to approval by the Board
6. to review, assess and to provide adjustment proposals at an appropriate time for the implementation situations of above matters;
7. to accomplish other duties given by the Board.

The Strategic Committee currently consists of two executive Directors and one non-executive Director. The members of the Strategic Committee are currently Mr. Li Baozhong, Mr. Shang Jinfeng and Mr. Cao Qingshe. It is currently chaired by Mr. Li Baozhong, the Chairman of the Board.

During the year ended 31 December 2021, the Strategic Committee convened 1 meeting, to review the investment budget plan for 2021; the financing plan for 2021; issuance of debt financing instruments in 2021; and to propose to the general meeting to grant the general mandate to the Board to issue additional domestic Shares and H Shares.

## CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to formulate, review and improve the corporate governance system and the implementation of the Company;
- (b) to review and supervise the training and continuous professional development of the Directors and senior management;
- (c) to review and supervise the compliance of the Company's policies with laws and relevant regulations of the securities regulatory authority where the Shares are listed and to make the relevant disclosure;
- (d) to formulate, review and monitor the code of conduct and compliance manual applicable to the employees and Directors of the Company; and
- (e) to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

During the year ended 31 December 2021, the above corporate governance function was performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

## BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND THE GENERAL MEETING

Meetings of the Board are divided into regular meetings and extraordinary meetings. The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given before all regular Board meetings, and notices of not less than five days will be given before extraordinary Board meetings, to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

During the year ended 31 December 2021, the Company convened 11 Board meetings and two general meetings.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the attendance record of individual Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee and the general meetings is set out below:

Name of Directors	Board meeting	Number of attendance/meeting(s)				
		Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Strategic Committee meeting	General meeting
<b>Executive Directors</b>						
Mr. Li Baozhong	11/11	-	1/1	1/1	1/1	2/2
Mr. Shang Jinfeng	11/11	-	1/1	1/1	1/1	2/2
Mr. Liu Yongjian	11/11	-	-	-	-	2/2
Mr. Zhao Wensheng	11/11	-	-	-	-	2/2
<b>Non-executive Directors</b>						
Mr. Li Baoyuan	11/11	4/4	-	-	-	2/2
Mr. Cao Qingshe	11/11	4/4	-	-	1/1	2/2
<b>Independent non-executive Directors</b>						
Ms. Shen Lifeng	11/11	4/4	1/1	1/1	-	2/2
Ms. Chen Xin	11/11	4/4	1/1	1/1	-	2/2
Mr. Chan Ngai Sang Kenny	11/11	4/4	1/1	1/1	-	2/2

## COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS

Each of Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment (the Controlling Shareholders of the Company as defined in the Listing Rules) has confirmed to the Company that he/it has complied with the non-competition undertakings given to the Company on 23 November 2017 during the year ended 31 December 2021. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that the undertakings thereunder have been complied with for the year ended 31 December 2021.

## REMUNERATIONS OF THE SENIOR MANAGEMENT

Details of Directors' remuneration are set out in note XV-1 to the audited consolidated financial statements. Remunerations paid to a total of 5 senior management (excluding the Directors) by bands for the year ended 31 December 2021 are set out below:

<b>Remuneration band</b>	<b>Number of individuals</b>
RMB200,001 to RMB500,000	1
RMB500,001 to RMB1,000,000	4

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they have complied with the standards specified in the Model Code during the year ended 31 December 2021.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established the Inspection and Auditing Department to assist in supervision of the performance of duties and implementation of basic work system of headquarters' functional departments of the Group and oversee the internal operation and implementation of basic work system of subsidiaries of the Group. In particular, the Board acknowledges its responsibilities for overseeing the risk management and internal control system of the Group. It also supervises and inspects the works and the risk management and internal control of the Company through the Audit Committee, and reviews the effectiveness at least once annually. Considering that the purpose of risk management and internal control system monitoring is to manage rather than eliminate the risk of failure to achieve business objectives, the Board can only reasonably, not absolutely guarantee that the above system and internal control can prevent any material misrepresentation or loss. For the year ended 31 December 2021, the Board had annually reviewed the effectiveness of the risk management and internal control system and considers that, the design and function of the risk management and internal control system remain effective and appropriate in all material aspects.

## CORPORATE GOVERNANCE REPORT

Based on the “Basic Standard of Corporate Internal Control” and its implementation guidelines, and with reference to the requirements of the SFC and the actual conditions of the Company, the Company formulated the “Internal Control Appraisal Management System of Hebei Construction Group (《河北建設集團內部控制評價管理制度》)”, “Articles of the Risk Management Committee of Hebei Construction Group (《河北建設集團風控委員會章程》)” and the “Plan on Establishment and Implementation of “Three Lines of Defense” of Internal Control (《內部控制「三道防線」建設實施方案》)”. This facilitated the establishment of a more comprehensive internal control and risk management system aiming at upgrading the operation management and risk management capabilities of the Company, promoting the sustainability of the Company and safeguarding the legal rights and interest of the investors. The “internal control” of such systems refers to the business systems and operating processes implemented by the Board, Board of Supervisors, management and all staff of the Company for attaining management goals of internal control. Business systems under such systems include all individual business units of the Group managed with the top-down approach, such as the market development system, operation management system, human resources system and financial management system, as well as the wholly-owned subsidiaries, controlled subsidiaries, branches and project groups under direct management. The Board of the Company is in charge of building and maintaining the internal control and risk management system. It has established the Audit Committee for reviewing the formulation and implementation of the internal control and risk management system. The management of the Company has established the risk management committee, which leads the internal control and risk management of the Company, while the supervision and audit department evaluates the construction and implementation of the internal control system. Based on the internal control and risk management system, the Company organizes risk assessment on a yearly basis to collect information on risks for rectification or elimination. In 2021, the Company performed relatively comprehensive risk assessment and internal control evaluation, which covered the headquarters and the subsidiaries of the Group. It also prepared the 2021 Risk and Internal Control Work Report. The Board and the senior management of the Company attach great importance to the problems and risks identified and carried out rectification and improvement one by one, which ensured compliant and efficient business operation of the Company. In view of the above, the Company has a complete internal control structure in place, and an appropriate set-up for the internal audit department and staff, which effectively ensure the supervision and implementation of internal control procedures. The internal control and evaluation of the Company give a full and fair view of the actual situation and play an important role in supporting the compliant operation of the Company in the long run.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- (i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practicable if it is the subject of a decision;
- (ii) conducts its affairs with close regard to the applicable laws and regulations; and
- (iii) has communicated to all relevant staff regarding the requirement under the applicable laws and regulations. During the Relevant Period, no person with knowledge of inside information was found using inside information to buy and sell the Company's Shares.

### JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Li Wutie (“**Mr. Li**”) and Ms. Wong Wai Ling (“**Ms. Wong**”).

Mr. Li is the Board secretary and the assistant to the President of the Company. He is mainly responsible for assisting the President in dealing with various affairs and handling information disclosures and investor management as well as corporate governance affairs of the Company.

Ms. Wong Wai Ling, the other joint company secretary of the Company, is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She acts as the contact person of the Company with the Stock Exchange and assists Mr. Li in his performance of duties as the joint company secretary of the Company. Ms. Wong's primary corporate contact person at the Company is Mr. Li.

For the year ended 31 December 2021, each of Mr. Li and Ms. Wong has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

## **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021 in accordance with statutory requirements and applicable accounting standards.

The Board is accountable to the Shareholders for a clear and balanced assessment on the Company's financial position and prospects. The management of the Company provides all relevant information and records to the Board, which enables it to prepare the accounts and perform the above assessments.

The Audit Committee has reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2021. The Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue as a going concern.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the independent auditor's report on page 185 to page 193.

## **AUDITORS**

Ernst & Young Hua Ming LLP was the auditor of the Company for the year ended 31 December 2021, and shall retire at the 2021 annual general meeting and, be eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young Hua Ming LLP as the auditor of the Company will be proposed at the 2021 annual general meeting. The remuneration paid to Ernst & Young Hua Ming LLP in respect of the audit services rendered for the year ended 31 December 2021 was RMB5.7 million. Ernst & Young Hua Ming LLP did not provide any non-audit services to the Company for the year ended 31 December 2021.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Shareholders' communication policy of the Company aims to maintain transparency and provide timely information of the major development of the Group to Shareholders and investors. General meetings of the Company are formal channels for communication between Shareholders and the Board. The Chairman of the Board and the chairman of the committees under the Board (or, in their absence, other members of the respective committees) will make themselves available at the general meetings to have direct communication with the Shareholders.

Shareholders may also send their enquiries and concerns to the Board by addressing them to the investor relations department of the Company at the following address or to the following email account:

Address: No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC  
Email: [hebeijianshe@hebjs.com.cn](mailto:hebeijianshe@hebjs.com.cn)

## SHAREHOLDERS' RIGHTS

### Convening Extraordinary General Meeting by Shareholders

In accordance with Article 70 to the Articles of Association, a Shareholder alone or the Shareholders together holding at least 10 percent of the Company's Shares shall have the right to make a request to the Board in writing to call for convening an extraordinary general meeting. The Board shall, in accordance with laws and the Articles of Association, give a written response on whether or not it agrees to convene such meeting within 10 days after receipt of the request.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice convening such meeting within 5 days after it has so resolved. The consent of the relevant Shareholder(s) is required for any changes to be made in the notice to the original request.

If the Board does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the request, the Shareholder alone or Shareholders together holding at least 10 percent of the Shares shall have the right to propose to the Board of Supervisors in writing to call for convening the extraordinary general meeting.

## CORPORATE GOVERNANCE REPORT

If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of the request. The consent of the relevant Shareholder(s) is required for any changes to be made in the notice to the original request.

If the Board of Supervisors fails to issue the notice of the general meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a Shareholder alone or Shareholders together holding at least 10 percent of the Shares of the Company for at least 90 days in succession may himself/herself/themselves convene and preside over such meeting.

In accordance with Article 71 to the Articles of Association, Shareholders requesting the convening of a class meeting shall do so by the procedure set forth below:

- (i) two or more Shareholders holding in aggregate at least 10 percent of the Shares carrying the voting right at the meeting to be held may sign one or more written requests of identical form and content requesting that the Board convene a class meeting and stating the topics to be discussed at the meeting. The Board shall convene the class meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made by the Shareholders.
- (ii) if the Board fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the Shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedure for the Shareholders to convene such meeting shall, to the extent possible, be identical to the procedure for the Board to convene the general meetings.

If Shareholders convene and hold a meeting themselves because the Board failed to hold such meeting pursuant to the request as mentioned above, the reasonable expenses incurred by such Shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

## Putting Forward Proposals at General Meetings

In accordance with Article 76 to the Articles of Association, when the Company is to hold an annual general meeting, the Board, the Board of Supervisors and a Shareholder alone or Shareholders together holding 3 percent or more of the Company's Shares shall be entitled to propose motions to the Company.

A Shareholder alone or Shareholders together holding at least 3 percent of the Shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such extempore motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.

## CONSTITUTIONAL DOCUMENTS

There was no change to the Articles of Association during the year ended 31 December 2021 and up to the Latest Practicable Date.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

### OVERVIEW

This is the fifth Environmental, Social and Governance (the “**ESG**”) Report issued by Hebei Construction Group Corporation Limited (the “**Company**”). It focuses on the disclosure of relevant information on the ESG aspects of the Company. The Report covers the works for the financial year from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”).

### BASIS OF PREPARATION

This Report is prepared based on the revised Environmental, Social and Governance Reporting Guide (the “**Guide**”) in the Appendix 27 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in December 2019.

The content of this Report is determined based on a set of systematic rules. The relevant procedures include identifying and ranking important stakeholders and the important issues relating to ESG, determining the scope of the ESG Report, collecting relevant materials and data, preparing the report based on related information and reviewing the information contained in the Report.

### SCOPE OF THE REPORT

The policies, statements and data in this Report cover Hebei Construction Group Corporation Limited and its subsidiaries (“**we**” or the “**Group**”). Unless otherwise specified, all currencies referred to in this report is RMB.

### DATA SOURCE AND RELIABILITY ASSURANCE

The data and cases of this Report are mainly derived from the Group’s statistical reports and related documents. The Group undertakes that there is no false record or misleading statement in this Report and is responsible for the authenticity, accuracy and completeness of the contents hereof in all material respects.

### CONFIRMATION AND APPROVAL

Upon confirmation by the management, this Report was approved by the Board of Directors on 31 March 2022.

## 1 BUILDING A RESPONSIBLE ENTERPRISE

The Group always adheres to the concept of sustainable development and continuously improves ESG management to create a responsible corporate image. Internally, we strive to create an excellent corporate environment to make our employees feel happy; externally, we focus on customers' needs and ensure product quality, while assuming our responsibility to facilitate industry development and contribute to social prosperity.

### 1.1 ESG MANAGEMENT

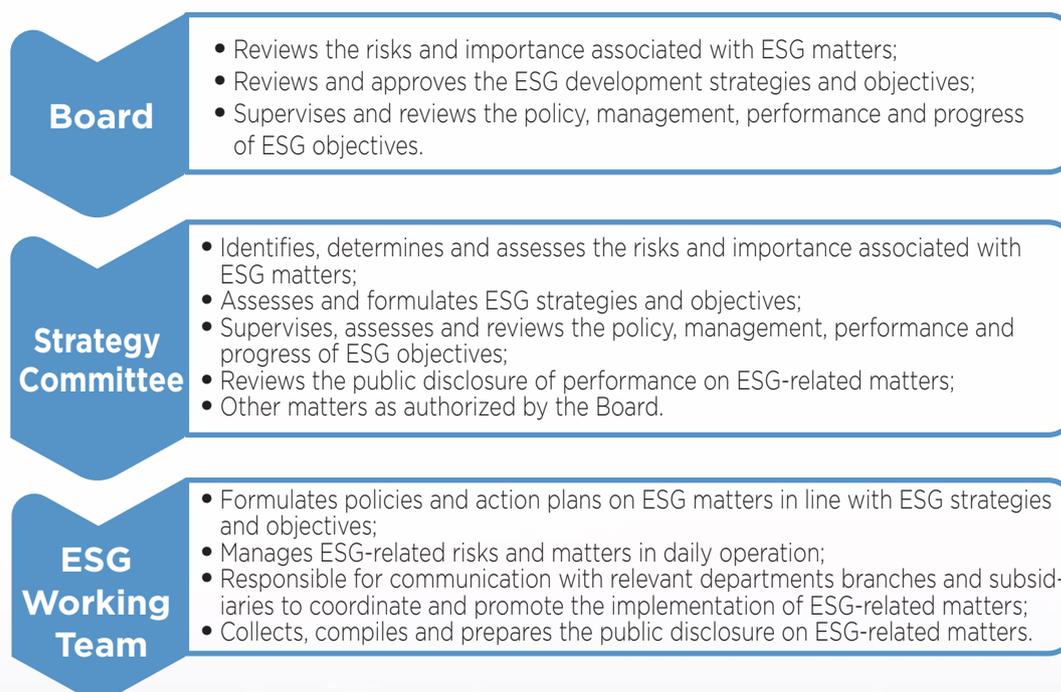
With the corporate mission of “create space with love”, we continue to use our strengths to promote industry development and create corporate value. On this basis, we also continue to develop green economy, promote harmony between people and buildings, society and the environment, and maintain a balance between economic and environmental benefits.

Corporate Mission	Corporate Vision	Corporate Spirit	Corporate Value
<ul style="list-style-type: none"> <li>• Create space with love</li> </ul>	<ul style="list-style-type: none"> <li>• A happy enterprise that accomplishes the purposes of its own and others, a century-old company with an ever-lasting business</li> </ul>	<ul style="list-style-type: none"> <li>• Thoughtful enterprise</li> <li>• Credible corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue excellence</li> <li>• Devote sincerity</li> <li>• Unbounded organization</li> <li>• Create value together</li> </ul>

#### Corporate Culture of Hebei Construction

## ESG GOVERNANCE STRUCTURE

Since the establishment of the three-level ESG governance structure, the Group continuously deepens the ESG concept and enables its in-depth integration with corporate development strategies. With the Board as the highest responsible body, the Strategy Committee as the leading body and the ESG Working Team as the executive body, the Group's day-to-day ESG works are supervised at different levels to ensure that the Group's ESG works are carried out in an orderly manner on a top-down basis.



### ESG Governance Structure

## STATEMENT OF THE BOARD

As the highest leader of the sustainability efforts of Hebei Construction, the Board is responsible for the company's ESG strategy and performance, primarily by considering the Company's sustainability-related risks, reviewing and approving policies in relation to ESG issues, supervising ESG related management and performance, arranging follow-up actions and reviewing progress towards targets. The Board is ultimately responsible for ESG performance.

The Board identifies and assesses business risks annually based on internal and external operational conditions and analyses the materiality of the identified risks taking into account the importance to stakeholders. Following the analysis, risks and opportunities are systematically collated to develop a sustainable development strategy, which will be incorporated into the Company's risk management framework.

Through the Strategy Committee, we ensure that our sustainability strategy is implemented in an orderly manner, oversee the implementation and progress of ESG-related matters, review issues encountered in the implementation process, make recommendations and provide feedback to the Board, while the ESG Working Team is responsible for integrating sustainability into our daily operations.

## 1.2 Risk Management

The Group attaches great importance to corporate risk control and strives to standardise relevant work through systematic protection and information technology software. During the Reporting Period, we formulated a new risk internal control system with the “three lines of defense” as the core, and launched a digital contract management software to further strengthen risk management and effectively identify and avoid risks.

### **INTERNAL CONTROL SYSTEM**

Based on the Group’s Internal Control Manual, we have established a “three lines of defense system” within the Group, namely the business departments as the first line of defense, the risk management department as the second line of defense, and the internal audit department as the third line of defense, in order to coordinate the efforts of the Group’s business departments, branches (subsidiaries), the supervision and audit department, the legal department, the inspection office, the disciplinary committee and the corporate rights and interests department, thereby continuously improving the effectiveness of internal control and management of corporate risks.

During the Reporting Period, we strengthened the systematic interaction among the departments of the second and third lines of defense and conducted comprehensive supervision of the business departments branches and subsidiaries of the first line of defense in respect of project management and risk control through information sharing.

**Conducted a preliminary audit of the litigation-related projects provided by the legal department**

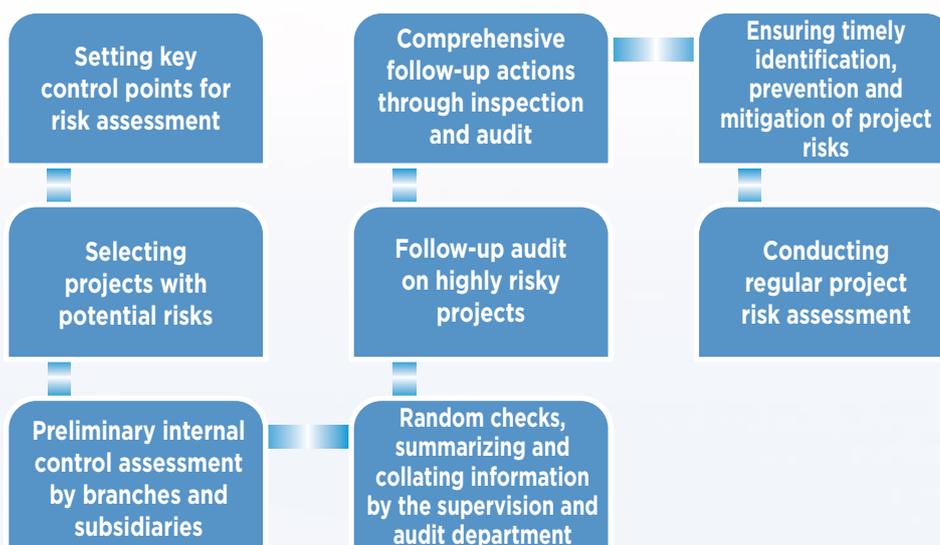
**Cooperated with the inspection office to strengthen and supervise the implementation of “self-inspection and self-correction” activities of different branches and subsidiaries**

#### **Key internal control tasks**

## RISK CONTROL

Based on the Internal Control Management System, the Group, led by the supervision and audit department, has steadily advanced the internal audit and internal control assessment of each branch and subsidiary. We identify the major risks that exist in each branch and subsidiary in terms of project operations, use of funds, internal and external financing, legal proceedings, accounting risks, taxation risks and so on, by examining ledgers and information and communicating with key responsible persons, thereby identifying the corresponding risk points.

The Group has also developed and established an internal control risk management module on the information platform, and set up key control points for risk assessment based on the six aspects of market, contract, operation, production, treasury and legal affairs, so as to gradually facilitate the implementation of the “Three Lines of Defense” Internal Control Construction and Implementation Plan. During the Reporting Period, we selected a total of 376 key projects from 22 branches and subsidiaries and required such branches and subsidiaries to conduct preliminary internal control assessments on their respective management projects. The supervision and audit department then conducted random checks and inspections on the assessment process, summarized and collated all the assessment results, and shared information on risky projects with the inspection office to take comprehensive follow-up actions on risky projects in the form of inspections and audits to ensure timely identification, prevention and mitigation of project risks.



**Risk control and management procedures**

In addition, the Group also established comprehensive property owner contract management rules during the Reporting Period and effectively improved its work efficiency and risk management capabilities through an independently developed contract management system applicable to the Group's management model.

### Digital Contract Management Software

In 2021, we independently developed a contract management system that is applicable to the Group's management model. The system has various functions such as file archiving, contract templates, data collection and system summarization. By enabling unified planning of various businesses under the Group and providing standardized system documents for all units, the system can effectively standardize the Group's contract management system, thereby avoiding possible compliance risks in contract signing process.



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### 1.3 HONEST OPERATION

The Group adheres to business ethics and strictly complies with the Anti-Unfair Competition Law of the People’s Republic of China and other relevant laws and regulations, advocates and maintains a fair and equitable competitive environment, strives to ensure healthy market development, continuously stimulate the vitality of the industry and promote industry development. We have formulated the Code of Business Ethics and Code of Conduct and Code of Conduct for Staff Handling Organizational Matters to require our staff to conduct the business of the Company in a professional, fair, uncorrupted and honest manner and strictly prohibit any corrupt practices.

The Group has established various reporting channels to receive clues anonymously through emails, special telephone lines, mails, etc. and conduct investigation and processing in a timely manner. We continue to improve the whistleblower protection mechanism to keep whistleblowers’ information strictly confidential and strictly prohibit retaliation, thereby ensuring that all whistleblowers will not be treated unfairly. During the Reporting Period, the Group did not involve in any litigation related to corruption.

Special telephone line for reporting	E-mail for reporting	Mailbox for reporting	Reporting through letters
<ul style="list-style-type: none"> <li>• 0312-3311119</li> </ul>	<ul style="list-style-type: none"> <li>• wangfeng@hebjs.com.cn</li> </ul>	<ul style="list-style-type: none"> <li>• Mailbox for reporting set up in the office premise of the supervision and audit department</li> </ul>	<ul style="list-style-type: none"> <li>• Letters can be delivered by courier or presented in person to the discipline inspection department or inspection office</li> </ul>

#### Reporting channels

We also respond to the call for integrity building by actively conducting anti-corruption and anti-bribery training, building a business operation environment that upholds “integrity and ethics”, promoting the idea of integrity and self-discipline among all executives and staff, and continuously improving corporate compliance standards. During the Reporting Period, the Group provided anti-corruption training to a total of 1,528 directors, senior management and employees, with an average training time of one hour per person.

## 1.4 MATERIALITY ANALYSIS

### *Stakeholder Communication*

The Group attaches importance to smooth communication with stakeholders and has accordingly established a regular communication mechanism with stakeholders to actively understand the demands and suggestions of each stakeholder and incorporate the concerns of stakeholders into the Company's strategic decisions to maximise the common value with stakeholders. By sorting out the value chain, we have identified the stakeholders and their main communication methods as follows:

Stakeholder categories	Issues that stakeholders are particularly concerned about	Communication or response methods
Employees	Health and safety Remuneration and benefits	Young employees symposium Annual meetings Survey on employees' satisfaction
Shareholders/ Investors	Compliant operation On-going profitability	Shareholders' general meeting Results announcement Roadshow
Government authorities	Compliant operation Promote local employment and economic and social development	Communication through meetings Standard formulation and idea exchange
Proprietors	Project quality Protection of commercial information	Communication of sales and inspection Purchase and sales of commercial houses
Suppliers/ Subcontractors	Supply chain management Environmental impact of construction work Project quality	Daily transactions Annual recognition Qualification review Communication throughout the tender and bidding process
Communities	Promote local employment and economic and social development Environmental impact of construction work	Charity activities Activities to promote community's development

### ***Materiality Matrix***

The Group continuously collects the views and expectations of each group of stakeholders through in-depth interviews and other means in its regular communication with stakeholders. In 2021, based on the assessment of material issues in 2020 and taking into account the characteristics of the Group's operations, stakeholders' concerns and the current pandemic, we have made adjustments to important issues such as environmental impact of construction work, application of clean technology and energy and channels for employees to conduct internal communication, lodge complaints and give feedback, and formed a matrix of material issues for the year, with the results as follows.

ESG Materiality Matrix



Material Topics of Hebei Construction in 2021					
No.	Category	Topics	No.	Category	Topics
1	Corporate governance and development	Compliant operation	12	Labor and community	Employees' health and safety
2		Compliant risk responses	13		Training and career development
3		Preventing corruption risks	14		Caring about employees
4		Business opportunity and technological innovation	15		Channels for employees to conduct internal communication, lodge complaints and give feedback
5	Environment	Application of clean technology and energy	16	Business operations	Charity
6		The utilization of water resources	17		Promote industry and local economic and social development
7		Emissions and waste disposal	18		Project quality assurance
8		Resource recycling	19	Customers' satisfaction	
9		Environmental impact of construction work	20	Protection of the commercial information of the Company and customers	
10		Green office	21	Quality management of the supply chain	
11	Labor and community	Remuneration and benefits	22		Requirements of suppliers on ESG

## 2 QUALITY FIRST

In the opening year of the “14th Five-Year Plan” period, the Group adhered to the development strategy of “further innovation and sustainable development”, continued to improve the project quality control supervision and management process and the construction of an innovation platform, and strived to become a benchmark for quality development in the industry.

### 2.1 EXCELLENT QUALITY

A comprehensive quality management system is the key to quality assurance. As such, we continuously strengthen the construction of quality system. During the Reporting Period, the Group issued a new compilation of rules and regulations based on the Construction Law of the People’s Republic of China and the Regulations on Quality Management of Construction Projects, which encompassed the Group’s existing quality management rules and technical management rules, providing systematic support for the implementation of quality management. In addition, we have established and adhered to the concept of “construction site is the market”, strictly implemented the requirements of the Construction Project Management Standardization Manual, invited key persons in charge of the same type of completed projects to provide guidance, co-planned the construction projects at the same time, organized group-level planning and observation, and arranged relevant departments of the Group to participate in the projects to ensure the refined operation of project management by sharing project experience.

By following the requirements of the above management system, we actively promote quality management system certification. All of the Group’s major branches have passed the ISO 9001 Quality Management System Certification, covering different aspects including construction works, municipal and public works, road construction, mechanical and electrical works, foundation works, airport runways construction, steel structures construction, ready-mixed concrete and engineering design for the construction industry. As of 31 December 2021, the Group had a total of 21 professional qualifications covering different expertise including municipal infrastructure, highway construction, bridge construction and highway pavement construction.

## Quality Control

The Group always considers strict control over product quality as one of its important plans and has continued to strengthen the Group's control over project quality during the Reporting Period in three aspects, namely quality management standardization, solving common problems and monitoring and supervision at all levels, to ensure high quality project delivery.

### Quality management standardization

- Strictly implement the quality and safety manuals of the housing and construction authorities at all levels and the relevant rules and requirements of the Company, reasonably allocate project manpower based on the project situation, implement standardisation of quality conduct and standardization of quality management of project entities, lead and promote the improvement of standardization level of quality management of other projects through demonstration sites, and enhance the overall project quality.

### Solving common problems

- Study and promote the guidelines for solving common quality problems, formulate practical management measures, improve the system for solving common quality problems, identify demonstration projects of solving common problems, and organize staff of relevant departments to observe and learn from such projects, so as to achieve high-quality project delivery through a point-to-surface approach.

### Strengthening monitoring and supervision at all levels

- Prepare a quality inspection plan in advance, inspect the implementation of relevant tasks and keep inspection records, require the responsible party to rectify the problems identified during the inspection, and verify the rectification of quality problems in a timely manner to prevent substandard products from entering the next process and ensure continuous improvement of project quality.

### Quality control works

### **Quality Inspection**

We strive to provide effective inspection for project quality management. Under the direct leadership of the Group's president, we have established an inspection office and formed three on-site management inspection teams. Through the joint formation of a special inspection team with the quality and technology department to ensure project quality, we closely followed the Company's phased key arrangements, provided timely feedback to the leaders of each system on the problems identified during the quality inspection process, and continuously improved the interaction between the inspection office and each department. We facilitate continuous improvement in management standardisation and refinement based primarily on the following inspection processes:



## Quality Culture

We have carried out in-depth quality culture construction, organized quality project observation, quality month campaign and relevant staff training activities, so as to promote the awareness of product quality assurance among people and facilitate the improvement of overall project quality of the Group in a bottom-up approach.



### Quality project observation

- In September 2021, we organized the Group's leaders, heads of relevant departments, persons in charge of different branches and subsidiaries and their team members to observe and learn from the on-site operation high-quality projects, observed their advanced practices and learnt from their experience in standardized management and technological innovation. Through the promotion and sharing of quality culture, we have broadened our horizons and formed positive and effective publicity in each subsidiary, creating a good atmosphere for joint high-quality development.



### Quality month campaign

- During the Reporting Period, the Group organized its branches and subsidiaries to launch quality month campaign in various forms such as quality themed promotion, in-depth implementation of quality improvement actions, strengthening quality culture building and enhancing staff training and assessment. After completion of the campaign, the branches and subsidiaries are organized to summarize the activities of the quality month and the results achieved, so as to strengthen the learning effectiveness and quality awareness of the staff.



### QC (quality control) team activities

- During the Reporting Period, the Group organized its branches and subsidiaries to actively carry out QC (quality control) team activities, including participation in exchange sessions and training of QC team organized by quality associations at various levels, so as to continuously enhance the knowledge base and management capability of the participants, thereby effectively promoting quality management and improvement of the branches and subsidiaries.

## Quality culture building activities

**Quality Recognition**

With excellent project quality and a comprehensive quality management mechanism, our delivery quality has been well recognized by different parties in the society. During the Reporting Period, we participated in the construction of 143 high-quality projects with awards at provincial level or above, including one project that won the Lu Ban Award and two projects with National Quality Project Award. The project acceptance rate reached 100%, and the well performance rate of main structures reached 59.6%.



China Steel Structure Gold Award Project



Tianjin "Haihe Cup" Award



Great Wall Cup Silver Award



Hebei Construction Project Decoration Award



2021 Provincial Outstanding Municipal Project



First Prize of Hebei Urban Landscaping Quality Project



High-quality Structural Work in Hebei Province



High-quality Structural Work in Shanxi Province



High-quality Structural Work in Tianjin



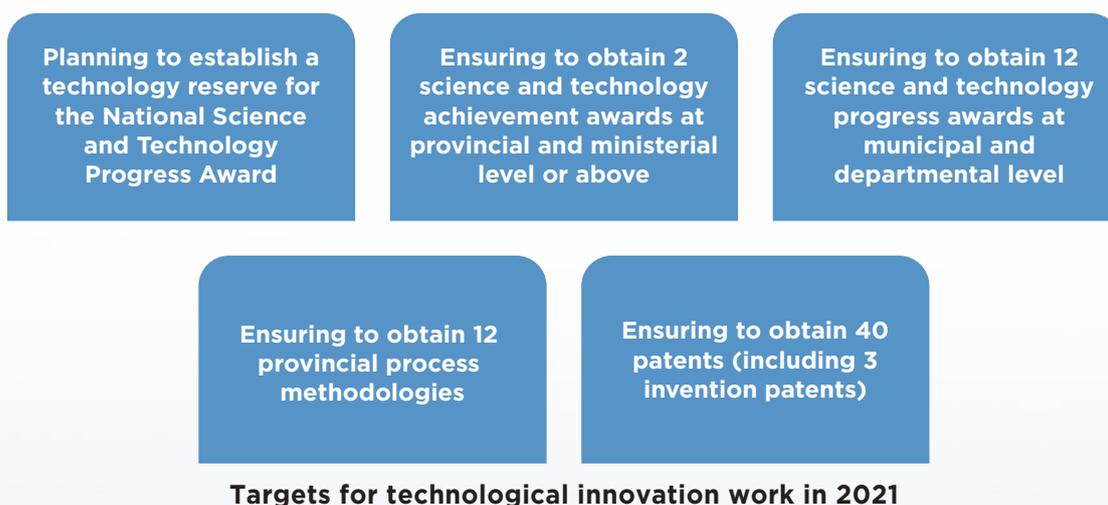
High-quality Structural Construction Work in Hubei Province

**Selected quality awards and recognition in 2021**

## 2.2 TECHNOLOGICAL INNOVATION

We persist in innovation-driven development, constantly strengthen the construction of technological innovation management system and improve quality ability and efficiency. We have formulated the Science and Technology Innovation Management System, the Workflow of Science and Technology R&D Project Management, the Project Management Measures for Technology Research Programme of Enterprises and other management rules, and issued the Management Measures for the Transformation of Mature and Applicable Technologies, the Management Measures for the Application of BIM Technology, the Management System for Scientific and Technological Advancement and other technology management rules during the Reporting Period to further promote the incubation of technological achievements and facilitate the development of technological talents.

Based on the above management requirements, we set our targets for technological innovation work in 2021, all of which were successfully achieved during the Reporting Period.



During the Reporting Period, the Group continued to promote the transformation and application of scientific research achievements, continuously strengthened the construction of innovative research and development platforms, and implemented the management mode of “centralized planning, project identification, tiered implementation and unified evaluation”. Our innovation efforts cover green buildings, ultra-low energy buildings, prefabricated construction, sponge city, water and soil pollution treatment and remediation, BIM technology, etc., which provided strong support to accelerate the technological innovation and development of the Company.

### ***Prefabricated Construction***

Prefabricated construction is a green and environmentally friendly technology promoted by China, and an effective way and important approach to transform and upgrade the construction industry. By strictly adhering to the idea of ecological civilization, the Group implemented relevant work plans of China and Hebei Province based on the Implementation Opinions on Accelerating the Development of New Type of Building Industrialization and the 14th Five-Year Plan for New Type of Building Industrialization in Hebei Province, and actively facilitated the construction of prefabricated buildings. During the Reporting Period, the Group undertook 58 prefabricated construction projects with gross floor area of 4.5 million m<sup>2</sup>.

In addition, we are committed to promoting the development of the industry by sharing knowledge and experience in the field of prefabricated construction. During the Reporting Period, the Group obtained 11 national patents and developed 14 process methodologies related to prefabricated construction, including the process methodology for construction of prefabricated special-shaped fair-faced concrete and the process methodology for installation of prefabricated external wall panels which were recognized as provincial process methodologies in Hebei Province.

**Prefabricated construction: Project of Teaching Building and Apartment Building of Baotou Teachers' College of Inner Mongolia University of Science and Technology**

The project of teaching building and apartment building of Baotou Teachers' College of Inner Mongolia University of Science and Technology is located in the south campus of Baotou Teachers' College in Baotou with prefabricated monolithic frame shear wall structure. Baotou is a nationally renowned ecological civilization city, and this project is the first key ultra-low energy green building in Baotou. This project, as a relatively large scale prefabricated concrete public building in a cold region, has relatively high requirements in terms of technology, quality and safety, and has received great attention from the autonomous region and the urban construction industry.



The project won the 2020 Quality Structure Golden Award of Inner Mongolia Autonomous Region, the 2021 "Anji Cup" of Hebei Province and the Second Prize (Construction Category) of the Fourth BIM Application Competition of Inner Mongolia Autonomous Region.

### **Prefabricated construction: Jinhaihu Project in Pinggu District, Beijing**

During the Reporting Period, the Group carried out in-depth cooperation with Beijing TENGHONGYIYUAN Real Estate Co., Ltd. in the construction project of Jinhaihu Township in Pinggu District, Beijing, and constructed 11 residential buildings and ancillary buildings mainly of apartment type and house type using prefabricated shear wall structure, with the structure of residential buildings being prefabricated shear wall structure and the ancillary buildings using steel structure, and most of the walls, floor slabs and staircases applicable to the construction of the project were prefabricated, with a prefabrication rate of 64% for the above-ground part of apartment type building units and 76% for the house type.

The project was the first prefabricated project undertaken by the Group's Beijing branch, with a maximum prefabrication rate of 76%, making it a representative construction project with an extremely high prefabrication rate among construction projects in urban area of Beijing, and won the Golden Cup Award of the Beijing Structural Great Wall Cup. In addition, the project was completed ahead of the target schedule, representing Hebei Construction's successful practice in the field of prefabricated construction.



**Rendering of the prefabricated house type and apartment type buildings**

## Green Building

We actively explore the field of green building and take the lead in using advanced green building technologies such as prefabricated structures, ultra-low energy design and rainwater recycling, and have specifically formulated relevant systematic documents such as the Construction Process Standard for Ultra-Low Energy Consumption Buildings. We are committed to creating harmony among buildings, human beings and the environment by thoroughly considering resource and energy efficiency throughout the life cycle of a building. During the Reporting Period, the projects designed and constructed by the Group were awarded multiple green building star labels, among which the Hebei Construction Business Centre has been awarded the certificate of a three-star label for green building design.



Certificate of Green Building Design Label for Hebei Construction Business Centre

### ***Innovation Incentives***

In order to further strengthen the construction of a technological innovation platform and overcome the difficulties in research and development of core technologies, the Group follows the Science and Technology Development Management System, gives full play to the cohesive effect of corporate culture, and actively encourages and supports the technological research and development team to carry out innovation activities. The quality and technology department is responsible for the overall coordination and management of internal and external project results, and recommending and applying for science and technology progress award projects to national, provincial and municipal science and technology departments. It also provides internal awards and subsidies for scientific inventions and relevant scientific research projects every year. During the Reporting Period, the Group provided technological innovation incentives of over RMB2 million.

### ***Intellectual Property Protection***

Intellectual property protection is a core requirement for building and construction companies to remain highly competitive. We are deeply aware of the importance of intellectual property rights and are committed to improving our full-cycle intellectual property management system. We strictly comply with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Regulation on Management of Intellectual Property Rights of Enterprises and other laws and regulations, and have accordingly formulated a number of internal management policies, including methods for patent application, supervision and protection and other processes.

In 2021, we increased investment in scientific research in key areas, formed our own intellectual property rights by applying for patents and drafting standards, strived to improve our core competitiveness, expanded into markets such as railways, airports, subways, environmental management and ultra-high buildings projects that can provide technology reserves and support in the future, so as to transform technological advances into market development capabilities and support corporate development. During the Reporting Period, the Group achieved fruitful results in intellectual property rights, with 232 new patent applications (including 37 invention patents) and 253 newly granted patents (including 9 invention patents); and held a total of 753 patents (including 33 invention patents) as of 31 December 2021.

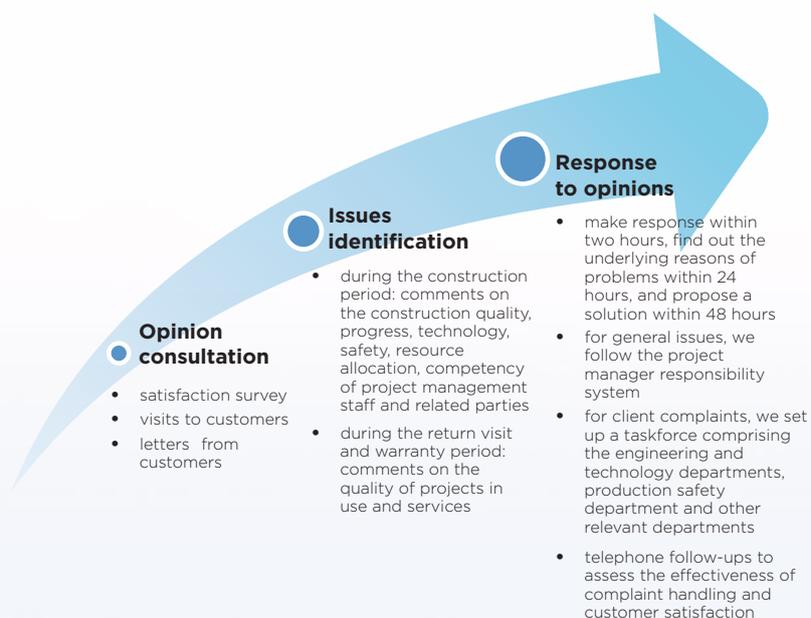
With a well-developed intellectual property management system, the Group has received numerous recognitions for its ability in applying innovation. During the Reporting Period, we won various awards including 23 Science and Technology Progress Awards of Construction Industry in Hebei Province and 3 Science and Technology Awards of Construction Industry in Hebei Province. In addition, the No. 2 R&D and Production Building of Diangu Technology Center, Beijing New Airport Work Area Project (Municipal Transportation) and Hebei Construction Business Centre have passed the acceptance inspection for green construction technology demonstration projects by the MOHURD, securing a leading position in China in terms of overall technological innovation and application.

## 2.3 HIGH-QUALITY SERVICES

We are customer-oriented and strive to create smooth communication to listen and respond to the needs of each customer. We have formulated the Implementation Regulations on Management of Major Customers and other customer service management systems, established a three-level service management organization system comprising the Group, its subsidiaries and project departments to effectively safeguard the rights and interests of customers.

### *Customer Communication*

We follow and continuously improve our internal system such as the Customer Complaint Management Process, take customer complaints seriously, and diversify our customer complaint channels by offering means of complaint hotline, corporate email, office telephone, and receiving letters and on-site visits to solve and respond to problems raised by customers in a timely manner.



### **Customer feedback handling process**

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In addition, we focus on improving customer experience and regularly collect customer feedback through our customer satisfaction surveys to urge us to make continuous improvements. During the Reporting Period, the Group's customer satisfaction rate reached 93.1%. In response to quality-related requests from our customers, we establish project investigation teams and formulate action plans immediately to strictly ensure that customer issues are effectively resolved.

### ***Customer Privacy Protection***

In addition to our product responsibility, we are committed to protecting the privacy and information security of our customers. We have established and continuously improved the Code of Business Ethics and Code of Conduct of Hebei Construction Group Corporation Limited, and require staff in all positions to strictly comply with the relevant confidentiality guidelines, consciously abide by the specific regulations on access to customer information and work procedures, and effectively strengthen the protection of customer information to prevent information leakage.

### 3 JOINTLY PROMOTING INDUSTRY DEVELOPMENT

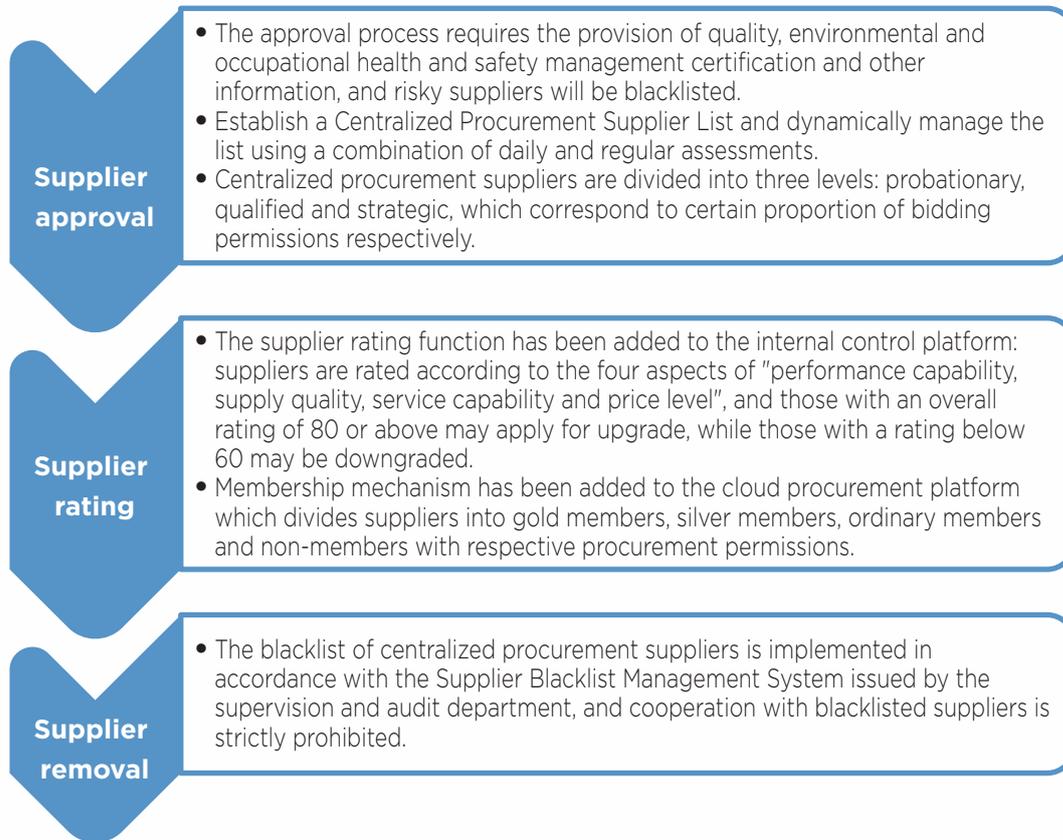
The Group is committed to the development of the industry, continuously strengthens responsible supply chain management, and leverages on its advanced technology and experience to collaborate with value chain partners to jointly develop and build a high-quality industry ecosystem.

#### 3.1 RESPONSIBLE SUPPLY

We uphold the principle of fair, just and open cooperation, constantly improve the supply chain management system, join hands with our supplier partners to achieve mutual benefit and win-win situation, and contribute to the development of the industry with concerted efforts.

##### *Management of Suppliers*

In order to regulate supplier management, ensure procurement quality and control supply chain risks, the Group has formulated the Measures for the Management of Centralized Procurement Suppliers and Guidance on the Management of Centralized Procurement based on the actual situation of the Company, and implemented whole process control of the supply chain in strict accordance with internal management policies such as the material Management System, the Subcontractor Management System and the Machine and Equipment Management System. In addition, we attach great importance to the anti-corruption management of our suppliers and strive to create a transparent and fair business environment. During the Reporting Period, the Group reached agreements on relevant anti-corruption clauses with all types of suppliers when entering into contracts and agreements.



### Supplier management process

In addition, we strive to incorporate the concept of sustainable development into our supply chain management. ESG-related performance of suppliers such as environmental management, safety assurance and rights and interests of employees are also included in our assessment criteria, and we are committed to prioritizing suppliers with outstanding ESG performance.

As of 31 December 2021, we had a total of 33,539 suppliers, which mainly include engineering suppliers, material suppliers and service suppliers, with the distribution of suppliers by region as follows:



### **Communication with Suppliers**

The Group looks forward to establishing and maintaining friendly and cooperative relationships with our suppliers, and deeply expanding the areas of cooperation with outstanding enterprises. We continue to develop relevant communication channels through site visits, seminars and supplier conferences to create a good business atmosphere of win-win cooperation with our suppliers.

### Site visits to suppliers

During the Reporting Period, the Group maintained its communication and exchange efforts with various suppliers and further ensured the quality of the supplied materials by conducting site visits to a number of suppliers to gain a comprehensive understanding of their processes, production capacity, quality management, environmental management, occupational health and safety management, new processes and new technologies, as well as conducting in-depth exchanges on related issues.

### Supplier conference

On 26 March 2021, the Group held a supplier conference under the theme of “Reshaping the Supply Chain”, where representatives from more than 100 suppliers gathered to explore cooperation and seek common development. At the conference, the Group’s centralized procurement management department explained in detail the Company’s procurement policy and procurement digitization, and awarded 20 outstanding suppliers and 10 strategic suppliers with plaques.



### 3.2 CO-DEVELOPMENT OF THE INDUSTRY

The Group actively practices the concept of co-construction and sharing, facilitates industry development and talent cultivation with multiple partners such as government, enterprises and universities, and promotes industry exchanges through various forms such as industry standard improvement and industry conferences to support the development of strategic and emerging industries planned by China or the cities where it operates.

#### ***Government-enterprise Cooperation***

In response to the call of China's "14th Five-Year Plan", we have been actively cooperating with government and external enterprises in many parts of China to undertake projects such as construction of airports, renovation of old communities and construction of Winter Olympics venues. We also actively utilize the Group's profound engineering experience and engineering technologies to expand our business scope and undertake demonstrative and high-quality construction projects.

### Construction of airfield of Xai-Xai Airport in Mozambique

During the Reporting Period, the Group undertook the national economic assistance project of Xai-Xai Airport in Mozambique. The project is located in Xai-Xai, Gaza Province, Mozambique, where we constructed the airstrip, apron, navigation lights and meteorological facilities within the airfield at a cost of RMB227 million. The project is another representative project of the practical cooperation between China and Mozambique in the field of infrastructure, and is another strong proof of the longstanding friendship between China and Mozambique, and is of great significance in promoting the economic and social development of Xai-Xai in Mozambique and achieving regional connectivity.



Picture of Xai-Xai Airport in Mozambique



Rendering of Xai-Xai Airport in Mozambique

**Old community renovation project in Xincheng District, Xi'an**

After winning the bid for the old community renovation project in Xincheng District, Xi'an in July 2021, the Group entered into a strategic partnership with Powerchina Northwest Survey and Design Research Institute Co., Ltd. to form a consortium to jointly participate in the construction works of the project and actively promote urban development. During the construction of the project, we constantly consulted the residents and reasonably determined the renovation details with focus on improving the supporting and municipal infrastructure of the community as the main renovation plan, which was well received by the project owners. In the future, we will continue to strengthen our cooperation in project design and construction, accumulate experience in renovation of old communities and continuously facilitate the implementation of renovation projects.



Rendering of a residential building in an old community after renovation

### **Non-registered VIP reception centre project for the Winter Olympics**

The Group was awarded the EPC contract for the non-registered VIP reception centre project of the Winter Olympic Games in August 2019, with a gross floor area of 111,045 sq.m. using a frame - shear wall structure. The project is located in Zhangjiakou, Hebei Province, and the scope of the contract is for the construction of a new reception centre (mainly comprising one main hotel building, one recreation and sports centre and one conference centre), which has been completed on 8 December 2021.

This project is the Group's signature project in Zhangjiakou. Upon completion, the project will serve the non-registered VIPs of the 2022 Winter Olympics and become a benchmark reception centre in the Zhangjiakou competition area, contributing to the successful operation of Winter Olympics. After the games, the project will host international high-end conferences under Zhangjiakou's strategy of promoting development through tourism and cultural industries, thereby enhancing the competitiveness of Zhangjiakou in tourism and exhibition industries.



### **Formulation of Industry Standards**

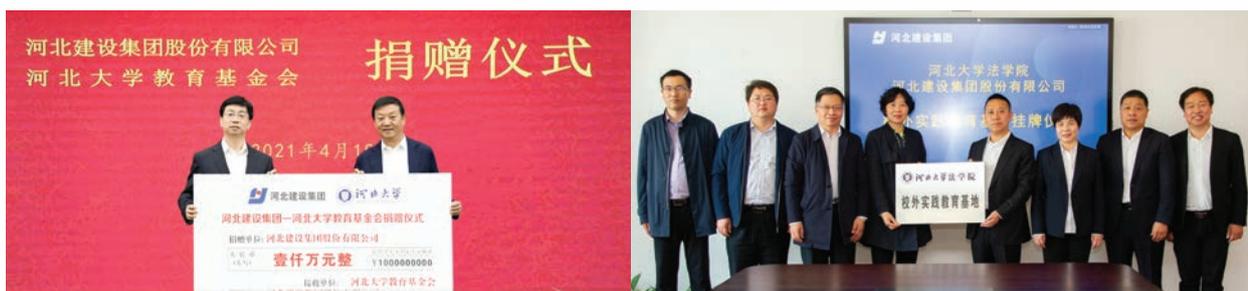
Based on our rich industry experience and technical expertise, we actively participate in the formulation of various standards in the construction industry in China and continuously promote the production standardization and professional development of the industry. During the Reporting Period, we participated in the formulation of a total of 12 national and local standards and industry regulations, utilized our technical advantages to standardize industry operating standards and helped improve the quality of the construction industry.

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Standard	No.	Type of standard
Requirement of intelligent technology for energy-saving retrofit of existing building	GB/T39583-2020	National standard
Limit and test method of ammonium ion content in fly ash	GB/T39701-2020	National standard
Technical specification for early striking construction	DB13(J)/T8405-2021	Local standard
Specification for construction and acceptance inspection of rainwater control and utilization projects for sponge cities	DB13(J)/T8435-2021	Local standard
Specification for acceptance inspection of construction quality of prefabricated concrete structures	DB13(J)/T8406-2021	Local standard
Technical specification for application of airtight materials for construction	T/CECS826-2021	Association standard
Quality inspection standards for precast concrete units	DB13(J)/T8404-2021	Local standard
Design standards for passive energy conservation in ultra-low energy public buildings	DB13(J)/T8360-2020	Local standard
Standards for model fineness of construction process for building electrical works	DB11T 1838-2021	Local standard
Standards for model fineness of construction process for cast-in-place concrete and masonry structural works	DB11T 1840-2021	Local standard
Technical specification for safe application of gantry crane and bridge crane in municipal infrastructure engineering	DB11T 1842-2021	Local standard
Assessment standards for green interior decoration in civil buildings	DB13(J)/T8402-2021	Local standard

### **Cooperation among Enterprises, Universities and Research Institutes**

The Group adheres to the strategy of “industry-education integration and university-enterprise cooperation” and actively cooperates with higher education institutions to establish an in-depth cooperation relationship between the Group and the universities, so as to seek common development in a practical manner. During the Reporting Period, the Group made a donation of RMB10 million to the Hebei University Education Foundation to support the education of Hebei University and established an off-campus practice education base of the Hebei University Law School in April 2021.



**In-depth cooperation with Hebei University**

## Industry Engagement

The Group actively participates in industry exchanges to drive the overall development of the construction industry, and facilitates the application of innovative technologies in the construction industry by sharing the Group's practical cases through exchanges with industry peers.

### Construction enterprise project management experience exchange conference held in the Group

On the morning of 10 June 2021, a project management experience exchange conference for construction enterprises, organised by the SME Branch of the China Construction Industry Association, was held in the Group.

At the two-day exchange conference, over 400 representatives of project managers representative from the Group and construction enterprises in the province, as well as industry experts and leaders, exchanged and shared their experiences on industry development trends, project management and project talent cultivation, in order to enhance the comprehensive quality of project management personnel and improve project management level of enterprises. The exchange and sharing contributed to accelerating the transformation and upgrading of the enterprises and facilitating them to achieve further success.



## 4 PROTECTING THE GREEN ENVIRONMENT

The Group carries out in-depth implementation of the concept of environmental protection, strives to improve the green management system, vigorously advocates energy saving and emission reduction, actively promotes green construction, persists in sustainable development through green operation and fulfills its environmental responsibility.

### 4.1 ENVIRONMENTAL MANAGEMENT

With green development as its guideline, the Group actively responds to the relevant national laws and regulations, comprehensively advocates green development, implements “four savings and one environmental protection” (energy saving, land saving, water saving, material saving and environmental protection), establishes and improves the Company’s environmental protection management system, actively promotes new technologies for energy saving and emission reduction, minimizes the environmental impact in the production and operation process, and constructs green, clean, low-carbon and environmentally friendly energy-saving buildings for customers.

During the Reporting Period, the Group was not subject to any major complaints or penalties related to environmental protection, and through the full implementation of the measures related to green construction under the strategy of “four savings and one environmental protection”, all environmental indicators have been achieved as required.

Energy saving	Land saving	Water saving	Material saving	Environmental protection
<ul style="list-style-type: none"> <li>Promote renewable energy</li> <li>Use of efficient and environmentally friendly equipment</li> </ul>	<ul style="list-style-type: none"> <li>Reasonable arrangement of material storage</li> <li>Use of environmentally friendly and recyclable materials for temporary facilities</li> <li>Optimize the excavation plan to reduce in-situ soil disturbance</li> </ul>	<ul style="list-style-type: none"> <li>Optimise water saving technologies and measures</li> <li>Establish reusable water collection and treatment systems</li> </ul>	<ul style="list-style-type: none"> <li>Select materials that can be reused for multiple times</li> <li>Promote standardised and generic products for temporary facilities to increase reusability</li> </ul>	<ul style="list-style-type: none"> <li>Pollutant Monitoring</li> <li>Construction waste control</li> <li>Exhaust gas monitoring and control</li> </ul>

**Environmental management concept of “four savings and one environmental protection”**

## Environmental Management System

In accordance with the Environmental Protection Law of the People's Republic of China, the Regulations on the Administration of Construction Project Environmental Protection, the Green Construction Guidelines and other regulations and rules related to environmental protection and civilized construction, the Group has formulated internal environmental management rules such as the Environmental Protection Management Policy and the Green Construction Implementation Rules (for trial implementation) to minimize the impact of production and operation on the environment and actively implement green construction sites and green office practices.

We have obtained ISO 14001 Environmental Management System Certificate, covering 19 subsidiaries specializing in areas including construction works, municipal and public works, mechanical and electrical works, foundation works, airport runways construction, steel structures construction, ready-mixed concrete and engineering design for the construction industry.



ISO 14001 Environmental Management System Certificate

## Environmental Targets

In order to promote green development in a targeted manner, the Group has set its environmental targets for the “14th Five-Year Plan” period and has committed to further enhance its environmental performance by implementing effective and directed management in the areas of waste reduction, energy use and water efficiency, with 2020 as the base year.

We will thoroughly implement the initiatives related to green design, construction and green office in our daily operations to build resource-saving, environment-friendly, energy-saving, emission-reducing and low-carbon construction sites and contribute to the sustainable and positive development of the construction industry. During the Reporting Period, we created a total of 36 safe and civilized (green) standardized construction sites at provincial level and above.

## 4.2 ADDRESSING CLIMATE CHANGE

We actively support the national policy of “carbon peaking” and “carbon neutrality” and participate in the global mission to address climate change while maintaining our green and low-carbon development, thereby actively contributing to achieving the national goal of “carbon peaking” and “carbon neutrality”. We have incorporated addressing climate change as a key part of the Group’s green management, and address the long-term expectation for fulfilling environmental responsibilities through forward-looking risk management in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The Group conducts information searches and reviews of government plans, policies and historical records of extreme weather events to identify climate issues relevant to the Group’s operations. In the strong regulation scenario of RCP2.6, we mainly identify the impact of transitional risks on our operations; in the high emission scenario of RCP8.5, physical risks cause more severe impact on our operations.

Risk type		Risk factors	Risk description	Responses
Physical risks	Acute	Extreme weather events such as typhoons, floods, droughts, extreme heat and cold weather	The frequent extreme weather events will result in inconvenient commutes for employees, disruptions in supply chain transportation and reduced operation of production facilities, which will affect the continuity of production operations and lead to decrease in revenue.	1. Strengthen weather forecasting and monitoring in order to be adequately prepared for extreme weather events; 2. Develop contingency plans for extreme weather (strong typhoons, heavy rainfall and flooding, sleet and snow, etc.), issue work notices to deal with extreme weather, and prepare emergency facilities;
	Chronic	Impact from changes in temperature and precipitation	Gradual changes in temperature and precipitation may result in the relocation of some of the potentially affected operating sites, increasing operating costs.	3. Review regional hydrogeological information and actual water level information and incorporate relevant chronic risks into engineering parameters.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk type		Risk factors	Risk description	Responses
Transitional risks	Policies and laws	More stringent emissions reporting obligations and compliance requirements	With the introduction of national policies related to carbon emission reduction, the Group will face increasing requirements from regulatory and investment bodies for disclosure of corporate emission reduction targets, measures and results, resulting in potential risks such as taxes and penalties, increased operational costs for information disclosure, increased compliance costs and project cancellation.	<ol style="list-style-type: none"> <li>1. Keep abreast of and comply with the laws and regulations issued by relevant regulatory authorities, and regularly identify policies on carbon emissions applicable to the Group;</li> <li>2. Strengthen internal carbon accounting management to enhance the accounting of carbon emissions in the building construction process and provide comprehensive and continuous disclosure of greenhouse gas emissions.</li> </ol>
	Technologies	Low carbon technology transition and application of low carbon building materials	To address climate change, low-emission products will gradually replace existing products, and designs such as green buildings and ultra-low energy buildings will gain wider consumer attention and policy support. As a result, Hebei Construction is exposed to risks such as: reduced liquidity of existing product assets and increased costs for transition to low-emission products.	<ol style="list-style-type: none"> <li>1. Promote green construction management to reduce building energy consumption in terms of raw material production and component processing, construction site management, subsequent building maintenance and technological innovation, and to improve the overall energy efficiency and environmental performance of buildings;</li> <li>2. Continuously promote ultra-low energy buildings, prefabricated construction and promote the implementation and application of green building concepts in the construction process.</li> </ol>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk type		Risk factors	Risk description	Responses
	Market	Customer preference for green products	As consumers become more aware of and inclined towards green buildings, Hebei Construction will face risks such as increased budgets due to the need to accelerate the progress of the low carbon transition and reduced market share due to the threat of competitors offering low emission products.	<ol style="list-style-type: none"> <li>1. Closely monitor and investigate changes in customer demand for green products and adjust the industrial layout in a timely manner;</li> <li>2. Increase budgets for green buildings and products to meet customer needs, and analyze price fluctuation trends before procurement.</li> </ol>
		Rising raw material costs	The prices of resources such as energy, water and building materials will increase as a result of climate change, which in turn will affect the cost of purchasing raw materials for products and lead to disruptions in the project construction schedule.	<ol style="list-style-type: none"> <li>1. Strictly implement resource-saving measures in the use of raw materials and recycle construction waste;</li> <li>2. Collaborate with industry partners to promote green supply chain development and reduce procurement costs.</li> </ol>
	Reputation	Growing concern from stakeholders about negative feedback	As a general contractor, Hebei Construction needs to closely follow up on feedback from clients and other stakeholders on requirements related to addressing climate change to enhance confidence among investors and other stakeholders. Failure to meet investors' expectations will result in lower ESG and climate change related index ratings in the capital markets.	<ol style="list-style-type: none"> <li>1. Increase attention to the disclosure requirements related to sustainable development and climate change to ensure compliance;</li> <li>2. Incorporate environmental impact and climate change risk reduction into the Group's "14th Five-Year" plan for strategic consideration and measure development;</li> <li>3. Continuous focus on and participation in green certifications and initiatives with high market recognition (e.g. green building) to enhance the competitiveness in the industry.</li> </ol>

In actual production, we strengthen climate change risk warning education for site production staff and improve their emergency response capabilities to extreme weather conditions such as flooding, natural fires and lightning by conducting special inspections and emergency drills.

### Emergency drills

- All units responded positively, implemented seriously and carried out emergency drills based on the actual situation on site in accordance with the established plan, and organized a total of 37 drills on various themes. Through emergency drills, we accumulated experience in avoiding secondary accident injuries, enhanced the awareness among all staff of emergency evacuation and self-rescue preparation, and improved the Group's ability to respond to emergencies and catastrophic accidents.

### Climate change warning

- In response to changes in extreme weather conditions, the company reacted quickly, issued 15 extreme weather warnings and seven heavy air pollution level II emergency response warnings, supervised units at all levels to strengthen safety supervision and prevention work, and achieved "early warning, early detection and early response".

### Special inspections

- In response to the continuous rainfall lasting for 4 days and 4 nights during the National Day holiday in Hebei Province, we issued a notice and arranged inspection and acceptance and on-site measurement after the holiday (rain). In particular, we conducted spot checks on two projects, namely the Baoding Hi-tech Development District Technological Innovation Park and Jingxiu Senior High School, and carried out follow-up inspection on the Technological Innovation Park to organize the on-site measurement of electricity leakage and earth resistance to provide real data support for safety production.



**Organized emergency drills at construction sites**

### 4.3 CONSERVATION OF RESOURCES

The Group always adheres to the concept of green development, advocates and implements green operation initiatives, strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Water Pollution and other laws and regulations, continuously optimizes the efficiency of resource utilization and integrates the concept of green development into its daily office operation and construction processes.

#### *Energy Saving and Consumption Reduction*



**Energy efficiency target**

- The Group commits to promote refined energy management and gradually control the use of natural gas, electricity and other energy consumption
- The Group commits to vigorously develop green building technologies and expand the proportion of clean energy

The Group has made energy conservation and consumption reduction a key concern in its operations. It strictly complies with the Energy Conservation Law of the People's Republic of China and other laws and regulations, and optimizes the management of energy conservation and consumption in all aspects of office and living as well as construction areas by advocating the energy conservation concept and electricity consumption standards, optimizing energy-saving design, rational allocation of resources and monitoring energy consumption, so as to maximise its energy efficiency.

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Green office	<p>Use of nationally certified energy-efficient products and energy-efficient appliances</p> <hr/> <p>Switch off electric appliances when not in use; the air-conditioning temperature shall not be lower than 26°C in summer and not higher than 20°C in winter; close doors and windows when the air-conditioner is on; do not turn on the air-conditioning when no one is around</p> <hr/> <p>Promote the use of renewable energy sources such as solar and geothermal energy</p> <hr/> <p>Encourage employees to give preference to walking, cycling or public transport for travel and to use more shared transport</p> <hr/> <p>Promote a paperless office; print documents after finalization</p> <hr/> <p>Reuse paper printed only on one side</p> <hr/> <p>Not to use or reduce the use of non-reusable paper products such as disposable cups and laminated paper</p>
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Green construction	<p>Set energy saving control targets for production, living, office and major energy consuming construction equipment on construction sites, and install electricity meters at construction sites, with separate metering for living and construction areas</p> <hr/> <p>Collect electricity consumption information in a timely manner, set up a statistical account of electricity consumption and savings, compare and analyze to improve the rate of electricity savings</p> <hr/> <p>For temporary electrical facilities, lighting design shall meet the basic brightness requirements and shall not exceed +5% to -10%; for office, living and construction sites, energy saving appliances shall be selected, sound control, light control and energy saving lights shall be used, and the proportion of energy saving lights shall be over 80%</p> <hr/> <p>Use solar powered street lights for construction sites, solar water heaters for shower rooms, LED lighting for office and living areas and special sockets for air conditioning</p>
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We also focus on energy transition and clean energy use. Solar energy, the most widely used clean energy source, has been effectively promoted in various projects of the Group. We are actively applying solar powered warning lights, PM2.5 detectors with solar panels, solar powered street lights and other photovoltaic equipment, which not only effectively reduce construction costs but also significantly improve energy efficiency.

### Application of photovoltaic equipment for the first phase of the temporary road project in the start-up area of the Xiong'an New Area

During the Reporting Period, the Group responded to the national call for “green lighting” by optimizing the original design of grid-connected street lights to photovoltaic street lights for the first phase of the temporary road project in the start-up area of Xiong'an New Area based on the road and site conditions. The optimized photovoltaic street lights not only accelerated the construction progress but also reduced the construction cost, which were well received by the parties involved in construction. The solar panel adopts DLD series solar module, which has the advantages of light weight, small size, high power generation capability and high reliability; the battery is encapsulated by aluminum shell of ternary lithium battery, which has the advantages of light weight, high power storage, low temperature resistance and corrosion resistance; LED units were used as light source with advantages of high brightness, energy saving and high reliability.

## Water Management



### Water efficiency target

- With 2020 as the baseline, the Group commits to reduce water consumption intensity by 18% by 2025

The Group actively promotes water conservation and the recycling of water resources, and has established a strict water resources management system to maximize water conservation through initiatives such as reuse of reclaimed water and recycling of rainwater. We have set up a system to collect and use rainwater, reclaimed water and other available water resources, so that water resources can be recycled in a graded manner. Water recycling devices have been set up for water used for washing of machines, equipment and vehicles on site. In addition, rainwater and qualified non-running water sources are also used for spraying road surfaces, irrigation of greenery, concrete and block maintenance on construction sites, and rainwater from foundation pits is used to achieve water recycling and water and energy saving.

### Construction Materials Management

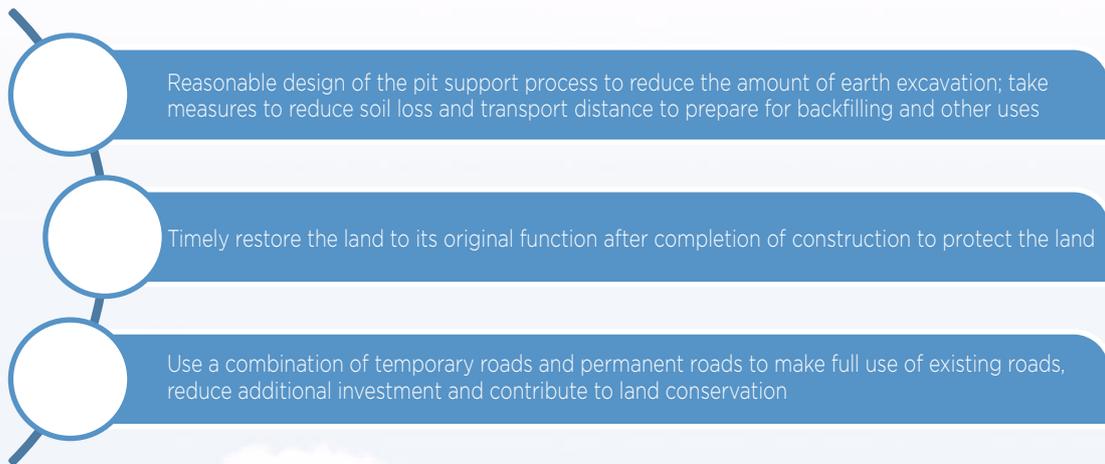
The Group uses a wide range of building materials during the construction process, mainly including concrete, mortar and steel. As an active promoter of the green construction concept, we strictly control the consumption of construction materials in three aspects of material selection, connection technology and material conservation.

Material selection	Connection technology	Material conservation
<ul style="list-style-type: none"> <li>• Use of high-performance concrete</li> <li>• Use of waterproof material</li> <li>• New energy-saving rebar application technology</li> </ul>	<ul style="list-style-type: none"> <li>• Mechanical connection technology for large diameter rebars</li> <li>• Heat shrink cable connection</li> <li>• Common plate flange connection for galvanized air ducts</li> </ul>	<ul style="list-style-type: none"> <li>• Use of straight threaded joints for connections as far as possible, use rebar scraps to make bar support to improve the utilization rate of rebars</li> <li>• Strict control of formwork and scrap woods, recycling of waste formwork and hole protection</li> </ul>

**Measures of construction material conservation**

### Conservation of Land

Based on the characteristics of the project and the region, the Group develops scientific and reasonable measures for land conservation and land resources protection through design refinement, construction plan optimization, technology application and innovation.



**Measures of land conservation**

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's resource consumption and greenhouse gas emissions during the Reporting Period are as follows:

Type		Unit	2019	2020	2021
Water consumption	Total volume	Tonne	9,617,325	9,821,292	8,927,548
	Intensity	Tonne/RMB10,000 total revenue	2.34	2.45	1.87
Direct energy consumption	Gasoline	Litre	5,485,589	5,825,152	4,474,265
	Diesel	Litre	19,713,916	19,818,965	20,254,735
	LPG	Tonne	12,890	8,552	5,125
	LNG	m <sup>3</sup>	30,666	411,959	376,597
Indirect energy consumption	Purchased electricity	kWh	138,330,265	130,979,950	144,648,787
	Purchased thermal power	Million kJ	10,140	7,805	10,489
Total energy consumption <sup>1</sup>		Tonne standard coal	69,556	62,047	56,986
Total energy consumption intensity		Tonne standard coal/RMB10,000 total revenue	0.02	0.02	0.01
GHG emission <sup>2</sup>	Scope 1 GHG emissions	tCO <sub>2</sub> -eq	102,516	91,385	80,569
	Scope 2 GHG emissions	tCO <sub>2</sub> -eq	108,413	104,701	116,273
	Total GHG emissions	tCO <sub>2</sub> -eq	210,929	196,086	196,842
	GHG emissions intensity	tCO <sub>2</sub> -eq/RMB10,000 total revenue	0.05	0.05	0.04

<sup>1</sup> Total energy consumption was calculated according to the General Rules for Total Energy Consumption Calculation (GB/T 2589-2020).

<sup>2</sup> GHG emissions: Scope 1 GHG emissions are from gasoline, diesel, liquefied petroleum gas and natural gas combustion; Scope 2 GHG emissions are from purchased electricity and thermal power use. Electricity emission factors are based on the 2011 and 2012 China Regional Grid Average CO<sub>2</sub> Emission Factors; GHG emissions are calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Enterprises (for Trial Implementation) issued by the National Development and Reform Commission of the People's Republic of China.

## 4.4 POLLUTION CONTROL

The Group firmly adheres to the relevant national laws and regulations on pollution prevention and control, actively identifies various pollutant emission sources and formulates targeted countermeasures, continuously improves its internal environmental management system and vigorously promotes the optimization of technical processes in order to effectively strengthen pollution control and reduce the adverse impact of its operations on the ecological environment.

### Waste Management



**Waste reduction target**

- With 2020 as the baseline, the Group commits to reduce the hazardous waste intensity by 30% by 2025
- With 2020 as the baseline, the Group commits to reduce the non-hazardous waste intensity by 20% by 2025

The Group strictly complies with the relevant management requirements of the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, reasonably classifies and disposes of waste generated in the course of construction and operation, and implements refined management. The Group's non-hazardous waste generated in the course of its corporate operations mainly includes construction waste and office domestic waste, while hazardous waste mainly includes toner cartridges and used fluorescent tubes, etc.



**Measures of waste management**

## Wastewater Management

The Group strictly complies with the requirements of the Law of the People's Republic of China on the Prevention and Control of Water Pollution and other wastewater management laws as well as its internal wastewater management rules, and strictly monitors and manages the generation and discharge of wastewater. We treat the wastewater by setting up treatment areas such as sedimentation tanks, grease traps and septic tanks at the construction site, and take measures such as sedimentation treatment, backfilling of drainage wells and anti-leakage, so that the treated wastewater can be recycled and used for dust reduction by sprinkling. The office and domestic wastewater is all discharged into the municipal pipeline network.



### Management of wastewater at construction sites

## **Dust Control**

Dust control is an important task that cannot be ignored by construction companies. The Group strictly complies with the Air Pollution Prevention Law of the People's Republic of China and makes dust pollution a priority in environmental management by adopting a series of standardized measures to control the transportation process, earthwork process, structural construction and fitting-out process and building demolition process.

### **Transportation process**

- Transportation of earth, waste, equipment and construction materials etc. without polluting off-site roads
- For vehicles transporting materials that tend to scatter, fly or leak, take measures to cover them tightly and ensure the cleanliness of the vehicle
- Setting car wash bay at construction site exit

### **Earthwork process**

- Take measures such as watering and covering to achieve a visual dust height of less than 1.5m at the construction site without spreading outside the site

### **Structural construction and fitting-out process**

- Maintain a visual dust height of less than 0.5 m at the construction site
- Covering of dust-prone piles of materials; enclosed storage of powdery materials
- Take dust reduction measures, such as covering and watering, for materials and construction waste handling within the site that may cause dust
- Use vacuum cleaner to clean up dust and debris before pouring concrete and avoid using dust-generating equipment such as blowers
- Protective measures such as partial cover, shelter and water sprinkling during mechanical excavation work
- Temporary enclosed access or container lifting for waste removal from high-rise or multi-storey buildings

### **Building demolition process**

- Before mechanical demolition of structures, take measures such as cleaning up dust, sprinkling water on the building to be demolished, and setting up partitions
- Before blasting and demolition of structures, choose less windy weather for blasting operations, take comprehensive dust reduction measures such as cleaning dust, wetting the ground, pre-wetting walls, laying water bags on the roof, storing water on the floor, setting up high-pressure water sprinkling system outside the building, erecting dust fences and dropping water bombs from helicopters

### **Dust Control Measures**

## Noise Control

The Group strictly complies with the requirements of national standard of Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011) for noise generation on site, and specifies the noise related rules and regulations in the Environmental Protection Management Policy, and carries out real-time monitoring and control of noise at the construction site boundaries. We use low-noise and low-vibration machinery and take sound and vibration isolation measures such as building noise-proof shed around the periphery of the concrete pump to minimize or avoid construction noise and vibration. In addition, we strictly prohibit the sounding of horns by construction vehicles entering and exiting the construction site.

During the Reporting Period, the Group's pollutant emissions were as follows:

Type		Unit	2019	2020	2021
Hazardous waste	Total volume	Tonne	71	37	40
	Intensity	Tonne/ RMB10,000 total revenue	0.02	0.01	0.01
Non-hazardous waste <sup>3</sup>	Total volume	Tonne	786,777	338,318	709,779
	Intensity	Tonne/ RMB10,000 total revenue	0.19	0.08	0.15

<sup>3</sup> Non-hazardous waste: In 2021, more demolition and renovation projects generated more construction waste, therefore resulting in an increase in the total amount of non-hazardous waste compared to 2020.

## 5 ENSURING STAFF PROTECTION

The Group recognizes the importance of staff protection to corporate development. We uphold the core corporate value of “Unbounded organization, Create value together” and strive to build a core culture of “Family · People”, fully protect the legitimate rights and interests of each staff of the Group and facilitate our staff to grow together with the Group.

### 5.1 COMPLIANT EMPLOYMENT

The Group strictly complies with the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Employment Promotion Law of the People’s Republic of China, the Social Insurance Law of the People’s Republic of China and other laws and regulations, provides appropriate occupational protection to all employees in accordance with the relevant legal requirements, standardizes the Group’s internal employment management system and strengthens the Group’s human resources management model. We have developed a comprehensive Human Resources Management System to clarify the rules and guidelines to be followed in the process of staff recruitment, welfare protection and training and development.

#### *Rights and Interests of Staff*

We actively build a diverse workforce and firmly resist and eliminate any discriminatory behaviour towards others by any organization or individual within the Group, eliminate any possible discrimination and prejudice and treat all employees and candidates equally.

We eliminate the employment of child labour, strictly comply with the Provisions on the Prohibition of Using Child Labour, impose a total ban within the Group on the recruitment of minors under the age of 16, and strengthen our supervision of the illegal use of child labour by subcontractors. In addition, the Group strictly prohibits any forced labour practices and clearly stipulates the working hours of employees to effectively protect their legitimate rights and interests.

## Staff Recruitment

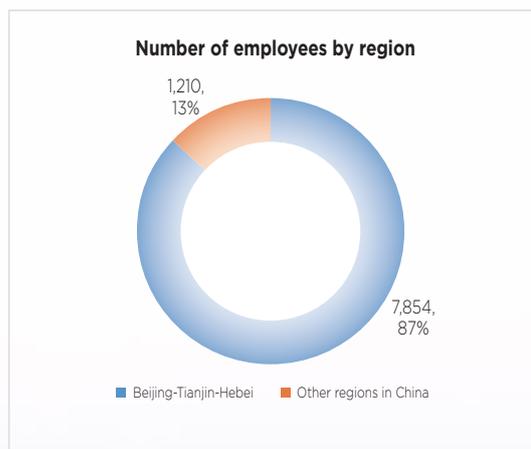
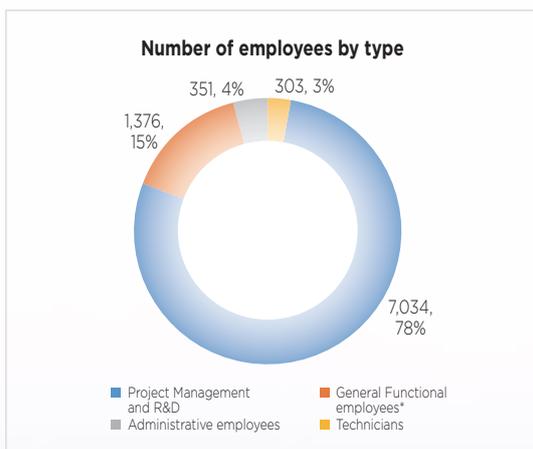
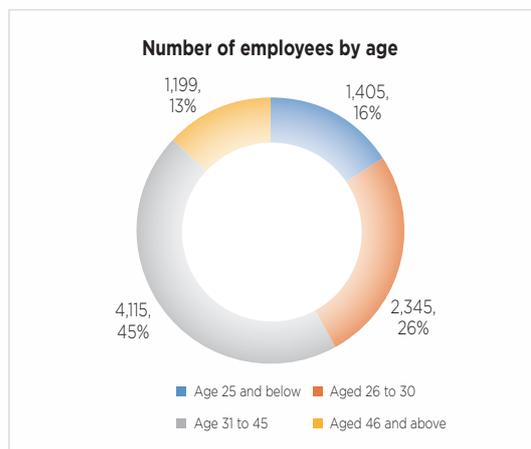
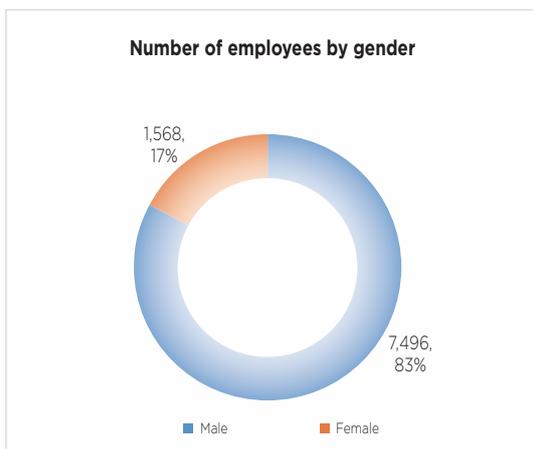
We implement the recruitment policy of “unified standard, unified plan and flexible organization”. Each year, each branch or subsidiary submits a recruitment plan based on its own situation under the unified recruitment standard set by the Group, and after being approved by the Group, the recruitment plan is distributed to each branch or subsidiary to carry out flexible recruitment work. During the Reporting Period, we signed university-enterprise cooperation agreements with two universities to continuously broaden our recruitment channels and provide a strong talent pool for the Group’s development.

### Local recruitment

The Group continuously promotes the development strategy of local recruitment, actively carries out recruitment in the locations of the Group’s operating entities, and appropriately loosens the academic requirements when recruiting local professionals in order to promote the development of local talents and economy. During the Reporting Period, the results of our local recruitment are as follows:

- Chengdu branch recruited a total of 92 local employees in the past three years, accounting for 49% of the total number of employees in the Chengdu branch;
- Inner Mongolia branch recruited a total of 177 local employees in the past three years, accounting for 70% of the total number of employees in the Inner Mongolia branch;
- Xi’an branch recruited a total of 171 local employees in the past three years, accounting for 60.12% of the total number of employees in the Xi’an branch.

As of 31 December 2021, the Group had a total 9,064 employees, with increase of 3.32% over 2020.



\* The employees of the general functions refer to employees of human resources, legal affairs, audit and finance, market operation departments

## 5.2 HEALTH AND SAFETY

Ensuring the health and safety of our employees is an important part of our responsibilities. We have established a comprehensive occupational disease prevention and control system, incorporate staff health into the management of occupational health records, and create a safe and healthy workplace for our staff by strengthening safety management at construction sites and continuously upgrading safety protection standards.

**Safety Management System**

We strictly abide by the Production Safety Law of the People’s Republic of China, the Work Injury Insurance Regulations, the Fire Services Law of the People’s Republic of China and other laws and regulations, comprehensively implement the production safety policy of “safety first, prevention first, comprehensive management”, continuously promote the standardization and refinement of project management, strengthen the production safety responsibility system, reinforce the production safety management system, and improve the scientific, targeted and timely emergency response plans. During the reporting period, with the revision of the Production Safety Law of the People’s Republic of China, we also carried out dynamic revision of our existing internal production safety, civilised construction and environmental protection rules to ensure that the Group’s production safety activities are carried out in compliance with relevant laws and regulations. At present, the Group has developed a total of 409 articles in 23 management rules, with the “Production Safety Responsibility System” as the core.

In order to guide the effective implementation of production safety throughout the year, we developed the 2021 Safety and Environmental Management Targets and Measures which set the production safety management objectives for 2021 in an effort to promote production safety across the Group:



**Production safety targets for 2021**

During the Reporting Period, the Group’s efforts in production safety were further strengthened and no major production safety accidents occurred. In addition, we have also achieved excellent results in the production safety standardization, created 4 national construction project construction safety standardization construction site and 36 safe and civilized (green) standardized construction sites at provincial level or above.

**Production safety**

Production safety has always been the key element of our operations. With excellent performance as the guideline, information technology as the means and dual safety control as the main task, we focused on the production safety target for 2021, comprehensively strengthened safety system hierarchy development and construction site safety production management measures, enhanced the supervision of safety management at all levels, and ensured the safe and orderly operation of all construction sites.

Strengthened organizational leadership	Specified and completed targets and measures	Strengthened system hierarchy development	Deeply implemented dual control of safety
<ul style="list-style-type: none"> <li>Re-adjusted the composition of the Production Safety Committee, which shall be responsible for leading the overall implementation of the Group's production safety tasks</li> <li>Requested each branch and subsidiary and project department to form corresponding organization to supervise the implementation of production safety policy</li> </ul>	<ul style="list-style-type: none"> <li>Issued the Environmental Targets, Indicators and Management Plan for 2021 to urge entities at all levels to strengthen implementation responsible for leading the overall implementation of the Group's production safety tasks</li> <li>Signed production safety responsibility letters, dust control target responsibility letters and undertaking letters with a total of 26 responsibility letters and undertaking letters signed with the persons in charge of branches and subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Sorted out the safety management organization settings and dedicated production safety management staffing of 25 branches and subsidiaries</li> <li>Fully deployed dedicated safety personnel to actively integrate social resources and mature talents to ensure a reasonable allocation of dedicated safety personnel</li> </ul>	<ul style="list-style-type: none"> <li>Actively implemented the dual prevention measures of graded control of production safety risks and hidden danger inspection and management, and actively carried out in-depth "dual control" activities</li> <li>Develop a standardized plan for the construction of safety "dual control" mechanism, sorted out each case, identified and rectified deficiencies, enabled graded control and management and nipped the problems in the bud</li> </ul>

**Production safety highlights of 2021**

The Group had no work-related fatalities in the past three years. 5 work-related accidents occurred during the Reporting Period. In particular, 2 were traffic accidents, 3 were accidental injuries and 3,088 hours were lost due to work-related injuries. All 5 work-related accidents have been properly resolved.

### Building a Safety Culture

In addition to strengthening our safety management, the Group also pays equal attention to building a safety culture. We constantly standardize our staff's operations and strictly require safe production workflow, and strive to enable every employee to recognize their own safety responsibilities and to raise the awareness of safety responsibility among all staff. We have established safety training targets to provide targeted guidance on building a safety culture for the year. In 2021, production safety training provided by us covered a total of 13,349 staff.



**Full implementation of the production safety responsibility system and 100% coverage of safety training for all staff**

#### Safety training target

During the Reporting Period, we conducted a series of special safety trainings through a combination of online and offline methods, and launched a variety of safety culture promotion activities under the theme of “ Safety Production Month” to enhance the safety awareness of our employees.

<b>System training</b>	<ul style="list-style-type: none"> <li>Systematically strengthened and enhanced safety awareness through regular production safety meetings, system inspections and on-site observation</li> </ul>
<b>Special training on the new Production Safety Law</b>	<ul style="list-style-type: none"> <li>Organized all staff to study the latest version of the Production Safety Law through the "Construction Intelligence Academy" and participate in the examination with a pass rate of 97.8%.</li> </ul>
<b>Safety management personnel training</b>	<ul style="list-style-type: none"> <li>Organise special training for safety management personnel in respect of professional positions</li> </ul>
<b>Special post examination training</b>	<ul style="list-style-type: none"> <li>Conducted online and offline trainings for special operation personnel to enhance the safety operation ability</li> </ul>
<b>Registered safety engineer examination</b>	<ul style="list-style-type: none"> <li>Further increased the training and reserve of safety, equipment and fire safety professionals through the provision of two-way incentives such as the safety risk position allowance and registered safety engineer qualification allowance</li> </ul>

### Training activities under the theme of “Production Safety Month”

In June 2021, we launched a Group-wide “Production Safety Month” campaign with the theme of “Implementing Safety Responsibility and Promoting Safety Development”, established a leading organisational structure and formulated a detailed plan for the campaign. The Group’s branches successively organized quality and safety knowledge competitions, with various topics covering common engineering practices and the content of the major specifications. In addition, we also established matrix-based and three-dimensional promotion structure covering all media through “joint inspection and interaction”, safety consultation seminar and on-site observation to create a strong safety production atmosphere.



### ***Occupational Health***

We strictly comply with relevant national laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Administrative Measures for Occupational Health Inspection and Work-related Injury Insurance Regulations, and implement occupational health management measures in strict accordance with the local standards where the projects are located. We have obtained ISO45001 Occupational Health and Safety Management System Certificate, covering 22 branches and subsidiaries specializing in areas including construction, municipal engineering, road construction, electrical & mechanical engineering, foundation work, airport runway construction, structural steel construction, ready-mixed concrete, and construction industrial design.

In accordance with the requirements of the ISO45001 Occupational Health and Safety Management System, we have formulated the Occupational Health Management System accordingly, continuously strengthened the Plan-Do-Check-Act (PDCA) management model for occupational health, conducted regular monitoring of occupational hazards, and provided occupational health check-ups for all employees. During the Reporting Period, the Group formulated and issued the Notice on the Issuance of the List of Important Environmental Factors, List of Major Hazardous Sources and Their Control Plans, Environmental Target Indicators and Management Plan, and Occupational Health and Safety Target Indicators and Management Plan for 2021, and identified and assessed a total of 12 relevant occupational health risks. For the identified occupational health risks, we have developed a detailed improvement plan with clear responsibilities for departments and individuals to effectively eliminate the identified occupational health risks.

**Pandemic Prevention and Control**

Under the general trend of regular pandemic prevention and control, the Group focused on both “fighting the pandemic” and “resumption of production and operation” and actively promoted the resumption of projects in an orderly manner on the basis of effective pandemic prevention and control. During the Reporting Period, the Group considered the environmental factors and risk points throughout the life cycle of the project from design to completion in accordance with the requirements of the QES management system and the Quality Management Code for Engineering Construction Enterprises (GB/T 50430-2007), and conducted identification and assessment of risk sources from the “COVID-19 pandemic” to nip the problems in the bud and ensure effective operation of the system. In addition, we dynamically monitored the status of the pandemic and the prevention and control requirements of relevant authorities in different regions, and released various prevention and control requirements of the higher authorities and the relevant prevention and control measures through the Group’s internal information platform, so as to achieve “prioritizing prevention, graded control, multilayered management and prompt response”.

Staff control	On-site management	Protective supplies
<ul style="list-style-type: none"> <li>Posted health and pandemic prevention notices in obvious locations in construction sites and living areas to raise awareness of prevention and control among on-site staff and remind them to ensure personal protection</li> </ul>	<ul style="list-style-type: none"> <li>Strictly implement closed site management, 24-hour guarding of construction sites and living areas, registration and temperature check at the entry and exit of sites</li> <li>Preventive sterilization of construction sites, office areas, living areas and other places of human operation to ensure indoor air circulation</li> </ul>	<ul style="list-style-type: none"> <li>Equipped the site with sufficient pandemic prevention supplies such as masks, thermometers and sanitizers, and set up isolation rooms for emergency situations</li> </ul>

**Regular pandemic prevention and control measures**

**5.3 STAFF DEVELOPMENT**

We focus on staff development and are committed to providing our employees with a platform for personal development. In addition to the professional development of our staff, we also encourage our staff to develop themselves and realize their career aspirations through a variety of training systems and programmes.

## **Staff Training**

We provide a wide range of training and self-learning opportunities for the Group's staff to create a good atmosphere for active learning. We have developed the Staff Education and Training System to provide multi-channel and multi-modal staff training for staff at different levels and grades, and provide specialized training programmes. In addition, during the Reporting Period, we further established and improved the intelligent learning platform system of "Construction Intelligence Academy" to integrate the previous training resources and facilitate employees to access and learn anytime and anywhere.

### **Training for professional on-site workers**

The Group strictly complies with the relevant requirements of the series of documents issued by the Hebei Provincial Department of Housing and Urban-Rural Development on the vocational training of construction site professionals in the field of housing and urban-rural development, and has developed a special training programme for professional on-site workers to train professional staff in civil construction, decoration and renovation, equipment installation, municipal engineering and quality inspection, and organizes examinations to support training for professional on-site workers.

From May to September 2021, the Group provided training to 1,135 newly certified staff covering 13 positions, and organized 35 examinations with 1,695 participants, and a total of 932 staff obtained new certificates. From September to November, the Group provided continuing education to 2,634 staff, organized 13 training sessions and provided video-based education opportunities covering 13 positions.

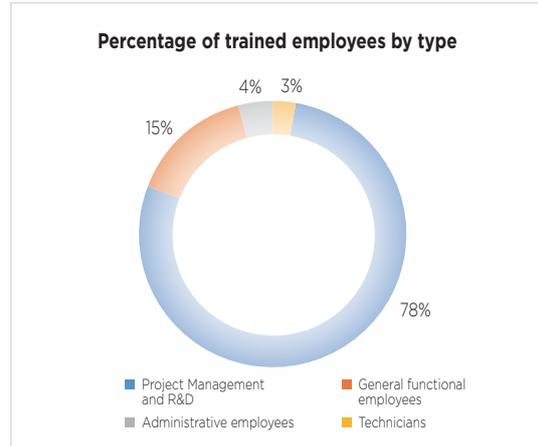
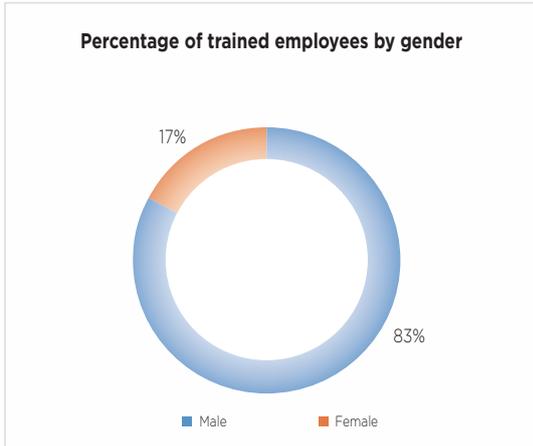
### New staff training

Training for newly recruited fresh graduates is the first step to help new employees integrate into the Group's diverse workforce, and nearly 400 fresh graduates received induction training during the Reporting Period. Training contents include meeting with leaders, corporate culture promotion, group strategic planning training, excellent performance management and corporate system and process training, safety knowledge training, legal knowledge training, human resources knowledge training, etc., and new employees were arranged to visit the Company's factory history museum. The training provided new employees with a better understanding of the Group's corporate culture and helped fresh graduates to grow quickly in the Group and achieve success on their career path.

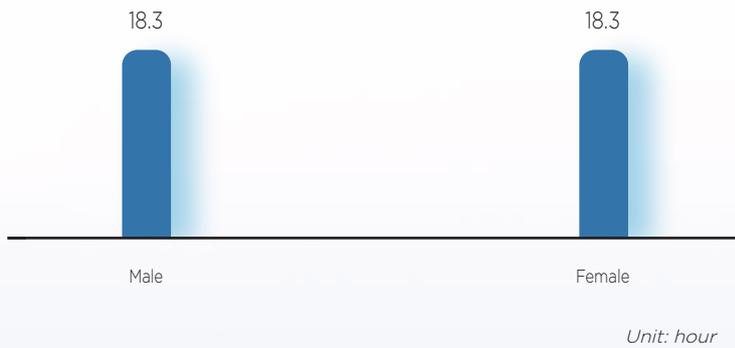


# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

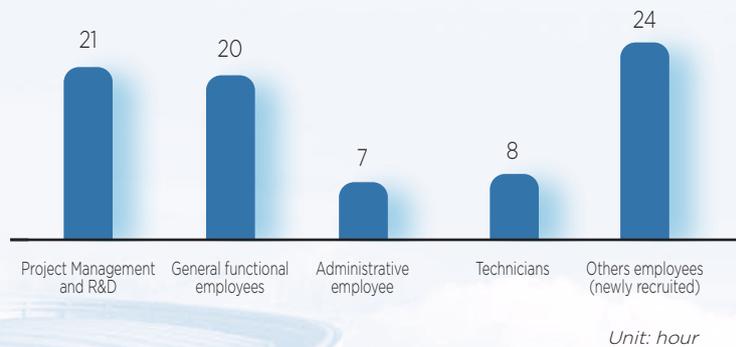
During the Reporting Period, we successfully completed various training tasks in accordance with the requirements of the Annual Training Plan 2021, which further improved the business skills and technical abilities of all staff. A total of 39,000 staff received training with an overall average training hours of 18.30 hours, covering 100% of the staff.



**Training hours for employees by gender**



**Training hours for employees by type**



### ***Promotion and Development***

The Group actively creates equal and fair career advancement paths and development space for its employees. We have set up various promotion and training programmes to help employees at all levels to become outstanding management and professional talents. During the Reporting Period, We have also completed the restructuring of the cadre management system and revised and issued the Notice on Revision of the “Management Measures for Leaders”, with emphasis on optimization of the terms of appointment and selection of reserve cadres.

We have formulated the Human Resources Management System and the Promotion Appraisal Form to provide comprehensive assessment on the employees in terms of working years, academic level and personal ability, and stimulate employees’ potential by building a pool of successors for key positions, “358” Talent Pool, and the Tsinghua Business School training program for elite reserve talents to provide long-term development space for employees.

### Talent pool of successors for key positions

- We have set up a successor talent pool for the selection and promotion of talents for key positions. For advanced elite talents who meet the conditions for entering the pool, they are directly included in the talent pool. We also dynamically update the Company's reserve talent pool each year, build up biographical information and conduct at least one face-to-face interview with the talent included in the pool each year to continuously enrich the biographical information.
- During the reporting period, the Group's President, Shang Jinfeng, conducted one-on-one interviews with reserve cadre talents and business backbones to better help reserve talents set up good career plans and provide equal promotion opportunities by communicating with reserve management talents, so as to lay a solid foundation for the company to know and employ people. During the Reporting Period, Mr. Shang Jinfeng, the Group's president, conducted face-to-face interviews with reserve cadre and talents and business backbones to better help reserve talents set up good career plans and provide equal promotion opportunities by communicating with reserve management talents, so as to lay a solid foundation for talent identification and recruitment of the Company.

### "358" Young Talent Pool

- The 358 Youth Talent Pool aims to include outstanding young employees within 8 years of employment into the talent management pool, and to classify outstanding young employees into the Young Eagle Talent Pool, the Flying Eagle Talent Pool and the Soaring Eagle Talent Pool respectively based on their respective years of employment, so as to carry out focused and systematic ongoing dynamic training and help employees grow in 3 years, mature in 5 years and become backbone employees of the Company in 8 years.

### Tsinghua Business School elite reserve talents training program

- In order to reserve outstanding talents, the Group cooperated with Tsinghua University to establish a Tsinghua Business School reserve cadres senior training class. Talents are screened through the three processes of personal quality rating, personal image and presentation rating and questionnaire evaluation by professional institutions to identify reserve talents with strong capabilities and skills in production technology system, market operation system and comprehensive management system to receive special training at the Tsinghua Business School.
- During the Reporting Period, three courses were offered under the Tsinghua Business School training program for elite talents to provide trainings for 276 young talents.



**Course opening ceremony in Tsinghua Business School**

## 5.4 CARE AND SUPPORT

We value the hard work and dedication of each and every employee and are committed to providing a fair and competitive remuneration package for our employees, thereby retaining talents while fully promoting the “Family·People” culture and helping our employees achieve work-life balance

### *Remuneration and Benefits*

In addition to improving the basic welfare system for our staff, we reward our staff with a wide range of supplementary benefits to ensure a decent life for them in appreciation of the hard work of all staff of the Group and in an effort to build a happy company.



**Youth apartments**

- After the Group's headquarters moved to a new office building in 2021, we rented the hotel nearby as single apartments. The apartments are well-equipped with Internet TV, Wi-Fi, ensuite bathrooms and central air-conditioning in each room, and subsequently equipped with self-service laundry and charging posts, providing comfortable living conditions for young staff.

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**Providing cooling supplies in summer**

- In July and August 2021, the trade union spent RMB150,000 to carry out “Cooling the weather” activities. The chairman of the Group's trade union personally led a team to visit key projects such as the major pandemic treatment base project of the Affiliated Hospital of Hebei University in Baoding, the covered playground project of Hebei University of Technology in Tianjin and the Zipeng resettlement project in Shangpai Town, Feixi County, Hefei. In addition, frontline branches of the trade union also visited more than 20 key projects across China to offer cooling supplies to the staff and urge them to take proper measures to prevent heat stroke and prevent and control the pandemic, thereby ensuring production safety.

In addition, obtaining substantial remuneration through decent work has always been a common concern for the Group's employees. We continuously strengthen the implementation of remuneration management, improve the centralized management model of remuneration and social security, and put great efforts in sorting out remuneration issues such as the payment of allowances, with a view to comprehensively enhancing the happiness of employees.

## Communication with Employees

We carefully listen to the requests of our employees, and are committed to constantly opening up communication channels and breaking hierarchical barriers to communication. Through channels such as leadership seminars, satisfaction surveys and the “Voice of Staff” email box of the Chairman, we encourage our staff to actively offer valuable suggestions to the Group, promote personal connection with the Group and enhance the sense of engagement among our staff.

We continuously collect valuable suggestions, comments and questions, and identify and recommend outstanding grassroots talents, which are summarized and submitted to the Group’s president every half month. In order to understand the needs and opinions of our young staff, we have also asked representatives to fill in an anonymous form for reasonable suggestions when holding staff representatives’ meetings, and the anonymous suggestions will be sorted and summarized for the president’s office to formulate implementation measures and improvement plans.

### Young staff seminar

In order to better understand the needs and opinions of young staff, we held a seminar for young staff during the Reporting Period. By listening to their suggestions and ideas on the development of the Company and helping them address their concerns and difficulties in their daily work life, the young staff were able to better understand the development and future planning of our branches.



Our employees' suggestions are our motivation for continuous improvement. During the Reporting Period, we conducted detailed employee satisfaction surveys on five aspects of management, work relationships, employee development, work environment and work reporting, on a half-yearly basis, and requested the responsible departments to implement improvement measures by sharing the survey results with different branches and subsidiaries.

During the Reporting Period, we issued the Annual Overall Employee Satisfaction Survey Report and the Young Employee Satisfaction Survey Report based on the results of the surveys, conducted focused analysis on satisfaction trends and measures to be strengthened in each aspect, and conducted one-on-one diagnosis for certain units with low satisfaction rates. In 2021, our overall employee satisfaction rate was 85.80%, an improvement of 0.55% over the last year.

### Care for Employees

We actively carry out employee care activities to send warmth to every corner, so that more employees can relax and enjoy themselves outside of work.



Established the Home fund • Raising fund for love



Basketball matches of "Passionate Basketball"



A staff choir was established to enhance the cultural and artistic qualities of staff



"Weekly Talk" activity to promote interactive discussion among all staff



Calligraphy, painting and photography exhibition to display over a hundred pieces of artworks of staff



Caring activities for female employees on "March 8 Women's Day"

## Employee Retention

The Group recognises that talent is the foundation for achieving sustainable development. We attach importance to talent retention, follow the fine tradition of mentorship and apprenticeship, and have formulated the Management System of Mentorship and Apprenticeship and issued the Guidance on Mentorship and Apprenticeship in 2021, carried out a series of activities of mentorship and apprenticeship across the enterprise to help new employees develop their professional ethics and improve their professional skills, so as to continuously enhance their enthusiasm for work and effectively reduce the Group's staff turnover rate.

### “One-on-One Mentorship” ceremony

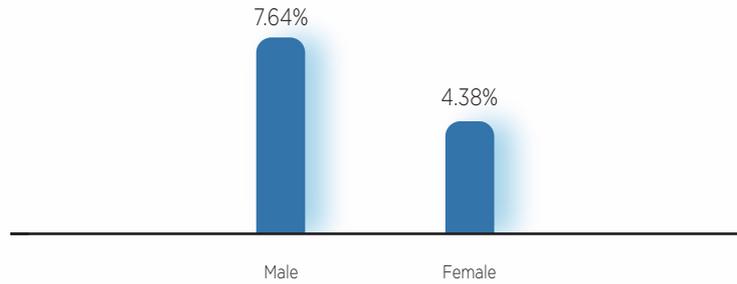
During the Reporting Period, the Group's construction and installation branch held a “One-to-One Mentorship” ceremony for 39 new employees who joined the Group in 2021, and provided a monthly subsidy of RMB200 to the mentors to encourage staff to improve their skills. The human resources department monitored the mentorship situation and made timely adjustments to the mentorship relationship based on the rotation of new employees to enhance their sense of achievement. We also assessed and selected six pairs of outstanding mentors and apprentices to award them a prize of RMB1,000 for each person.



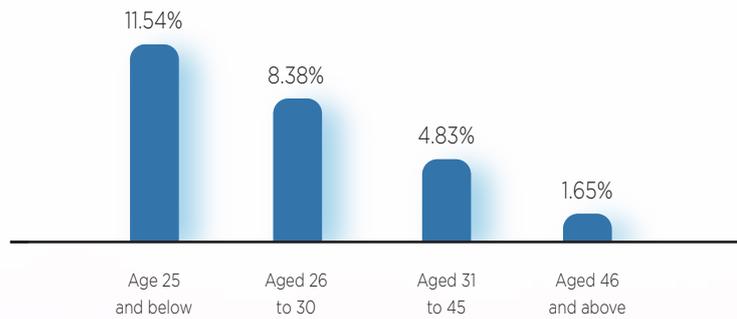
Outstanding Mentor Award Ceremony

During the Reporting Period, the employee turnover rate of the Group was 6.83%. The employee turnover rate by gender, age and region is as follows:

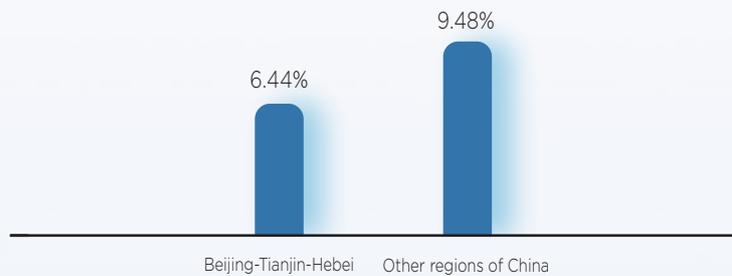
**Employee turnover rate by gender**



**Employee turnover rate by age**



**Employee turnover rate by region**



## 6 GIVING BACK TO THE SOCIETY

The Group always upholds the public welfare philosophy of “Sincere Dedication Without Boundaries”, and recognizes that corporate development cannot be achieved without the support of the community. We appreciate the support from all parties in the society, actively carry out public welfare activities such as rural revitalisation and community assistance in order to share the economic achievements with the community and give back to the society.

### 6.1 RURAL REVITALIZATION

The Group actively responds to the national policy of rural revitalization and continues to explore sustainable assistance strategies based on its own capabilities and the characteristics of its production areas, in order to finance the transformation and stable development of agricultural industry in impoverished areas and counties to achieve common prosperity. During the Reporting Period, we carried out various rural revitalization projects and were awarded the title of “Advanced Unit for Poverty Alleviation in Hebei Province” by the provincial Party committee and provincial government of Hebei.



**Honorary title of “Advanced Unit for Poverty Alleviation in Hebei Province”**

**Assistance to Pingfang Village**

Since the winning of the tender for the general contract for the cultural cluster project of North China United University in Pingfang Village, Fuping County, the Group has continued to repair and renovate the historical site of North China United University and improve the surrounding environment. We have now completed the ecological restoration of over 1,000 metres of river in Pingfang Village, and the restored site of the North China United University has been given a new look, making it another red tourism destination in the historical area. In 2021, we also invested an additional RMB100,000 to provide targeted support to the local community.



### Edible mushroom project in Laiyuan County

The edible mushroom project is the Group's key assistance project in Laiyuan County with a total investment of RMB300 million, and the infrastructure of the project has basically completed. In view of the difficulties of the Laiyuan County government and the people of Laiyuan County, the installation engineering company under the Group bravely assumed responsibility, contacted equipment manufacturers and business department to draw up contracts, and the production department connected with the edible mushroom factory of Laiyuan County Shunhe Agricultural Technology Co., Ltd. and contracted with relevant partners for materials worth a total of RMB1.2 million, mainly including over 150 equipment in 7 models such as packaging machines, air compressors, mixing machines and mushroom tank filters.

### Fuping County Pear Blossom Festival

On 3 April 2021, the second Pear Blossom Festival in Fuping County was held under the theme of "Promoting Poverty Alleviation and Rural Revitalization", which was jointly organized by a number of companies including the Group. The Group started its industrial poverty alleviation work in Fuping County in 2013 and have tidied up a large amount of idle lands and mountainous areas. At present, Fuping pears have become a featured agricultural project in Fuping County, and were awarded the "Most Popular Agricultural Product" at the 18th China International Agricultural Products Fair, fully demonstrating our active efforts in promoting agricultural revitalization.



## 6.2 CONTRIBUTION TO COMMUNITY

Always mindful of the community, the Group actively participates in projects such as disaster relief, anti-pandemic assistance, education support and voluntary services, contributes substantial manpower and materials, persists in infrastructure construction and culture building, and establishes a positive corporate image.

### *Anti-pandemic and Disaster Relief*

In 2021, we actively responded to the national guideline on adhering to regular pandemic prevention and control, and on the basis of standardizing internal pandemic prevention efforts and safeguarding the lives and health of our staff, we put our attention on the whole country and actively carried out donation of cash and materials and voluntary activities. During the Reporting Period, we donated cash and KN95 masks, tents and other anti-pandemic materials to Shijiazhuang, Nanjing, Tianjin, Hohhot and Nangong, while assisting Zhongmou and other places in building quarantine facilities for pandemic areas, thus making every effort to help win the battle against the pandemic across the country and deliver love and warmth to the society.



**Material donation to Nanjing**



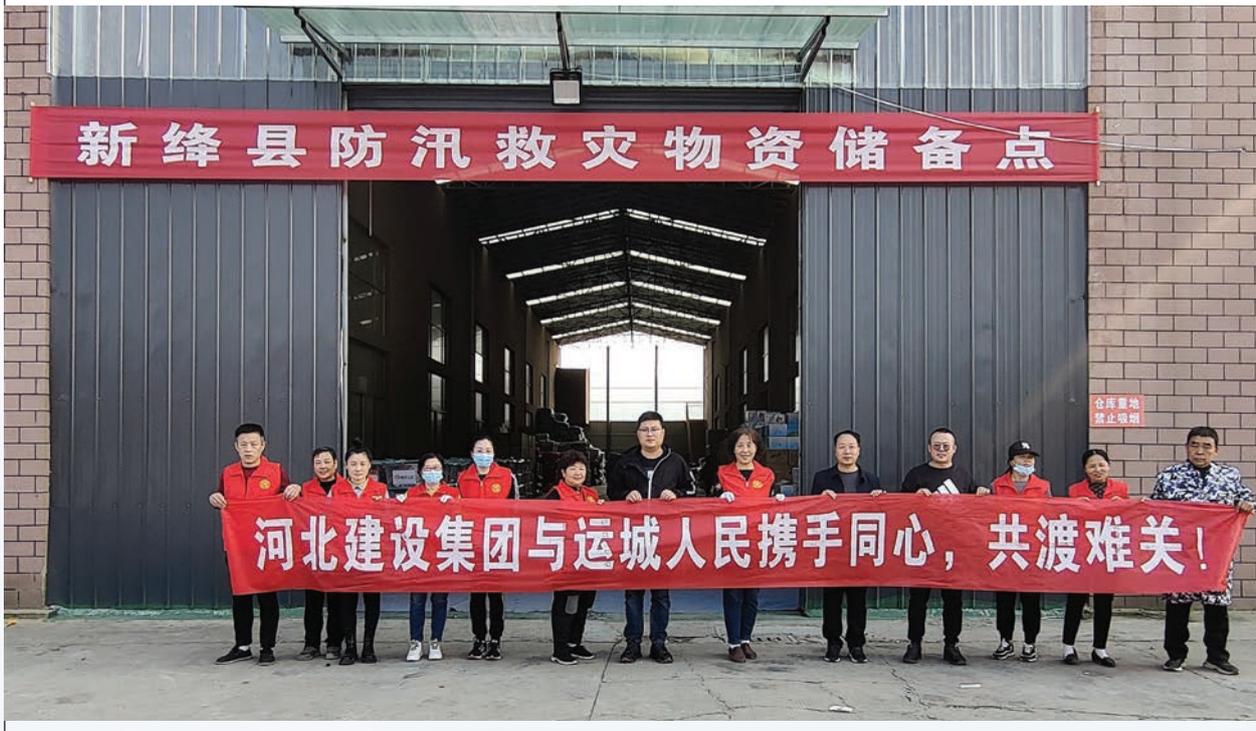
**Construction and renovation of quarantine facilities in Shijiazhuang**

With a caring heart, we also paid close attention to the lives and health of people in areas affected by natural disasters, timely responded to the government's call, and demonstrated our commitment as a responsible enterprise by striving to enhance the happiness and comfort of local residents.

### Assistance for flood relief in Yuncheng, Shanxi Province

In September 2021, in view of the flooding in Yuncheng, Shanxi Province, the Group took immediate actions under the fine Chinese tradition of "When disaster struck, help came from all sides" and donated a large amount of relief materials to the disaster area, thereby contributing to the flood relief work.

On 16 October, the project manager organised to collect and delivery cotton clothes, blankets and other materials to the Red Cross Society of Xinjiang County, sending our love and care to the local residents in disaster area. The Group's Yuncheng Airport Project Department took practical action to support the flood relief work, demonstrating the Group's social responsibility.



## Voluntary Services

In addition, we also fully support community building and actively organize public welfare activities such as donations for education, tree planting for environmental protection and visits to elderly, in order to spread our warmth and care to the community by making our humble contribution.

### Providing transportation services to participants of the National College Entrance Examination

On 7 June 2021, the Group formed a voluntary fleet of cars under the theme of “Safeguarding the path to the National College Entrance Examination” to provide free transportation services to participants of the National College Entrance Examination in 2021.



Voluntary fleet of cars formed by the Group

### Visited the elderly of no family

On 15 September, on the occasion of the National Day and Mid-Autumn Festival, the employees from the installation engineering company under the Group joined the Baoding Charity and Respect for Elderly Association and came to Tianyi Welfare Home in Baigou New Town, to visit Zhou Weimin, the “Good Man of Baoding”, and the 9 elderly of no family or disabled he has been taking care of for free, and sent them subsidies of RMB3,000. This is the tenth time the installation engineering company has visited this special group of people in the past six years, and the total amount of donations and household items donated was nearly RMB40,000.

In November, the Group visited the impoverished Party members and general public in communities such as Fuchangyuan and Dacige. During the visit, we provided 8 disadvantaged people with daily necessities such as electric wheelchairs, blood glucose meters and blood pressure monitors based on their needs, bringing them the warmth of the Party.



### Voluntary tree planting activity

We attach great importance to the greening of our homeland and consider the promotion of building a forest ecosystem as an important goal for sustainable development. During the Reporting Period, the Group carried out large-scale land greening actions and voluntary tree planting activity, and was awarded the Distinguished Unit for Contribution to Land Greening in Hebei Province.



**Voluntary tree planting activity by the garden engineering company under the Group**

## APPENDIX: CONTENT INDEX OF STOCK EXCHANGE ESG REPORTING GUIDE

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
Aspect A1	Emissions	
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.4 Pollution Control
KPI A1.1	The types of emissions and respective emissions data.	4.4 Pollution Control
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Conservation of Resources
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Pollution Control
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Pollution Control
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	4.1 Environmental Management 4.4 Pollution Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1 Environmental Management 4.4 Pollution Control

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
<b>Aspect A2</b>	<b>Use of Resources</b>	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	4.3 Conservation of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.3 Conservation of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.3 Conservation of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1 Environmental Management 4.3 Conservation of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.1 Environmental Management 4.3 Conservation of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The operation of the Group does not involve the use of packaging material
<b>Aspect A3</b>	<b>The Environment and Natural Resources</b>	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	4.1 Environmental Management 4.3 Conservation of Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.1 Environmental Management 4.3 Conservation of Resources

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
<b>Aspect A4</b>	<b>Climate Change</b>	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.2 Addressing Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.2 Addressing Climate Change
<b>Aspect B1</b>	<b>Employment</b>	
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Compliant Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part time), age group and geographical region.	5.1 Compliant Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.4 Care and Support

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
<b>Aspect B2</b>	<b>Health and Safety</b>	
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	5.2 Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.2 Health and Safety
KPI B2.2	Lost days due to work injury.	5.2 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Health and Safety
<b>Aspect B3</b>	<b>Development and Training</b>	
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	5.3 Staff Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.3 Staff Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	5.3 Staff Development

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
<b>Aspect B4</b>	<b>Labour Standards</b>	
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to preventing child and forced labour.	5.1 Compliant Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Compliant Employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Compliant Employment
<b>Aspect B5</b>	<b>Supply Chain Management</b>	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.1 Responsible Supply
KPI B5.1	Number of suppliers by geographical region.	3.1 Responsible Supply
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.1 Responsible Supply
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.1 Responsible Supply
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.1 Responsible Supply

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
Aspect B6	Product Responsibility	
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	<p>2.1 Excellent Quality</p> <p>2.3 High-quality Services</p>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group's operations do not involve product recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 High-quality Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Technological Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	2.1 Excellent Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.3 High-quality Services

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		2021 ESG Report
<b>Aspect B7</b>	<b>Anti-corruption</b>	
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to bribery, extortion, fraud and money laundering.	1.3 Honest Operation
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.3 Honest Operation
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.3 Honest Operation
KPI B7.3	Description of anti-corruption training provided to directors and staff.	1.3 Honest Operation
<b>Aspect B8</b>	<b>Community Investment</b>	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1 Rural Revitalization 6.2 Contribution to Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Rural Revitalization 6.2 Contribution to Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.1 Rural Revitalization 6.2 Contribution to Community

## APPENDIX: LIST OF LAWS AND REGULATIONS

Anti-Unfair Competition Law of the People's Republic of China  
(《中華人民共和國反不正當競爭法》)

Law Against Unfair Competition of the People's Republic of China and Certain Opinions of the State Council on Promoting Fair Competition in the Market and Maintaining the Normal Order of the Market  
(《國務院關於促進市場公平競爭維護市場正常秩序的若干意見》)

Construction Law of the People's Republic of China  
(《中華人民共和國建築法》)

Regulations on the Quality Management of Construction Projects  
(《建設工程質量管理條例》)

Implementation Opinions on Accelerating the Development of New Type of Building Industrialization  
(《關於加快新型建築工業化發展的實施意見》)

14th Five-Year Plan for New Type of Building Industrialization in Hebei Province  
(《河北省新型建築工業化“十四五”規劃》)

Patent Law of the People's Republic of China  
(《中華人民共和國專利法》)

Trademark Law of the People's Republic of China  
(《中華人民共和國商標法》)

Regulation on Management of Intellectual Property Rights of Enterprises  
(《企業知識產權管理規範》)

Environmental Protection Law of the People's Republic of China  
(《中華人民共和國環境保護法》)

Law of the People's Republic of China on Appraising of Environment Impacts  
(《中華人民共和國環境影響評價法》)

Regulations on the Administration of Construction Project Environmental Protection  
(《建設項目環境保護管理條例》)

Green Construction Guidelines  
(《綠色施工導則》)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution  
(《中華人民共和國固體廢物污染防治法》)

Law of the People's Republic of China on Prevention and Control of Water Pollution  
(《中華人民共和國水污染防治法》)

Energy Conservation Law of the People's Republic of China  
(《中華人民共和國節約能源法》)

Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution  
(《中華人民共和國大氣污染防治法》)

Labor Law of the People's Republic of China  
(《中華人民共和國勞動法》)

Labour Contract Law of the People's Republic of China  
(《中華人民共和國勞動合同法》)

Employment Promotion Law of the People's Republic of China  
(《中華人民共和國就業促進法》)

Social Insurance Law of the People's Republic of China  
(《中華人民共和國社會保險法》)

Provisions on the Prohibition of Using Child Labor  
(《禁止使用童工規定》)

Safety Law of the People's Republic of China  
(《中華人民共和國安全生產法》)

Fire Services Law of the People's Republic of China  
(《中華人民共和國消防法》)

Measures for the Administration of Contingency Plans for Work Safety Accidents  
(《安全生產事故應急預案管理辦法》)

Law of the People's Republic of China on the Prevention and Control of Occupational Diseases  
(《中華人民共和國職業病防治法》)

Administrative Measures for Occupational Health Inspection  
(《職業健康檢查管理辦法》)

Work-related Injury Insurance Regulations  
(《工傷保險條例》)

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## EXECUTIVE DIRECTORS

**Mr. Li Baozhong (李寶忠)**, aged 52, is the Chairman of the Board and an executive Director of the Company since 22 December 2015. Mr. Li is also the chairman of the Strategic Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company, and has served as the secretary to the Party Committee of the Company since January 2021. Mr. Li also serves as the chairman of Zhongming Zhiye, Baoding Langzhuo Gu'an-Baoding Railway Construction Co., Ltd. and Shenzhen Zhongru Investment Co., Ltd., a vice chairman of the board of directors of Zhongru Investment, an executive director and the general manager of Baoding Zhongcheng, a supervisor of Qianbao Investment and a director of Bank of Baoding Co., Ltd. (保定銀行股份有限公司). Mr. Li is a vice president of Hebei Construction Industry Association and the president of Baoding Construction Industry Association. Mr. Li has over 29 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015. Mr. Li was elected as a Deputy of the thirteenth session to the National People's Congress in March 2018.

Mr. Li obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, the PRC in September 2015. Mr. Li obtained the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008 and the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2009, respectively. Mr. Li was awarded the "Model Worker of Baoding (保定市勞動模範)" by the People's Government of Baoding in April 2013, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 2014, the "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016 and the "Quality Award of Hebei Government (河北省政府質量獎)" by the People's Government of Hebei Province in June 2017, and was appointed as an "Expert with Special Allowance of Hebei Provincial Government" by the People's Government of Hebei Province in September 2019.

Mr. Li Baozhong is the brother of Mr. Li Baoyuan, the Honorary Chairman and non-executive Director of the Company, and uncle of Mr. Li Wutie, the Board Secretary, joint company secretary and assistant to the President of the Company.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Shang Jinfeng (商金峰)**, aged 45, is an executive Director and the President of the Company since 31 March 2017. Mr. Shang is also a member of the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee under the Board of the Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering Co., Ltd. (“**HCG Tianchen Construction Engineering**”), Hebei Lvjian Investment Company (河北綠建投資股份公司), Zhongru Investment, Guangdong Huarong Construction Engineering Co., Ltd. (廣東華融建設工程有限公司), Inner Mongolia Construction Investment Group Co., Ltd. (內蒙古建設投資集團有限公司) and Zhongcheng Real Estate, and the chairman of Hebei Construction Group Infrastructure Construction Co., Ltd. (河北建設集團基礎設施建設有限公司). Mr. Shang has over 24 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering from December 2010 to January 2017; and a vice President and a standing vice President of the Company from December 2013 to March 2017.

Mr. Shang obtained an undergraduate diploma in urban construction from the Agricultural University of Hebei Province in Baoding, the PRC in July 1998 and an EMBA degree from Peking University in Beijing, the PRC in January 2016. Mr. Shang obtained the qualifications of national certified constructor from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. Mr. Shang was accredited the “Wusi Youth Medal of Baoding City (保定市五四青年獎章)” jointly from China Communist Youth League Baoding Committee, Bureau of Human Resources and Social Security of Baoding and Baoding Youth Federation in May 2012. Mr. Shang has been awarded as the “Excellent Enterprise Manager in Construction Industry (建築業優秀企業管理者)” by Hebei Building Industry Association for five times from 2012 to 2017 and a second-level candidate of “New Century Triple Talents Project of Hebei Province” (河北省新世紀“三三三人才工程”) by Leading Group of “Triple Talents Project” of Hebei Province (河北省“三三三人才工程”領導小組) in December 2015.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Zhao Wensheng (趙文生)**, aged 52, is the chief accountant and the director of finance of the Company since 23 January 2013 and an executive Director of the Company since 25 February 2019. Mr. Zhao also serves as a director of Tianjin Tianzheng Construction Engineering Co., Ltd., Hebei Construction Group Infrastructure Construction Co., Ltd. (河北建設集團基礎設施建設有限公司), Guangdong Huarong Construction Engineering Co., Ltd. (廣東華融建設工程有限公司), Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司), HCG Henan Zhongyuan Engineering Co., Ltd. (河北建設集團河南中原建築工程有限公司) and Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司). Mr. Zhao Wensheng also serves as the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), HCG Installment Engineering and HCG Decoration Engineering Co., Ltd. (河北建設集團裝飾工程有限公司) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), and a supervisor of HCG Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司), Zhongcheng Real Estate, Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司), Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司) and Hebei Zhongbao New Building Materials Manufacturing Co., Ltd. (河北中寶新型建材製造有限公司) respectively. Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司) from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering Co., Ltd. from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

Mr. Zhao obtained a bachelor's degree in management majoring in accounting (self-study) from Hebei University of Economics and Business in Shijiazhuang, the PRC in June 2004. Mr. Zhao obtained the qualification of senior accountant from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2019.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Liu Yongjian (劉永建)**, aged 58, is an executive Director of the Company since 20 December 2013 and a vice President of the Company since 17 January 2008. Mr. Liu is also an external postgraduate tutor in the Institute of Urban and Rural Construction of Agricultural University of Hebei and an adjunct professor at the College of Civil Engineering and Architecture of Hebei University. Mr. Liu also serves as a director of Zhongru Investment, Zhongcheng Real Estate and Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司). Mr. Liu has over 37 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, quality inspection technician of Engineering Division I of No. 1 Construction Engineering Company of Hebei Province and project manager of the Company from July 1985 to December 2000; a vice manager and the manager of the First Branch of the Company from January 2001 to December 2010; and a vice President (non-standing) of the Company from January 2008 to December 2010.

Mr. Liu obtained a technical secondary school diploma in industrial and civil construction from Hebei University of Architecture in Zhangjiakou, the PRC in July 1985, an academic diploma from a post-secondary course for construction engineering (through correspondence course) from Hebei University of Architecture in Zhangjiakou, the PRC in June 2001, a master of engineer degree in water conservancy and hydropower engineering from Agricultural University of Hebei Province in Baoding, the PRC in June 2002 and a doctor's degree of engineering in structural engineering from Tianjin University in Tianjin, the PRC in June 2012. Mr. Liu obtained the qualifications of national certified constructor (in construction engineering major) from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2009. Mr. Liu was selected as a third-level candidate of the "New Century Triple Talents Project of Hebei Province" (河北省新世紀“三三三人才工程”) by the Leading Group of New Century "Triple Talents Project" of Hebei Province (河北省“三三三人才工程”領導小組) in December 2007; the "2008 Young and Middle-aged Experts with Outstanding Contribution to Hebei Province (河北省有突出貢獻中青年專家)" by the People's Government of Hebei Province in August 2008.

## NON-EXECUTIVE DIRECTORS

**Mr. Li Baoyuan (李寶元)**, aged 71, is the honorary Chairman of the Board and a non-executive Director of the Company since 22 December 2015. Mr. Li is also a member of the Audit Committee under the Board of the Company. Mr. Li also serves as the chairman of the board of directors of Zhongru Investment and Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment, and a director of Zhongming Zhiye. Mr. Li is the president of the SME Committee of China Construction Industry Association. Mr. Li has over 51 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company from October 1997 to January 2021. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

Mr. Li obtained an academic diploma from a post-secondary course for Party and government cadres from Hebei Radio and TV University in Shijiazhuang, the PRC in July 1986, an undergraduate degree in economics and management (through correspondence course) from the Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 1998. He also obtained a PhD degree in business administration from International East-West University in the United States in May 2009. Mr. Li obtained the qualifications of senior economist from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2006. Mr. Li was granted a special government allowance and the certificate by the State Council in April 2007. He was awarded the title of "Outstanding Pioneer in Corporate Reform of Hebei Province (河北省企業改革標兵)" by the People's Government of Hebei Province in December 1998, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 1999, the "National Model Worker (全國勞動模範)" by the State Council in April 2000 and "Excellent Enterprise Director (河北省優秀企業家)" by the People's Government of Hebei Province in June 2001. He received the "Hebei Province Special Quality Award (河北省質量特別獎)" from the People's Government of Hebei Province in December 2003 and the title of "Young and Middle-aged Expert with Outstanding Contributions in Hebei Province" by the People's Government of Hebei Province in April 2005.

Mr. Li is the brother of Mr. Li Baozhong, the Chairman and executive Director of the Company, and the father of Mr. Li Wutie, the Board secretary, joint company secretary and assistant of the President of the Company.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Cao Qingshe (曹清社)**, aged 57, is a vice Chairman of the Board and a non-executive Director of the Company since 31 March 2017. Mr. Cao is also a member of the Audit Committee and the Strategic Committee under the Board of the Company. Mr. Cao also serves as an executive director and the general manager of Zhongming Zhiye, the vice chairman of Zhongru Investment Co., Ltd., and a director of Datang Baoding Heat Supply Co., Ltd., Baoding Langzhuo Gu'an-Baoding Railway Construction Co., Ltd., Zhongcheng Real Estate and Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) respectively. Mr. Cao has over 35 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a vice manager and the manager of the Instalment Branch of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司安裝分公司) from September 1996 to December 2004; a vice President of the Company from June 2001 to December 2004; a standing vice President of the Company from January 2005 to December 2005; and the President of the Company from January 2006 to March 2017.

Mr. Cao obtained a bachelor's degree of engineering in heating ventilation from the Urban Construction Department of Hebei University of Architecture (河北建築工程學院) in Zhangjiakou, the PRC in July 1987 and a master's degree of engineering in architecture and civil engineering from Tianjin University in Tianjin, the PRC in March 2003. Mr. Cao obtained the qualification of senior engineer from the Professional Technician Management Division of the Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳專業技術人員管理處) in December 2003 and the qualification of national first-class certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Cao was awarded the first session of "Top Ten Excellent Youth (十大傑出青年)" jointly by China Communist Youth League Baoding Committee (共青團保定市委員會) and other authorities in September 1995, the "Model Worker of Baoding City for years 1998 to 2000 (保定市1998-2000年勞動模範)" by the People's Government of Baoding City in April 2001; "Excellent Worker for Urban Construction for 2001 (2001年度城市建設先進工作者)" by the People's Government of Baoding City in March 2002; "Excellent Individual for Construction of Lu Ban Award (創建魯班獎工程先進個人)" by China Construction Industry Association in December 2012; and "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016. He also obtained the "First-class Award for Technology Improvement (科技進步一等獎)" from the Ministry of Construction of Hebei Province in April 2003 for the Experiment and Device Development Project of Biofilm Filtering Reactor for Recycling of Urban Sewage (用於城市污水回用的生物膜過濾反應器實驗及設備開發項目), the "Second-class Award for Science and Technology of Hebei Province (河北省科學技術二等獎)" from the People's Government of Hebei Province in December 2014, and the "Quality Award (Individual) of Hebei Government (河北省政府質量獎(個人獎))" from the People's Government of Hebei Province in December 2013.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Shen Lifeng (申麗鳳)**, aged 56, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Ms. Shen also serves as the chief advisor of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司); and a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會). Ms. Shen was a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) and her term ended on 31 December 2017. Ms. Shen served as a founding arbitrator of the Arbitration Committee of Shijiazhuang City (石家莊市仲裁委員會) and her term ended on 31 December 2018. Ms. Shen has more than 32 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖倫國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has served as an executive director and vice president of China Tianbao Group Development Company Limited since 11 November 2018.

Ms. Shen obtained a bachelor of law degree from the Department of Law of Hebei University in Baoding, the PRC in July 1987, graduated from the Department of Economics of Hebei University in Baoding, the PRC in May 1999 and obtained a master's degree of economics in world economy, obtained a doctor of law degree in civil and commercial law from the School of Law of Peking University in Beijing, the PRC in June 2005 and a master's degree in Buddhist studies from the Faculty of Arts of the University of Hong Kong in Hong Kong in November 2015. Ms. Shen obtained the qualifications of lawyer from the Lawyer's Qualification Review Committee of the Ministry of Justice (司法部律師資格審查委員會) in June 1998 and senior economist from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in November 1998, respectively. Ms. Shen was accredited the 2004 "Top Ten Excellent Youth of Hebei (河北十大傑出青年)" and the first-class merit for individuals (個人一等功) by the China Communist Youth League Committee of Hebei Province (共青團河北省委員會) and Hebei Provincial Department of Human Resources and Social Security and the "Top Ten Excellent Youth of Enterprises contributed by Hebei SASAC (河北省國資委所出資企業十大傑出青年)" by Hebei SASAC in 2005, respectively. Ms. Shen was also elected and served as the representative of the sixth and seventh sessions of the Party Congress of Hebei Province.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Ms. Chen Xin (陳欣)**, aged 39, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairman of the Nomination Committee and the Remuneration and Appraisal Committee and a member of the Audit Committee under the Board of the Company. Ms. Chen is currently the director of human resources consultant of Talentpool (HK) Limited. Ms. Chen has more than 14 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016. Ms. Chen was the Hong Kong director of human resources of Fortune Fountain Capital Limited in 2017.

Ms. Chen obtained a bachelor's degree in accounting and finance from University of Southampton in Southampton, the United Kingdom in June 2006, and a master's degree in international management from University of London, King's College in London, the United Kingdom in December 2007.

**Mr. Chan Ngai Sang Kenny (陳毅生)**, aged 57, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Audit Committee, the Nomination Committee and Remuneration and Appraisal Committee of the Board of the Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. Mr. Chan has served as an independent non-executive director of CMIC Ocean En-Tech Holding Co., Ltd. (stock code: 00206) since October 2005, an independent non-executive director of Kingland Group Holdings Limited (stock code: 1751) since December 2016, an independent non-executive director of Minsheng Education Group Company Limited (stock code: 1569) since March 2017 and an independent non-executive director of Zhongyuan Bank Co., Ltd. (stock code: 1216) since May 2017. All the companies above are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Chan obtained a Bachelor of Commerce degree in accounting and finance from the University of New South Wales in Sydney, Australia in October 1988. He is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant (New Zealand).

## Supervisors

**Mr. Yu Xuefeng (于學峰)**, aged 59, is the chairman of the Board of Supervisors and Shareholder Supervisor of the Company since 25 June 2018. Mr. Yu also serves as the chairman of Sanhe Baolan Heat Co., Ltd., the legal representative, manager and director of Baoding Langzhuo Guan-Baoding Railway Construction Co., Ltd., and serves as a director of Zhongming Zhiye Co., Ltd., Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), Jiuzhou Zongheng Railway Investment Co., Ltd. (九州縱橫城際鐵路投資有限公司), Baoding Taihang Heyi Environmental Technology Co., Ltd. (保定太行和益環保科技有限公司), Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司) and Laiyuan Zhongcheng Construction Development Co., Ltd. (涇源中誠建設發展有限公司). Mr. Yu's previous primary work experience includes: serving as the deputy chief of the industry section of Baoding Economic and Trade Commission from August 1984 to July 1998; the assistant to the President of the Company from August 1998 to July 2001; the vice President of the Company from August 2001 to April 2017; the chief accountant of Baoding Taihang Heyi Cement Co., Ltd. from September 2002 to November 2004; the chief accountant of Hebei Baocang Expressway Co., Ltd from December 2004 to October 2011; the general manager, chief accountant, vice chairman and secretary of the party general branch of Zhongcheng Real Estate from November 2011 to September 2017.

Mr. Yu graduated from Hebei College of Engineering, majoring in automation in July 1984, and graduated from Hebei University, majoring in economics in July 1997. Mr. Yu is a senior economist.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Liu Jingqiao (劉景喬)**, aged 60, is an employee Supervisor of the Company since 31 March 2017. Mr. Liu also serves as the chairman of board of directors of Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Fuping County Ruifu Building Material Co., Ltd. (阜平縣瑞阜建材有限公司), respectively and a director of Hebei Qianyuan Red Agricultural Group Co., Ltd. (河北乾元紅色農業集團有限公司). Mr. Liu's previous primary work experience includes: serving as an employee of the health system of Fuping County of Hebei Province from August 1981 to August 1986; the head of the reporting group of the publicity department of the Party committee of Fuping County of Hebei Province and an organizer (at deputy division level) of the organization department of the Party Committee of Fuping County of Hebei Province; a secretary of the Company from September 1994 to January 2001; a deputy director of the office of the Party Committee and the Board secretary of the Company from January 2001 to December 2012; a deputy office director of the Company from April 2002 to February 2009; an office director of the Company, a director of the General Management Office, a deputy head of the Security Department and the secretary to the Party Committee of the Company from February 2009 to December 2012; and the Board secretary of the Company from November 2010 to April 2017.

Mr. Liu obtained an undergraduate academic diploma in law (through correspondence course) from Correspondence College of the Central Party School of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 2001.

**Ms. Feng Xiujian (馮秀健)**, aged 44, is a Shareholder Supervisor of the Company since 23 January 2013. Ms. Feng also serves as a vice Chief Accountant and the general manager of Finance Management Department of the Company, a director of Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司), a director of Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司) and a supervisor of Zhongcheng Real Estate, Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), Yuncai Network Technology Co., Ltd. (雲採網絡技術有限公司), Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司), Hebei Construction Group Steel Structure Engineering Co., Ltd. (河北建設集團鋼結構工程有限公司), Hebei Construction Group Zhengyuan Concrete Co., Ltd. (河北建設集團正源混凝土有限公司), Jiuzhou Zongheng Railway Investment Co., Ltd. (九州縱橫城際鐵路投資有限公司), Baoding Langzhuo Gubao Intercity Railway Engineering Co., Ltd. (保定廊涿固保城際鐵路工程有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Environmental Technology Co., Ltd. (保定太行和益環保科技有限公司), respectively. Ms. Feng's previous primary work experience includes: serving as an accountant of the Steel Structures Branch of the Company from September 2000 to August 2004; a deputy head and the head of the Finance Division of Concrete Branch of the Company from August 2004 to May 2009; and a deputy head of the Finance Management Department of the Company from June 2009 to December 2009.

Ms. Feng obtained a bachelor's degree in accounting from Hebei University of Economics and Business in Shijiazhuang, the PRC in July 2000. Ms. Feng obtained the qualification of senior accountant from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2019.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Yue Jianming (岳建明)**, aged 49, is an employee Supervisor of the Company since 31 March 2017. Mr. Yue also serves as the general manager of the Market Development Department of the Company, the legal representative and executive director of Beijing Zhongjian Zhilian Management Consulting Co., Ltd. (北京中建智聯管理諮詢有限公司), a director of Inner Mongolia Xinglifeng Construction Management Co., Ltd. (內蒙古興利豐建設管理有限公司), a director of Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司), a supervisor of Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司) and a supervisor of Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司), Beijing Rungucheng Investment Management Co., Ltd. (北京市潤穀誠投資管理有限公司), HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. He is also a consultation expert of National Development and Reform Commission, a mediator of Mediation Centre of China Construction Industry Association, an arbitrator of China International Economics and Trade Arbitration Commission and Shanghai Arbitration Commission, a consultant expert of Hebei Urban Construction Investment & Financing Association, an editor of textbook for the National Grade I Practising Qualification Certificate Constructor Examination, a vice director committee member of the Real Estate and Construction Engineering Law Profession Committee of China Legal Consulting Centre (中國法律諮詢中心房地產與建築工程法律專業委員會), an expert in the NDRC PPP expert pool (國家發改委PPP專家庫), a council member of China Experts Association (中國專家學者協會), an adjunct professor at the College of Political Science and Law of Hebei University, a researcher of Real Estate Law Research Centre of China University of Political Science and Law, a member of the Legal Expert Consulting Committee of the People's Government of Baoding (保定市人民政府法制專家諮詢委員會), a researcher of the China Behavior Law Association and Joint Major and Difficult Cases Research Centre (中國行為法學會、法聯重大疑難案件研究中心), an arbitrator of Harbin Arbitration Commission and a researcher of China Arbitration Law Research Association. Mr. Yue's previous primary work experience includes: serving as the legal counsel of the Company from September 1995 to March 2006; and a deputy head of the Economic Contract Department of the Company from April 2006 to March 2009.

Mr. Yue obtained a master's degree in law from China University of Political Science and Law in Beijing, the PRC in July 2015. Mr. Yue obtained the qualifications of senior economist from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. He also obtained the qualification of corporate legal counsel jointly issued by the Ministry of Personnel, National Economics and Trade Commission and the Ministry of Justice in June 1999, the legal profession qualification from the Ministry of Justice in February 2006, and the qualification of construction project manager from China Construction Industry Association in June 2010.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Wang Feng (王豐)**, aged 42, is a Shareholder Supervisor of the Company since 31 March 2017. Mr. Wang also serves as the general manager of the Inspection and Auditing Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Decoration Engineering Co., Ltd., Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司), Guangdong Huarong Construction Engineering Co., Ltd. (廣東華融建設工程有限公司), HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering, HCG Garden Engineering, Tianjin Tianzheng Construction Engineering Co., Ltd. (天津天正建築工程有限責任公司) and Hebei Construction Group Infrastructure Construction Co., Ltd. (河北建設集團基礎設施建設有限公司), respectively. Mr. Wang's previous primary work experience includes: serving as a teacher at No.10 Middle School of Dalad Qi, Inner Mongolia from September 2003 to August 2004, an information commissioner of the office of the Party Committee of Dalad Qi, Inner Mongolia from September 2004 to August 2005, the human resource manager of Aishengya (Baoding) Package Company Limited (愛生雅(保定)包裝有限公司) from September 2008 to June 2010, the human resource manager of Baoding International Paper Package Company Limited (保定國際紙業包裝有限公司) from September 2010 to December 2013, and the secretary to the vice Chairman of the Board of the Company from January 2014 to September 2014.

Mr. Wang obtained an academic diploma from a post-secondary course for computer and application from Inner Mongolia University of Technology in Hohhot, the PRC in July 2003, and an academic diploma of undergraduate course in English language from Hebei University in Baoding, the PRC in April 2009. Mr. Wang obtained the qualification of constructor from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in September 2016.

### Senior Management

**Mr. Shang Jinfeng (商金峰)**. For biography of Mr. Shang, please refer to "Directors - Executive Directors" above.

**Mr. Zhao Wensheng (趙文生)**. For biography of Mr. Zhao, please refer to "Directors - Executive Directors" above.

**Mr. Liu Yongjian (劉永建)**. For biography of Mr. Liu, please refer to "Directors - Executive Directors" above.

**Mr. Li Zhongyi (李忠義)**, aged 52, is a vice president of the Company since July 2020. Mr. Li's previous primary work experience includes working in the Installation Company, the Fourth Branch, the Beijing Branch, the Eighth Branch and other entities of the Company from September 1994 to March 2019. Mr. Li also serves as a director of Zhongru Investment Co., Ltd., Hebei Construction Group Garden Engineering, Hebei Construction Group Decoration Engineering Co., Ltd., Hebei Haikuo Environmental Technology Co., Ltd., Zhongcheng Real Estate and Baoding Taihang Heyi Environmental Technology Co., Ltd.

Mr. Li obtained an academic diploma in political education from Baoding University (保定學院) in July 1994; obtained an undergraduate degree in law (through correspondence course) from the Central Party School of C.P.C. (中央黨校) in December 2001; and obtained a college diploma (adult education) in operation management of construction enterprises from Hebei University of Architecture in June 2004. Mr. Li obtained the qualification of senior engineer from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2012.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Zhang Wenzhong (張文忠)**, aged 46, is a Vice President of the Company since 31 March 2017. He also serves as a director of Hebei Haikuo Environmental Technology Co., Ltd., HCG Tianchen Construction Engineering Co., Ltd., Hebei Zhiping Construction Equipment Leasing Co., Ltd. and Rongcheng County Xinrong City Development Co., Ltd (容城縣鑫融城市發展有限公司). Mr. Zhang's previous primary work experience includes working in Tianli Labor Company, Tianchen Construction Engineering Company Limited and the Third Branch of the Company from July 1998 to December 2020.

Mr. Zhang obtained an academic diploma in industrial and civil construction from Agricultural University of Hebei in July 1998; and obtained an undergraduate degree (adult education) in industrial and civil construction from Tianjin University in August 2017. Mr. Zhang obtained the qualification of national first-class certified constructor from the Ministry of Housing and Urban-Rural Development of the PRC in January 2020, and obtained the qualification of senior engineer from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2020.

**Mr. Tian Wei (田偉)**, aged 52, is a Vice President of the Company since 10 October 2019. Mr. Tian's previous primary work experience includes working in the First Branch and Inner Mongolia Branch of the Company from December 1991 to October 2019. Mr. Tian also serves as a director of HCG Tianchen Construction Engineering Co., Ltd., HCG Installment Engineering, Hebei Haikuo Environmental Technology Co., Ltd. and Hebei Zhiping Construction Equipment Leasing Co., Ltd.

Mr. Tian obtained an academic diploma (adult education) in construction engineering from Hebei University of Architecture (河北建築工程學院) in June 2001, and obtained an academic diploma (adult education) in operation management of construction enterprises from Hebei University of Architecture in June 2004. Mr. Tian obtained the qualification of national first-class certified constructor from the Ministry of Construction of the PRC in April 2006, and obtained the qualification of senior engineer from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in November 2011.

**Mr. Lü Qian (呂謙)**, aged 56, is a Vice President of the Company since 1 September 2020. Mr. Lü's previous primary work experience includes working in the 11th Working Area, the Fifth Branch and the Airport Branch of the Company from July 1987 to September 2020.

Mr. Lü obtained an academic diploma in agricultural construction and environmental engineering from Agricultural University of Hebei in 1987, and obtained an undergraduate degree in industrial and civil construction from Harbin University of Architecture in July 1997. Mr. Lü obtained the qualification of national first-class certified constructor from the Ministry of Construction of the PRC in April 2006, and obtained the qualification of senior engineer from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Li Wutie (李武鐵)**, aged 35, is the Board secretary of the Company since 31 March 2017, the joint company secretary of the Company since 15 December 2017 and the assistant to the President of the Company since January 2015, and served as the head of the Financial and Securities Department of the Company since 4 June 2018. Mr. Li also serves as a director and the general manager of Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司). Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014 and concurrently serving as the head of the Financial Securities Department of the Company from 4 June 2018 to December 2020.

Mr. Li obtained a Bachelor of Science (economics) degree in financial and business economics from Royal Holloway and Bedford New College of University of London in London, the United Kingdom in August 2011, and a Master of Science degree in accounting, accountability and financial management from King's College of London in London, the United Kingdom in December 2012.

Mr. Li is the son of Mr. Li Baoyuan, the Honorary Chairman and non-executive Director of the Company, and nephew of Mr. Li Baozhong, the Chairman and executive Director of the Company.

### Joint Company Secretaries

**Mr. Li Wutie (李武鐵)**. For biography of Mr. Li, please refer to "Senior Management" above.

**Ms. Wong Wai Ling (黃慧玲)**, is one of the joint company secretaries of the Company. Ms. Wong has more than 17 years of experience in corporate secretarial affairs. Ms. Wong is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong obtained a Bachelor of Arts degree in marketing and public relations from the Hong Kong Polytechnic University and a master's degree in corporate governance from the Open University of Hong Kong. Ms. Wong is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

## STAFF INFORMATION

### Staff Composition

As at 31 December 2021, the Group had 9,064 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	6,851
The subsidiaries of the Company	2,213
	9,064
Total	9,064

## STAFF INCENTIVE

The Group has established a comprehensive performance appraisal system. Through the combination of monthly target assessment and yearly all-round appraisal, it linked annual operating goals with the performance appraisal of all departments and staff. The appraisal system combined objective appraisal, indicator appraisal, appraisal based on letter of commitment to objectives at the management level, quantitative appraisal on KPI indicators, monthly appraisal and yearly all round appraisal, building the comprehensive performance appraisal system covering the Company, departments, branches, subsidiaries and individuals. Tasks were broken down level by level for full coverage of key indicators and level-by-level management was adopted for attaining goals. The Company aligns business operation with individual incentive by a number of measures and means, for the purpose of boosting creativity of the organisation and individuals. It pursues long-term corporate development in a manner responsible to the Shareholders and the society.

## STAFF TRAINING

The Group attaches great importance to building a sound corporate culture, strives to improve the overall quality of employees and actively conducts comprehensive staff training at different levels. During the Reporting Period, it has pushed forward the development of systems, training courses, trainer qualification and training management in accordance with corporate strategy and arrangement of key undertakings of the year, and with the support of the Company's training system. On that basis, it coordinated and planned Company-level training programs for different departments and subordinate companies. As at 31 December 2021, the Group has provided 794 training sessions for a total of 39,000 employees in 89,134 days with total training expenditure amounting to approximately RMB3.1181 million.

## **EMPLOYEE EVALUATION AND REMUNERATION**

Taking into account the human resources strategy, the Group has established a remuneration system for different job levels based on individual performance and competence, with reference to the prevailing rates of relevant enterprises in the same region and same industry. This competitive remuneration system provided great support to the Company in talent recruitment, retention and motivation, and the implementation of human resources strategy.

## **PENSION SCHEME**

A total of 39 employees of the Company retired in 2021. Such employees are entitled to the social pension insurance scheme approved by local labour and social security authorities, which is a defined contribution plan and should be made monthly contribution by the Group. For details of the social pension insurance scheme, please refer to Note III-17 to the financial statements.

Further details of employment policy of the Company are set out in the “Environmental, Social and Governance Report” on page 84 to page 168.

# INDEPENDENT AUDITOR'S REPORT

Ernst & Young Hua Ming (2022) Shen Zi No. 61319209\_J01  
Hebei Construction Group Corporation Limited

**To the Shareholders of Hebei Construction Group Corporation Limited:**

## I. OPINION

We have audited the financial statements of Hebei Construction Group Corporation Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2021, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2021, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

## II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
<i>Revenue recognition on construction contracts</i>	
<p>The revenue of the Company is mainly derived from the construction contracts and the revenue therefrom is recognised based on the progress of completion. Recognising revenue in accordance with the progress of the completion involves significant judgements and estimates of contract revenue and total contract costs, including the management's continuous evaluation and corresponding adjustment on the estimated contract revenue and total contract costs based on factors such as the scope of contract delivery and costs for unfinished works during contract execution. In addition, due to changes in circumstances, the estimated contract revenue and total contract costs may vary from the original estimates.</p> <p>For the accounting policies and related disclosures for the recognition of construction contract revenue, please refer to Notes III-19, VI-34 and XVI-5 to the financial statements.</p>	<p>The procedures relating to the revenue recognition of construction contracts which we have implemented mainly included:</p> <ol style="list-style-type: none"> <li data-bbox="868 735 1433 1123">(1) We evaluated and tested the internal control of the revenue recognition process of the Company, including the internal control relating to the estimated total contract revenue and estimated contract cost preparation and calculation of revenue in accordance with the progress of the completion;</li> <li data-bbox="868 1177 1433 1328">(2) We selected major construction contracts and reviewed the key contract terms including the contract price;</li> <li data-bbox="868 1381 1433 1565">(3) We checked the contract costs incurred by selecting samples to check against supporting documents such as delivery and acceptance notes and invoices;</li> </ol>

**III. KEY AUDIT MATTERS** (Continued)

Key audit matters:	How our audit addressed the key audit matter:
	<p>(4) We evaluated management's judgement and estimates in the determination of estimated total contract costs by selecting samples to discuss the progress of the construction contracts with those in charge of the projects and comparing actual contract costs incurred with budgeted contract cost; and</p> <p>(5) We re-calculated the progress of the completion and the revenue based on the costs incurred and the estimated total contract costs and performed analytical review procedures according to different construction contract types.</p>

### III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
<p><i>Provision for expected credit losses on accounts receivable, other receivables and contract assets</i></p>	
<p>As at 31 December 2021, the Company had accounts receivable, other receivables and contract assets amounting to RMB55,871,833,000. The provisions for impairment of accounts receivable, other receivables and contract assets are recognised based on expected credit losses and involve significant judgements and estimates.</p> <p>The management assesses the credit risk of accounts receivable, other receivables and contract assets by analysing the historical collection of accounts receivable and other receivables and the historical settlement of contract assets, the credit ratings of counterparties and future economic conditions.</p>	<p>The procedures relating to the assessment of expected credit losses for accounts receivable, other receivables and contract assets which we have implemented mainly included:</p> <ol style="list-style-type: none"> <li data-bbox="868 814 1434 1043">(1) We evaluated the internal control relating to the accounting process of provision for expected credit losses for accounts receivable, other receivables and contract assets of the Company;</li> <li data-bbox="868 1095 1434 1410">(2) We evaluated the expected credit losses for accounts receivable, other receivables and contract assets by selecting samples to check the historical collection of accounts receivable and other receivables and the historical settlement of contract assets;</li> <li data-bbox="868 1461 1434 1733">(3) We tested the accuracy of the ageing of balances of accounts receivable, other receivables and contract assets by tracing details in the supporting documents of the selected samples, such as invoices and contracts with debtors;</li> <li data-bbox="868 1785 1434 1936">(4) We reviewed bank advice for the payments received subsequent to the end of the reporting period by selecting samples;</li> </ol>

### III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
The accounting policies and related disclosures for accounts receivable, other receivables and contract assets are included in Notes III-8, VI-3, 6, 8, 10 and XVI-2, 3 to the financial statements.	(5) We evaluated the credit risk assessment on the accounts receivable, other receivables and contract assets conducted by management.

### IV. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (Continued)

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Continued)

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountants:  
Yang Lin  
(Engagement Partner)

Chinese Certified Public Accountants:  
Chen Zhiwang

Beijing, the PRC

31 March 2022

# CONSOLIDATED BALANCE SHEET

31 December 2021

Unit: RMB'000

Assets	Note VI	31 December 2021	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	1	8,809,963	8,453,271
Held-for-trading financial assets	2	2,472	743
Accounts receivable	3	7,740,447	5,427,035
Receivables at fair value through other comprehensive income	4	504,212	1,699,431
Prepayments	5	764,030	822,212
Other receivables	6	2,617,864	2,437,425
Inventories	7	265,873	337,772
Contract assets	8	39,658,331	38,503,175
Current portion of non-current assets	10	49,386	35,102
Other current assets	9	414,533	180,561
Total current assets		<u>60,827,111</u>	<u>57,896,727</u>
<b>Non-current assets</b>			
Long-term receivables	10	164,226	85,792
Long-term equity investments	11	522,110	540,801
Contract assets	8	2,504,857	2,020,415
Other equity instrument investments	12	779,793	769,108
Investment property	13	137,000	136,700
Fixed assets	14	954,757	362,101
Construction in progress	15	163,644	575,027
Right-of-use assets	16	24,011	31,773
Intangible assets	17	98,539	100,746
Deferred tax assets	18	771,205	274,692
Total non-current assets		<u>6,120,142</u>	<u>4,897,155</u>
Total assets		<u>66,947,253</u>	<u>62,793,882</u>

The accompanying notes to financial statements form an integral part of these financial statements

## CONSOLIDATED BALANCE SHEET

31 December 2021

Unit: RMB'000

Liabilities and owners' equity	Note VI	31 December 2021	31 December 2020
<b>Current liabilities</b>			
Short-term borrowings	20	2,260,771	2,269,541
Bills payable		915,410	571,443
Accounts payable	21	37,936,655	35,025,888
Contract liabilities	22	6,006,902	6,015,490
Employee benefits payable	23	209,025	202,579
Taxes payable	24	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	25	3,571,785	3,323,576
Total current liabilities		<b>59,330,829</b>	54,372,092
<b>Non-current liabilities</b>			
Long-term borrowings	26	1,729,252	1,959,599
Lease liabilities	27	14,580	22,112
Total non-current liabilities		<b>1,743,832</b>	1,981,711
Total liabilities		<b>61,074,661</b>	56,353,803
<b>Owners' equity</b>			
Share capital	28	1,761,384	1,761,384
Capital reserve	29	1,662,063	1,661,232
Other comprehensive income	30	178,092	141,182
Surplus reserve	32	500,912	500,912
Retained profit	33	1,591,242	2,181,233
Total equity attributable to owners of the Company		<b>5,693,693</b>	6,245,943
Non-controlling interests		178,899	194,136
Total owners' equity		<b>5,872,592</b>	6,440,079
Total liabilities and owners' equity		<b>66,947,253</b>	62,793,882

The financial statements have been signed by:

Legal Representative:

Financial controller:

Accounting supervisor:

The accompanying notes to financial statements form an integral part of these financial statements

# CONSOLIDATED INCOME STATEMENT

2021

Unit: RMB'000

	Note VI	2021	2020
Revenue	34	<b>47,828,266</b>	40,149,925
Less: Cost of sales		<b>45,341,436</b>	38,010,238
Taxes and surcharges		<b>137,598</b>	113,346
Selling and distribution expenses		<b>1,061</b>	1,193
Administrative expenses		<b>535,823</b>	501,124
Research and development costs		<b>76,417</b>	94,476
Finance costs	35	<b>308,076</b>	263,207
Including: Interest expenses		<b>326,851</b>	304,527
Interest income		<b>40,926</b>	39,167
Add: Other income	36	<b>4,982</b>	10,759
Investment income	37	<b>3,679</b>	27,754
Including: Share of (losses)/profits of associates and joint ventures		<b>(1,274)</b>	3,225
Losses on derecognition of financial assets at amortised cost		<b>(64,795)</b>	(59,197)
Gains on fair value changes	38	<b>66</b>	1,950
Impairment (losses)/gains of credit losses	39	<b>(623,156)</b>	55,392
Impairment losses on assets	40	<b>(1,301,616)</b>	(325,197)
(Losses)/gains from disposal of assets		<b>(1,624)</b>	214
Operating (loss)/profit		<b>(489,814)</b>	937,213
Add: Non-operating income		<b>8,039</b>	2,444
Less: Non-operating expenses		<b>13,522</b>	3,523
Total (loss)/profit		<b>(495,297)</b>	936,134
Less: Income tax expenses	42	<b>(137,131)</b>	183,903
Net (loss)/profit		<b>(358,166)</b>	752,231
Classified by the continuity of operation			
Net (loss)/profit from continuing operations		<b>(358,166)</b>	752,231

The accompanying notes to financial statements form an integral part of these financial statements

## CONSOLIDATED INCOME STATEMENT

2021

Unit: RMB'000

	Note VI	2021	2020
Classified by the ownership			
Net (loss)/profit attributable to owners of the Company		<b>(345,975)</b>	759,856
Net loss attributable to non-controlling interests		<b>(12,191)</b>	(7,625)
Other comprehensive income, net of tax	30	<b>39,488</b>	12,072
Other comprehensive income attributable to shareholders of the parent, net of tax		<b>39,488</b>	12,072
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		<b>17,426</b>	23,715
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables at fair value through other comprehensive income		<b>22,062</b>	(11,643)
Total comprehensive (loss)/income		<b>(318,678)</b>	764,303
Including:			
Total comprehensive (loss)/income attributable to owners of the Company		<b>(306,487)</b>	771,928
Total comprehensive loss attributable to non-controlling interests		<b>(12,191)</b>	(7,625)
(Loss)/earnings per share (RMB/share)			
Basic and diluted (loss)/earnings per share	43	<b>(0.20)</b>	0.43

The accompanying notes to financial statements form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2021

Unit: RMB'000

2021

	Attributable to owners of the parent							Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. Opening balance of the current year	1,761,384	1,661,232	141,182	-	500,912	2,181,233	6,245,943	194,136	6,440,079
II. Changes for the year									
(I) Total comprehensive income/(loss)	-	-	39,488	-	-	(345,975)	(306,487)	(12,191)	(318,678)
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	8,330	8,330
2. Equity transactions with minority shareholders	-	831	-	-	-	-	831	(11,376)	(10,545)
(III) Profit distribution									
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)	-	(246,594)
(IV) Special reserve									
1. Appropriation for the year	-	-	-	956,565	-	-	956,565	-	956,565
2. Use in the year	-	-	-	(956,565)	-	-	(956,565)	-	(956,565)
(V) Transfer within owners' equity									
1. Other comprehensive income transferred to retained earnings	-	-	(2,578)	-	-	2,578	-	-	-
III. Closing balance of the year	1,761,384	1,662,063	178,092	-	500,912	1,591,242	5,693,693	178,899	5,872,592

The accompanying notes to financial statements form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2021

Unit: RMB'000

**2020**

	Attributable to owners of the parent								Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal			
I. Opening balance of the current year	1,761,384	1,661,232	119,557	-	417,681	1,760,756	5,720,610	182,962	5,903,572	
II. Changes for the year										
(I) Total comprehensive income	-	-	12,072	-	-	759,856	771,928	(7,625)	764,303	
(II) Capital contribution and reduction by shareholders										
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	18,799	18,799	
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	-	83,231	(83,231)	-	-	-	
2. Distribution to shareholders	-	-	-	-	-	(246,595)	(246,595)	-	(246,595)	
(IV) Special reserve										
1. Appropriation for the year	-	-	-	802,999	-	-	802,999	-	802,999	
2. Use in the year	-	-	-	(802,999)	-	-	(802,999)	-	(802,999)	
(V) Transfer within owners' equity										
1. Other comprehensive income transferred to retained earnings	-	-	9,553	-	-	(9,553)	-	-	-	
III. Closing balance of the year	1,761,384	1,661,232	141,182	-	500,912	2,181,233	6,245,943	194,136	6,440,079	

The accompanying notes to financial statements form an integral part of these financial statements

# CONSOLIDATED CASH FLOW STATEMENT

2021

Unit: RMB'000

	Note VI	2021	2020
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from sales of goods or rendering of services		48,443,446	46,810,023
Other cash receipts related to operating activities		5,398,584	6,825,580
Subtotal of cash inflows from operating activities		53,842,030	53,635,603
Cash paid for goods and services		45,570,714	42,117,457
Cash paid to and for employees		892,903	847,399
Taxes paid		1,323,191	1,469,386
Other cash payments related to operating activities		5,200,357	7,229,429
Subtotal of cash outflows from operating activities		52,987,165	51,663,671
Net cash flows from operating activities	44	854,865	1,971,932
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from return of investment		4,843	7,727
Cash received from investment income		75,717	113,853
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26,593	43,713
Net cash received from disposal of subsidiaries		-	690
Subtotal of cash inflows from investing activities		107,153	165,983
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		254,117	368,560
Cash paid to acquire investments		18,121	11,774
Subtotal of cash outflows from investing activities		272,238	380,334
Net cash flows used in investing activities		(165,085)	(214,351)

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

2021

Unit: RMB'000

	Note VI	2021	2020
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from capital contributions		8,330	18,799
Including: Cash received from minority shareholders' capital contributions to subsidiaries		8,330	18,799
Cash received from borrowings		3,707,693	7,433,352
Other cash receipts related to financing activities		-	10,000
Subtotal of cash inflows from financing activities		<u>3,716,023</u>	<u>7,462,151</u>
Cash paid for repayments of debts		3,414,726	7,275,502
Cash paid for distribution of dividends or interest repayment		563,042	541,113
Cash paid for acquisition of non-controlling interest		10,545	-
Other cash payments related to financing activities		88,676	80,131
Subtotal of cash outflows from financing activities		<u>4,076,989</u>	<u>7,896,746</u>
Net cash flows used in financing activities		<u>(360,966)</u>	<u>(434,595)</u>
<b>IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		<u>(22,151)</u>	<u>2,153</u>
<b>V. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		306,663	1,325,139
Add: Opening balance of cash and cash equivalents		<u>8,000,565</u>	<u>6,675,426</u>
<b>VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>			
	45	<u>8,307,228</u>	<u>8,000,565</u>

The accompanying notes to financial statements form an integral part of these financial statements

# BALANCE SHEET

31 December 2021

Unit: RMB'000

Assets	Note XVI	31 December 2021	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	1	6,620,829	6,664,897
Accounts receivable	2	6,129,013	4,355,725
Receivables at fair value through other comprehensive income		402,815	1,231,371
Prepayments		644,556	684,958
Other receivables		2,048,130	1,834,776
Inventories		180,687	221,683
Contract assets	3	31,633,712	31,202,348
Other current assets		199,683	57,567
Total current assets		<u>47,859,425</u>	<u>46,253,325</u>
<b>Non-current assets</b>			
Long-term equity investments	4	3,029,787	2,814,656
Other equity instrument investments		779,793	769,108
Investment property		137,000	136,700
Fixed assets		697,695	138,389
Construction in progress		139,829	577,151
Right-of-use assets		12,185	11,580
Intangible assets		483	547
Deferred tax assets		561,900	171,828
Total non-current assets		<u>5,358,672</u>	<u>4,619,959</u>
Total assets		<u>53,218,097</u>	<u>50,873,284</u>

The accompanying notes to financial statements form an integral part of these financial statements

## BALANCE SHEET

31 December 2021

Unit: RMB'000

<b>Liabilities and owners' equity</b>	<b>31 December 2021</b>	31 December 2020
<b>Current liabilities</b>		
Short-term borrowings	<b>1,609,389</b>	1,704,483
Bills payable	<b>599,172</b>	219,719
Accounts payable	<b>31,233,300</b>	28,825,668
Contract liabilities	<b>4,731,733</b>	4,945,036
Employee benefits payable	<b>146,211</b>	141,230
Taxes payable	<b>631,662</b>	508,128
Other payables	<b>4,826,019</b>	4,749,745
Current portion of non-current liabilities	<b>619,784</b>	574,124
Other current liabilities	<b>2,914,807</b>	2,784,252
Total current liabilities	<b>47,312,077</b>	44,452,385
<b>Non-current liabilities</b>		
Long-term borrowings	<b>400,582</b>	475,990
Lease liabilities	<b>11,062</b>	11,638
Total non-current liabilities	<b>411,644</b>	487,628
Total liabilities	<b>47,723,721</b>	44,940,013
Owners' equity		
Share capital	<b>1,761,384</b>	1,761,384
Capital reserve	<b>1,447,379</b>	1,447,379
Other comprehensive income	<b>179,023</b>	146,817
Surplus reserve	<b>292,919</b>	292,919
Retained profit	<b>1,813,671</b>	2,284,772
Total owners' equity	<b>5,494,376</b>	5,933,271
Total liabilities and owners' equity	<b>53,218,097</b>	50,873,284

The accompanying notes to financial statements form an integral part of these financial statements

# INCOME STATEMENT

2021

Unit: RMB'000

	Note XVI	2021	2020
Revenue	5	<b>38,345,087</b>	33,105,760
Less: Cost of sales		<b>36,466,901</b>	31,400,542
Taxes and surcharges		<b>98,286</b>	88,800
Selling and distribution expenses		<b>495</b>	911
Administrative expenses		<b>420,013</b>	441,552
Research and development costs		<b>56,205</b>	75,715
Finance costs		<b>110,135</b>	127,875
Including: Interest expenses		<b>105,492</b>	186,753
Interest income		<b>19,142</b>	56,725
Add: Other income		<b>1</b>	3,465
Investment income		<b>9,624</b>	33,991
Including: Share of (losses)/profits of associates and joint ventures		<b>(804)</b>	4,631
Losses on derecognition of financial assets at amortised cost		<b>(58,947)</b>	(55,040)
Gains on fair value changes		<b>300</b>	1,950
Impairment (losses)/gains of credit losses		<b>(461,951)</b>	61,403
Impairment losses on assets		<b>(1,082,983)</b>	(238,263)
Gains from disposal of assets		<b>1,803</b>	-
Operating (loss)/profit		<b>(340,154)</b>	832,911
Add: Non-operating income		<b>35,008</b>	5,452
Less: Non-operating expenses		<b>10,330</b>	2,503
Total (loss)/profit		<b>(315,476)</b>	835,860
Less: Income tax expenses		<b>(88,391)</b>	188,025
Net (loss)/profit		<b>(227,085)</b>	647,835
Other comprehensive income, net of tax		<b>34,784</b>	13,534
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		<b>17,426</b>	23,715
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables at fair value through other comprehensive income		<b>17,358</b>	(10,181)
Total comprehensive (loss)/income		<b>(192,301)</b>	661,369

The accompanying notes to financial statements form an integral part of these financial statements

# STATEMENT OF CHANGES IN OWNERS' EQUITY

2021  
Unit: RMB'000

2021

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the year	<u>1,761,384</u>	<u>1,447,379</u>	<u>146,817</u>	<u>-</u>	<u>292,919</u>	<u>2,284,772</u>	<u>5,933,271</u>
II. Changes for the year							
(I) Total comprehensive income/(loss)	-	-	34,784	-	-	(227,085)	(192,301)
(II) Profit distribution							
1. Distribution to shareholders	-	-	-	-	-	(246,594)	(246,594)
(III) Special reserve							
1. Appropriation for the year	-	-	-	766,902	-	-	766,902
2. Use in the year	-	-	-	(766,902)	-	-	(766,902)
(IV) Transfer within owners' equity							
1. Other comprehensive income transferred to retained earnings	-	-	(2,578)	-	-	2,578	-
III. Closing balance of the year	<u>1,761,384</u>	<u>1,447,379</u>	<u>179,023</u>	<u>-</u>	<u>292,919</u>	<u>1,813,671</u>	<u>5,494,376</u>

The accompanying notes to financial statements form an integral part of these financial statements

## STATEMENT OF CHANGES IN OWNERS' EQUITY

2021

Unit: RMB'000

### 2020

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the year	1,761,384	1,447,379	123,730	-	228,135	1,957,869	5,518,497
II. Changes for the year							
(I) Total comprehensive income	-	-	13,534	-	-	647,835	661,369
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	64,784	(64,784)	-
2. Distribution to shareholders	-	-	-	-	-	(246,595)	(246,595)
(III) Special reserve							
1. Appropriation for the year	-	-	-	662,115	-	-	662,115
2. Use in the year	-	-	-	(662,115)	-	-	(662,115)
(IV) Transfer within owners' equity							
1. Other comprehensive income transferred to retained earnings	-	-	9,553	-	-	(9,553)	-
III. Closing balance of the year	1,761,384	1,447,379	146,817	-	292,919	2,284,772	5,933,271

The accompanying notes to financial statements form an integral part of these financial statements

# CASH FLOW STATEMENT

2021  
Unit: RMB'000

	2021年	2020年
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from sales of goods or rendering of services	39,458,684	38,768,648
Other cash receipts related to operating activities	2,959,458	5,553,407
Subtotal of cash inflows from operating activities	42,418,142	44,322,055
Cash paid for goods and services	36,617,632	34,215,428
Cash paid to and for employees	588,134	594,260
Taxes paid	564,295	1,183,346
Other cash payments related to operating activities	4,123,926	6,069,971
Subtotal of cash outflows from operating activities	41,893,987	42,063,005
Net cash flows from operating activities	524,155	2,259,050
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received from investment income	68,267	141,125
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	40,433	43,312
Subtotal of cash inflows from investing activities	108,700	184,437
Cash paid for the purchase and construction of fixed assets	189,399	290,121
Cash paid to acquire investments	58,945	243,064
Subtotal of cash outflows from investing activities	248,344	533,185
Net cash flows used in investing activities	(139,644)	(348,748)

The accompanying notes to financial statements form an integral part of these financial statements

## CASH FLOW STATEMENT

2021

Unit: RMB'000

	2021年	2020年
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash received from borrowings	1,924,740	2,581,459
Other cash receipts related to financing activities	-	10,000
Subtotal of cash inflows from financing activities	1,924,740	2,591,459
Cash paid for repayments of debts	2,095,818	2,951,314
Cash paid for distribution of dividends or interest repayment	348,110	424,983
Other cash payments related to financing activities	24,344	89,085
Subtotal of cash outflows from financing activities	2,468,272	3,465,382
Net cash flows used in financing activities	(543,532)	(873,923)
<b>IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(21,985)	2,153
<b>V. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(181,006)	1,038,532
Add: Opening balance of cash and cash equivalents	6,399,993	5,361,461
<b>VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	6,218,987	6,399,993

The accompanying notes to financial statements form an integral part of these financial statements

# NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

## I. BASIC INFORMATION

Hebei Construction Group Co., Ltd. (河北建設集團有限公司), the predecessor of Hebei Construction Group Corporation Limited (the “Company”), was established on 29 September 1997 with the approval of the People’s Government of Baoding City. It was established by the state-owned enterprise restructuring of certain state-owned assets and legal entities of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司), which had 50 years of history, as well as the merging of Architectural Design Institute, legal entities, Baoding Furnace Plant and Baoding Concrete Pipe Plant. On 7 April 2017, the Company completed the shareholding system reform, was converted into a joint stock company and renamed as “Hebei Construction Group Corporation Limited”. The registered address of the Company is No. 125 Lugang Road, Baoding, Hebei Province, and the legal representative is Li Baozhong. The Company does not have a fixed business term.

Upon the proposal by the Board of Directors of the Company and approval by the general meeting, and according to the Reply on the Approval of Issuance of Overseas-Listed Foreign-Invested Shares by Hebei Construction Group Corporation Limited (Zheng Jian Xu Ke [2017] No. 2056) (證監許可[2017]2056號文《關於核准河北建設集團股份有限公司發行境外上市外資股的批覆》) from the CSRC, the Company completed the initial issue of 433,334,000 overseas-listed foreign-invested shares (H shares) to overseas investors. The over-allotment option was exercised on 5 January 2018 and issued 28,049,500 additional overseas-listed foreign-invested shares (H shares), and a total of 461,383,500 H shares were issued, with a nominal value of RMB1.00 each. The H shares were verified by Zhonghingcai Guanghua Certified Public Accountants LLP with the capital verification report of Zhonghingcai Guanghua Yan Zi (2019) No. 309003. The registered capital of the Company increased to RMB1,761,383,500 after the initial public offering of H shares.

The major operating activities of the Company and its subsidiaries (hereinafter referred to as the “Group”) are general contracting of construction works.

The Group’s parent company and ultimate parent company are Zhongru Investment Co., Ltd. (incorporated in the PRC) and Qianbao Investment Co., Ltd. (incorporated in the PRC), respectively, with their principal place of business in the PRC.

## II. 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 property. 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 consolidated financial statements have been prepared in accordance with 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.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the financial statements of the Company and the Group for the year ended 31 December 2021 has been prepared based on the following significant accounting policies and estimates formulated in accordance with Accounting Standards for Business Enterprises.

### 1. Accounting period

The accounting year of the Group is from 1 January to 31 December of each year.

### 2. Functional currency

Renminbi (“RMB”) is the functional currency of the subsidiaries, joint ventures and associates under the Group, which is used in the preparation of these financial statements. Unless otherwise stated, the unit of the currency is RMB'000.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 3. Fair value measurement

The Group measures its investment property, other equity instrument investments, receivables at fair value through other comprehensive income and held-for-trading financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is the market accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its best use or by selling it to another market participant that would use the asset at its best use.

The Group uses valuation techniques that are appropriate in the current circumstances and for which sufficient data and other information are available to measure fair value, and prioritises the use of relevant observable inputs and only uses unobservable inputs under the circumstances when unobservable inputs are not available or impractical to obtain.

All assets and liabilities measured or presented at fair value in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 – inputs that are observable for the related assets or liabilities other than those of Level 1, either directly or indirectly; Level 3 – inputs that are unobservable for the related assets or liabilities.

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy for fair value measurement by reassessing categorisation at each balance sheet date.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 4. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still charged against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements from the date on which the Group takes control of the acquiree to the date on which such control ceases. In the preparation of the consolidated financial statements, the financial statements of the subsidiary are adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been formed under the control of the Group at the very beginning.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 4. Consolidated financial statements (Continued)

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

#### 5. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties concerned have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture refers to a type of joint arrangement whereby the parties concerned have rights to the net assets of the arrangement.

The party concerned recognises the following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly.

#### 6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 7. Foreign currency transactions and translation of the financial statements prepared in foreign currencies

The Group's foreign currency transactions are translated and recorded in the respective functional currencies.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction. At the balance sheet date, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the settlements and monetary items are recognised in profit or loss for the period, except that exchange differences that qualify for capitalisation related to a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. The exchange differences are recognised in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

Cash flows arising from a transaction in foreign currency are translated at the spot exchange rate of the transaction date of cash flows. The effect of exchange rate changes on cash is regarded as a reconciling item and presented separately in the statement of cash flows.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

##### ***The recognition and derecognition of financial instruments***

The Group recognises a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognised and written off from its account and balance sheet, when the following conditions are met:

- (1) The right to receive cash flows from financial assets expires;
- (2) Transferring the right to receive cash flows from financial assets, or under the “hands-on agreement”, undertaking the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring all risks and rewards of the ownership of the financial assets, or (b) abandoning the control of the financial assets, although it does not substantially transfer or retain almost all of the risks and rewards of the ownership of the financial assets.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognised. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### ***The recognition and derecognition of financial instruments***

*(Continued)*

The purchases and sales of financial assets in regular ways are recognised and derecognised on a trade date basis. The purchases and sales of financial assets in regular ways refer to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

##### ***Classification and measurement of financial assets***

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss, financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income.

Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or notes receivable arising from selling goods and the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### *Classification and measurement of financial assets (Continued)*

Subsequent measurement of financial assets depends on their classification:

##### *Debt instrument investments measured at amortised cost*

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: The business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognise interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognised in profit or loss for the current period.

##### *Debt instrument investments measured at fair value through other comprehensive income*

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset state that the cash flows on specified dates are solely payments of principal and interest on the outstanding amount of principal. The interest income from such financial asset is recognised using the effective interest method. The change in fair value of such financial asset shall be recognised in other comprehensive income, except for interest income, impairment losses and exchange differences recognised in profit or loss for the current period. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss for the current period.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### ***Classification and measurement of financial assets*** (Continued)

##### *Equity instrument investments measured at fair value through other comprehensive income*

The Group irrevocably opts to assign some of the investments in non-tradable equity instruments to financial assets at fair value through other comprehensive income, and only recognises relevant dividend income (excluding dividend income taken back clearly as part of investment cost) in profit or loss for the current period, while subsequent changes in fair value is recognised as other comprehensive income without provision for impairment. When the financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to retained earnings.

##### *Financial assets at fair value through profit or loss*

The financial assets other than those measured at amortised cost and at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### *Classification and measurement of financial liabilities*

The financial liabilities of the Group are, on initial recognition, classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss, while the related transaction expense on other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

##### *Other financial liabilities*

Such financial liabilities are subsequently measured at amortised cost by using the effective interest method.

##### *Impairment of financial instruments*

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts and confirms the loss provision.

For receivables and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of lifetime expected credit losses.

For lease receivables, receivables and contract assets that contain significant financing components, the Group chooses to use a simplified measurement method to measure the loss provision based on the amount of lifetime expected credit losses.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### *Impairment of financial instruments (Continued)*

For financial assets and financial guarantee contracts other than those measured by the aforesaid simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition (at the first phase), the Group measures the loss provision based on the amount of expected credit losses over the next 12 months and calculates the interest income based on the book balance and effective interest rate; if the credit risk has increased significantly but the financial assets have not yet been credit-impaired since the initial recognition (at the second phase), the Group measures the loss provision based on the amount of lifetime expected credit losses and calculates the interest income based on the book balance and effective interest rate; if the financial assets have been credit-impaired since the initial recognition (at the third phase), the Group measures the loss provision based on the amount of lifetime expected credit losses and calculates the interest income based on the amortised cost and effective interest rate.

The Group assesses expected credit losses on financial instruments individually and collectively. The Group assesses expected credit losses on receivables on the basis of ageing groups, taking into account the credit risk characteristics of different customers.

Please refer to Note VIII-3 for disclosures regarding the Group's criteria for determining a significant increase in credit risk, the definition of credit-impaired assets, and assumptions for measurement of expected credit losses.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### *Impairment of financial instruments (Continued)*

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the book balance of the financial assets.

##### *Elimination of financial instruments*

The net amount after eliminating financial assets and financial liabilities is presented in the balance sheet if the following conditions are satisfied: A lawful right exists for eliminating recognised amounts, and such lawful right is currently enforceable; it is planned that the financial assets and financial liabilities are to be netted off against each other, or that they are to be realised and settled simultaneously.

##### *Financial guarantee contracts*

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of the expected credit loss provision recognised at the balance sheet date and the amount initially recognised less cumulative amortisation amount in accordance with the guidance for revenue recognition.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 8. Financial instruments (Continued)

##### *Transfer of financial assets*

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, it derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it does not derecognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: if the Group has not retained control of the financial asset, it derecognises the financial asset and recognises any resulting assets or liabilities; if the Group has retained control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

#### 9. Inventories

Inventories are initially measured at cost. Inventories comprise raw materials.

On the balance sheet date, the inventories shall be calculated at the lower of cost and net realisable value. When the cost is higher than the net realisable value, inventory impairment allowance shall be provided and the inventories shall be included in current profit or loss. In the case that the factors impacting the previous provision for the inventory impairment allowance are eliminated, making the net realisable value of the inventory higher than its carrying amount, the write-down amount should be recovered from the amount of inventory impairment allowance previously provided and the corresponding amount shall be reversed to current profit or loss.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 9. Inventories (Continued)

The net realisable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. When determining the provision for the inventory impairment allowance, raw materials shall be considered individually.

#### 10. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. A long-term equity investment is initially recorded at its initial investment cost on acquisition.

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost method in the Company's separate financial statements. Control refers to the power over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or recovery of investments, the cost of long-term equity investments is adjusted accordingly. Cash dividend or profit declared to be distributed by an investee is recognised as profit for the current period.

The equity method is adopted for a long-term equity investment when the Group holds joint control, or exercises significant influence on the investee. Joint control refers to the contractually-agreed shared control over an arrangement and related activities under such arrangement shall be decided on with the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee rather than to control or jointly control with other parties over the formulation of those policies.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 10. Long-term equity investments (Continued)

Under the equity method, where the initial investment cost of a long-term equity investment is more than the share of the fair value of the investee's identifiable net assets when the investment is made, the cost is included in the initial investment cost of the long-term equity investment. Where the initial investment cost of the long-term equity investment is less than the share of the fair value of the investee's identifiable net assets when the investment is made, the difference is recognised in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share in the net profit or loss and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investment, and adjusts the carrying amount of the long-term equity investment accordingly. When recognising the Group's share in the net profit or loss of the investee, the Group recognises the net profit of the investee after making appropriate adjustments based on the fair values of the identifiable assets of the investee when the investment is acquired and in accordance with the Group's accounting policies and periods, after eliminating the portion of the profits or losses, arising from internal transactions with its joint ventures and associates, attributable to the investor according to its share ratio (but losses arising from internal transactions that belong to impairment losses on assets should be recognised in full), save for the business formed by assets invested or disposed of the carrying amount of the long-term equity investment is reduced accordingly based on the Group's share of profit or cash dividends declared to be distributed by the investee. The Group's share in the net loss of the investee is recognised to the extent that the carrying amount of the long-term equity investment and other long-term equity substantively forming net investments of the investee are written down to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for other changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit appropriation of the investee) and includes the corresponding adjustments in the shareholders' equity.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 10. Long-term equity investments (Continued)

On disposal of the long-term equity investment, the difference between the carrying amount and the consideration actually received is recognised in profit or loss for the current period. For long-term equity investments under the equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee. Shareholders' equity recognised as a result of changes in other shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken in full to profit or loss for the current period. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be accounted for on the same basis as where the relevant assets or liabilities are disposed of directly by the investee and taken to profit or loss for the current period in proportion. Shareholders' equity recognised as a result of changes in shareholders' equity (other than the net profit or loss, other comprehensive income and profit appropriation of the investee) shall be taken to profit or loss for the current period on a pro-rata basis.

#### 11. Investment property

Investment property is any property held for rental earnings or capital appreciation or both. It includes buildings being leased.

An investment property is measured initially at cost. Expenditure subsequently incurred for such investment property is recognised in its cost if the economic benefits associated with such investment property are probable to flow in and relevant costs can be measured reliably, otherwise recognised in profit or loss for the period in which the economic benefits occur.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 11. Investment property (Continued)

The Group subsequently measures investment properties by adopting the fair value model. For investment properties subsequently measured using the fair value model, the accounting policy is selected based on the following:

- (1) There is an active market for property transactions in the location of the investment properties.
- (2) The Group is able to obtain market prices for similar or comparable properties and other relevant information from the property trading market in order to make a reasonable estimate of the fair value of the investment properties.

The Group does not depreciate or amortise investment properties and adjusts the carrying value of investment properties at the balance sheet date on the basis of their fair value, with the difference between the fair value and the original carrying value recorded in profit or loss.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 12. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset are probable to flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset when meeting the above confirming conditions, and the carrying amount of the replaced part is derecognised; otherwise the expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets initially measured at cost. The cost of a purchased fixed asset consists of the acquisition price, relevant taxes, and other directly attributable expenditure for bringing the asset to its working condition for its intended use. A fixed asset is depreciated using the straight-line method. Other than those arising from the use and appropriation of safety production expenses, the useful lives, net of estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	Useful life	Net of estimated residual value rate	Annual depreciation rate
Buildings	10-30 years	3%	3.23%-9.70%
Machinery equipment	5-10 years	1%-10%	9.00%-19.80%
Transportation vehicles	5-12 years	5%	7.92%-19.00%
Office equipment and others	3-10 years	1%-5%	9.50%-33.00%

The Group reviews the useful lives, net of estimated residual value of a fixed asset and the depreciation method applied at least once at each year-end, and makes adjustments when necessary.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 13. Construction in progress

Construction in progress is recognised at its actual costs, which include various necessary construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

#### 14. Intangible assets

Intangible assets may be recognised and initially measured at cost only when economic benefits relating to them are likely to flow into the Group as well as the related cost can be measured reliably. However, for intangible assets acquired from business combination not under common control, if their fair value can be measured reliably, they are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset shall be determined based on the term in which it can generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable term in which it can generate economic benefits for the Group.

The useful life of each category of intangible assets is as follows:

	<b>Useful life</b>
Land use rights	50 years

Land use rights that are purchased by the Group are accounted for as intangible assets. For buildings such as office buildings that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with finite useful life is amortised over its useful life period by using the straight-line method. The useful life and amortisation method of an intangible asset with finite useful life shall be reviewed at least once at each year-end, and adjusted when necessary.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 15. Research and development expenditures

Internal research and development expenditures of the Group are classified as research expenditures and development expenditures. Research expenditure is recognised in profit or loss when it is incurred.

Development expenditure can only be capitalised if all of the following conditions are met, it is technically feasible to complete the intangible asset that can be used or sold; it is intended to use or sell the completed intangible asset; the intangible asset produced can generate economic benefits, including the ability to prove that the product produced by the intangible asset, or the intangible asset itself exists in the market, or that the intangible asset is useful for internal use; the Group has sufficient technologies, financial resources, and other resources to support and complete the development, and has the ability to use or sell the intangible asset once it is made; and the development expenditure of the intangible asset can be properly measured. If the development expenditure cannot meet the condition listed above, the development expenditure will be recognised in profit or loss when it is incurred.

#### 16. Impairment of assets

The Group determines the impairment of assets excluding inventories, contract assets, investment properties measured at fair value model, deferred income taxes and finance assets using the following methods:

The Group determines whether there is any indication that assets have suffered impairment losses at the balance sheet date. If an impairment indication exists, the recoverable amount is estimated and impairment test is carried out. For intangible assets with goodwill and indefinite useful life arising from business combination, impairment test should be performed at least once at the each year-end to assess whether an impairment indication exists. As for intangible assets that have not been ready for intended use, an impairment test should be carried out each year.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. Recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be recognised. The asset group is determined according to whether the main cash flows generated from the asset group are independent from those from other assets or asset group.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 16. Impairment of assets (Continued)

If such recoverable amount of the asset or asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount, the reduction amount is recognised in profit or loss for the current period and a provision for impairment losses of such assets shall be made.

Once an impairment loss is recognised for the above-mentioned assets, it will not be reversed in the subsequent accounting period.

#### 17. Employee benefits

Employee benefits represent all kinds of reward or compensation for service rendered by employees or the termination of employment given by the Group. Employee benefits include short-term remuneration, post-employment benefit, termination benefits and other employee benefits. The benefits that the Group provide to employees' spouse, children, dependants, families of the deceased employees and other beneficiaries also belong to employee benefits.

##### ***Post-employment benefits (defined contribution plans)***

The Group's employees participate in endowment insurance and unemployment insurance managed by local government and corresponding expenses are recognised in costs of related assets or profit or loss for the current period.

##### ***Termination benefits***

Where the Group provides termination benefits to employees, a liability for employee compensation arising from termination benefits is recognised in profit or loss at the earliest of: when the enterprise is unable to unilaterally withdraw the termination benefits provided as a result of an employment termination plan or proposed redundancy; and when the enterprise recognises costs or expenses associated with a restructuring involving the payment of termination benefits.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 18. Provisions

Except for a contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

#### 19. Revenue from contracts with customers

The Group recognises revenue when it performs the performance obligations in the contract, i.e., when the customer obtains control over relevant goods or services. Control over the relevant goods and services refers to the ability to direct the use of the goods, and obtain substantially all of the economic benefits from the provision of the services.

##### **Construction contracts**

The construction contract between the Group and the customer usually includes the performance obligation of building construction, infrastructure construction and specialized and other construction. As the customer can control the goods under construction during the performance of the Group, the Group regards it as a performance obligation performed within a certain period of time and recognises the income according to the progress of the performance, except that the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the progress of the performance cannot be reasonably determined, the revenue will be recognised according to the amount of costs incurred, until the progress of the performance can be reasonably determined.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### *Contracts for sales of goods*

The contracts for sales of goods between the Group and the customer usually contains only the performance obligations for the transfer of concrete products. The Group generally recognises revenue at the point of acceptance of the goods by the customer on the basis of a combination of the following factors: the current right of receiving payment for the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

##### *Significant financing components*

For the existence of significant financing components in the contract, the Group determines the transaction price based on the amount payable immediately by cash upon the receipt of control of goods by the customer, and uses the discount rate which discounts the nominal amount of the contract consideration to the discounted price of the goods or services to amortise the difference between the determined transaction price and the consideration amount of the contract commitment using the effective interest method during the contract period. Where it is expected that the intervals between the customer's control over the goods and the payment by the customer will not exceed one year, the Group does not consider the significant financing components in the contract.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### *Quality assurance obligation*

The Group provides quality assurance for the assets constructed pursuant to contractual agreements and laws and regulations. The Group performs accounting treatments in accordance with Note III-18 with a view to providing guarantees to the customers that the assets constructed meet the established quality standards. In addition to providing guarantees to the customers that the assets constructed meet the established quality standards, the Group provided the customers with a separate quality assurance for services, regarding it as a separate performance obligation. Based on the relative proportion of the individual selling prices of providing quality assurance for assets constructed and services, part of the transaction price is allocated to quality assurance of services and revenue is recognised when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantees to the customers that the assets constructed meet the established quality standards, the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

##### *Principal/agent*

The Group determines whether the Group is a principal or an agent when engaging in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Group is able to control the goods or services before transferring them to the customer, the Group is the principal and recognises revenue based on the total consideration received or receivable; otherwise, the Group is the agent and recognises revenue based on the amount of the commission or fee it expects to be entitled to receive, which should be determined as the net amount of the total consideration received or receivable less amounts payable to other related parties, or based on the predetermined amount or proportion of the commission.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### *Changes of a contract*

When the contract for the construction contract between the Group and the customer changes:

- (1) If the contract change involves adding a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;
- (2) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and not transferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the original contract and the contract change part are merged into a new contract for accounting treatment;
- (3) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and not transferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract for accounting treatment. The resulting impact on the recognised revenue is adjusted for current income on the contract change date.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### ***Concession contract (“BOT Contract”) (only applicable to 2020)***

The concession activities under the BOT contract usually include constructions, operations, and transfers. During the construction phase, the contract revenue for construction services is recognised in accordance with the above accounting policies of the construction contract. Revenue from construction services is measured based on the consideration received or receivable, and contract assets or intangible assets are recognised at the time of revenue recognition and the significant financing components of the contractual arrangements are accounted for.

The Group recognises contract assets while recognising the revenue to the extent that it has an unconditional contractual right to receive a definite amount of cash and cash equivalents or another financial asset from the grantor within a certain period after the completion of construction. When the Group obtains the unconditional right to receive the consideration, the contract assets are transferred to financial assets for accounting purposes.

Where the contract provides that the Group has the right to receive a fee from the recipient of service during the operation period after the completion of construction, but the amount of the fee is uncertain, the intangible asset is recognised at the time of revenue recognition if such right does not constitute an unconditional right to receive a definite amount of cash and cash equivalents or another financial asset. Upon completion of the related infrastructure project, intangible assets are amortised on a straight-line basis over the concession period.

During the operation phase, corresponding revenue is recognised when services are provided; and the daily maintenance or repair costs incurred are recognised as current expenses.

The contract stipulates that the Group shall maintain service ability of the relevant infrastructure or keep it in a good condition before returning to the grantor, and the current obligations undertaken by the Group in the expenses incurred are expected to be recognised as a provision.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### ***PPP project contract (applicable since 1 January 2021)***

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.

PPP project contract shall also meet the following conditions (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.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### **PPP project contract (applicable since 1 January 2021)** (Continued)

Construction, operation and transfer activities are typically included under PPP contracts. During the construction phase, the Group determines whether the Group is the principal or agent in accordance with the accounting policy for construction contracts above and, if the Group is the principal, recognises contract revenue and contract assets for construction services accordingly, with revenue from construction contract measured at the fair value of the consideration received or receivable. During the operational phase, the Group accounts for the corresponding amounts as follows:

- (1) Where the contract provides the Group with the right to receive a definite amount of cash (or other financial asset) during the operation period of the project, the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as a contractual asset until it has the right to receive such consideration (which is dependent only on the passage of time); and the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as a receivable when it has the right to receive such consideration (which is dependent only on the passage of time) and accounts for it in accordance with the provisions of the accounting policy on financial instruments. The Group recognizes the excess of the amount of consideration or the amount of construction revenue recognized for the relevant PPP project asset over the right to receive a definite amount of cash (or other financial assets) as an intangible asset when the PPP project asset becomes ready for intended use;
- (2) Where the contract provides that the Group has the right to charge a fee to the recipients of the public goods and services, but the amount of the fee is uncertain, the right does not constitute an unconditional right to receive cash and the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as an intangible asset when the PPP project asset becomes ready for intended use.

In the operational phase, when labour services are provided, the corresponding revenue is recognised; routine maintenance or repair costs incurred are recognised as current expenses.

The portion of the expenditure expected to be incurred by the Group to maintain the infrastructure in a serviceable condition or in a useable condition until it is transferred to the contract owner under relevant contract is recognised as provision.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 19. Revenue from contracts with customers (Continued)

##### ***Build and transfer contract (“BT Contract”)***

The activities under the BT contract usually include building and transfer. For the construction services provided by the Group, during the construction phase, the relevant construction service contract revenue is recognised in accordance with the accounting policies of the construction contract mentioned above. Contract assets are recognised at the time of revenue recognition and the significant financing components of the contractual arrangements are accounted for. When the unconditional right to receive the consideration is available, such contract assets are transferred to financial assets and are eliminated upon the receipt of payment from the owner.

#### 20. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group's fulfilment of performance obligations and customers' payment. The Group presents contract assets and contract liabilities under the same contract as the net amount after they offset with each other.

##### ***Contract assets***

The contract assets represent the rights to receive considerations for goods or service transferred to customers (subject to factors other than passage of time).

Please refer to Note III-8 for the Group's methods for determining and accounting for expected credit losses on contract assets.

##### ***Contract liabilities***

The contract liabilities represent the the obligations for transfer of goods or services to customers for considerations received or receivable from customers, such as the relevant amounts received by the enterprises before transferring the promised goods or services.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 21. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or reduced related costs over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be deducted from the carrying amount of the asset; or recognised as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method, except that a government grant measured at a nominal amount is recognised immediately in profit or loss in the current period. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

#### 22. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as an expense or income in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised in owners' equity if it arises from a transaction or event which is recognised directly in owners' equity.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and their tax bases, and temporary differences between the carrying amounts and the tax bases of items which have not been recognised as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred income taxes are provided using the liability method in the balance sheet.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 22. Income tax (Continued)

A deferred income tax liability is recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, and the carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or loss is affected.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date to recover the assets or settle the liabilities.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 22. Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are presented as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred income tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed, the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

#### 23. Leases

##### *Identification of leases*

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract has transferred the right of controlling the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right of directing the use of identified assets during the period of use.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 23. Leases (Continued)

##### *Identification of separate leases*

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

- (1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
- (2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

##### *Split for the lease and non-lease components*

If both lease and non-lease components are included in the contract, the lease and non-lease components shall be split and processed by the Group as lessor and lessee.

##### *Assessment of a lease term*

The lease term is the period during which the Group has the right to use the leased assets and it is irrevocable. Where the Group has the option to renew the lease, i.e., has the option to continue to lease the asset and can reasonably determine that the option will be exercised, the lease term shall also include the period covered by the option to renew the lease. Where the Group has the option to terminate the lease, i.e., has the option to terminate the lease of the assets and can reasonably determine that the option will not be exercised, the lease term shall include the period covered by the option to terminate the lease. In the event of a major event or change within the controllable scope of the Group and where it affects whether the Group reasonably determines that the corresponding option will be exercised, the Group shall re-assess whether it reasonably determines that it will exercise the option to renew the lease and purchase the option or not to exercise the option to terminate the lease.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 23. Leases (Continued)

##### *As lessee*

##### *Right-of-use assets*

The Group's right-of-use assets mainly include buildings and machinery equipment.

On the commencement date of the lease term, the Group recognises its right to use the leased assets over the lease term as right-of-use assets, including: the initially measured amount of lease liabilities; the lease payments paid on or before the commencement date of the lease term excluding the lease incentive related amount entitled where lease incentives exist; the initial direct expenses by the lessee; and the cost expected to incur by the lessee to dismantle and remove the leased assets, restore the site where leased assets are located or restore the leased assets to the status agreed in lease terms. The Group subsequently uses the straight-line method to depreciate the right-of-use assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the expiration of the lease term, the Group shall make depreciation during the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be depreciated over the shorter of the lease term or the remaining useful life of the leased assets.

The Group shall remeasure the lease liabilities according to the present value of the changed lease payments, and adjust the carrying amount of the right-of-use assets accordingly. However, if the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of the lease liabilities, the Group recognises any remaining amount of the remeasurement in profit or loss for the current period.

##### *Lease liabilities*

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates interest expenses in each period during the lease term based on a constant periodic interest rate, and recognises the interest expenses in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss for the current period as incurred, except for those included in the costs of the relevant assets as otherwise specified.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 23. Leases (Continued)

##### *As lessee (Continued)*

##### *Lease liabilities (Continued)*

After the commencement date of the lease period, in the event of a change in the actual fixed payment amount, a change in the amounts expected to be payable under a residual value guarantee, a change in an index or a rate used to determine lease payments, or a change in the assessment and actual exercise of an option to purchase the underlying asset, to extend or terminate the lease, the Group shall remeasure the lease liabilities according to the present value of the changed lease payments.

##### *Short-term leases and low-value asset leases*

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; single leases with a value of less than RMB30,000 when being a new asset are recognised as leases of low-value assets. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as leases of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. During different periods in the lease terms, short-term leases and leases of low-value assets shall be recognised in the related asset cost or current profit or loss on a straight-line basis.

##### *As lessor*

At the lease commencement date, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases, and all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 23. Leases (Continued)

##### *As lessee (Continued)*

##### *As the lessor of an operating lease*

Rental income under an operating lease is recognised by a lessor on a straight-line basis over the lease term through profit or loss for the current period. The variable lease payments not included in the measurement of the lease liability shall be recognised in profit or loss in the period in which it occurs.

#### 24. Profit distribution

Cash dividends of the Company are recognised as a liability when they are approved at the general meeting.

#### 25. Safety production expenses

The safety production expenses accrued in accordance with the regulations are recorded in the relevant product cost or profit or loss of the current period and the special reserve. The treatment for usage of the safety production expenses depends on whether fixed assets are formed or not. If the usage of the safety production expenses is an expenditure, it is directly charged against the special reserve. If the safety production expenses occurred is used to form fixed assets, the expenditure incurred is accumulated and recognised as fixed assets when the intended usage condition is achieved. Meanwhile, an equivalent amount is charged against the special reserve and recognised as accumulated depreciation.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the reported amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

##### *Judgements*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating leases – as lessor*

The Group has entered into lease contracts on its investment property and fixed assets. The Group has determined, based on the terms of lease contracts, that it retains all the significant risks and rewards of ownership of these properties, which are accounted for as operating leases.

##### *Method for determining the performance progress of a construction contract*

The Group determines the performance progress of the construction contract in accordance with the input method. Specifically, the Group determines the performance progress of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost. The accumulated actual costs include the direct and indirect costs incurred for the transfer of goods to customers by the Group. The Group believes that the price of construction contract with the customer is determined on the basis of the construction cost, and the actual construction cost as a percentage of the estimated total cost can accurately reflect the performance progress of the construction service. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses, and adjust the revenue recognition amount accordingly.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Judgements (Continued)*

###### *Business model*

The classification of financial assets held by the Group at initial recognition depends on the business model of the Group's management of financial assets. In determining the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model is based on the objective of collection of contractual cash flows, the Group needs to make analysis and judgements on the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

###### *Contractual cash flow characteristics*

The classification of financial assets held by the Group at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to determine whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to determine whether there is a significant difference compared with the benchmark cash flow, and to determine whether the fair value of financial assets with prepayment characteristics is insignificant.

###### *Classification of investment property and self occupied properties*

The Group determines that investment property is any property held for rental earnings or capital appreciation or both (including leased property).

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Judgements (Continued)*

###### *Whether the contract is a lease or contains a lease*

The Group has entered into equipment lease agreements for certain construction projects. The Group considers that there is no identified asset or asset supplier with substantial right to replace relevant equipment under certain lease agreements and therefore, the lease agreements do not contain leases and the Group treats them as receipt of services.

###### *Entities in which the Group holds less than 20% of voting rights but has a significant influence over them*

The Group holds 15%, 5% and 11% equity interests in Jianwei County Yizongliangheng Project Management Company Limited (“Yizongliangheng”), Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited (“Zhongyuan Environmental”) and Bozhou Xiangju Construction Company Limited (“Bozhou Xiangju”), respectively. The Directors of the Group considered that despite the less than 20% shareholding in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, the Group appointed three directors, one director and one director in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, respectively, according to the requirements of their respective articles of association, and can participate in the decision making of financial and operational policies. As such, the Group may exercise significant influence over Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, and the Group’s equity investments in these companies are accounted for as investments in associates.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future accounting periods, are described below.

##### *Impairment of financial instruments and contract assets*

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of impairment losses in the future.

##### *Fair value of unlisted equity investments*

Unlisted equity investment is estimated using the market-based method and the assumptions on which it is based are unobservable inputs. The estimation requires the management to determine comparable public companies (peers) based on industry, scale, gearing ratio and strategy and compute appropriate price multiples in respect of each identified comparable company, such as price to book ("P/B") ratio or price to earnings ("P/E") ratio. Such multiples are calculated based on the relevant indexes of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the corresponding profit or asset of the unlisted equity investment to arrive at its fair value. Please refer to Note IX-3 for estimation of fair value of unlisted equity investments.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Estimation uncertainty (Continued)*

###### *Deferred income tax assets*

Deferred income tax assets are recognised for all unused deductible losses to the extent that it is probable that taxable profit will be available against which the deductible losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

###### *Construction and service contracts*

The recognition of revenue and costs for construction and service contracts requires management to make relevant estimates. If losses are expected to be incurred on construction and service contracts, such losses are recognised as current costs. The Group's management anticipates potential losses based on the budget for construction and service contracts. The nature of the infrastructure, design and dredging business results in the contract award date and project completion date often falling within different accounting periods. As contracts progress, the Group reviews and revises the estimated total contract revenue and estimated total contract cost on an ongoing basis.

The Group monitors the payment progress of the owners on an ongoing basis in accordance with the terms of the contracts and regularly assesses the creditworthiness of the owners. If circumstances indicate that it is probable that the owner will default in the payment of all or part of the contract price, or that the owner will not be able to meet its obligations under the terms of the contract, the Group will reassess the impact of the matter on the consolidated financial statements and may revise the amount of the estimated loss on the contract. This revision will be reflected in the Group's financial statements in the period in which the Group reassesses and is required to revise the estimated loss on the contract.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Estimation uncertainty (Continued)*

###### *Estimation of fair value of investment property*

The best evidence of fair value of investment property is given by current prices in an active market for similar lease and other contracts. In the absence of relevant information, the management shall determine the relevant amount within the range of reasonable fair value estimates. The management's judgement will be based on market rental prices of similar properties under current leases in an active market and discounted cash flow projections based on reliable estimates of future cash flows using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Principal assumptions adopted by the Group in estimating fair values include market rents for similar properties at the same location and under the same conditions, discount rates, vacancy rates, projected future market rents and maintenance costs.

###### *Incremental borrowing rate of the lessee*

For leases of which the interest rate implicit in the lease cannot be determined, the Group uses the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payment. When determining the incremental borrowing rate, the Group uses the observable interest rate as the reference basis for determining the incremental borrowing rate based on the current economic environment. On this basis, the reference interest rate is adjusted according to the specific conditions of the lease business such as its own situation, the underlying asset situation, the lease period and the amount of lease liability in order to calculate the applicable incremental borrowing rate.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 26. Significant accounting judgements and estimates (Continued)

##### *Estimation uncertainty (Continued)*

###### *Contingent liabilities for litigation and claims*

The Group has been involved in a number of litigations and claims in the past in relation to certain construction projects. Management has assessed the contingent liabilities arising from such litigations and claims with reference to the advice of legal advisers. The Group has made provision for possible liabilities based on management's best estimates and judgement.

###### *Depreciation of fixed assets*

Depreciation of the Group's fixed assets is provided on a straight-line basis over their estimated useful lives, using the recorded value of the assets less their estimated net residual value. The Group periodically assesses the estimated useful lives and estimated net residual values to ensure that the depreciation methods and rates are consistent with the expected pattern of economic benefits to be realised from the fixed assets. The Group's estimates of the estimated useful lives and net residual values of fixed assets are based on historical experience and take into account expected technological updates. When there is a significant change in the estimated useful life and estimated net residual value, depreciation expense may need to be adjusted accordingly and therefore estimates based on current experience may differ from the actual results in the following year, which may result in significant adjustments to the carrying value and accumulated depreciation amounts of fixed assets.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 27. Changes in accounting policies and 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.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 27. Changes in accounting policies and estimates (Continued)

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

*(Continued)*

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.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

#### 27. Changes in accounting policies and estimates (Continued)

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

*(Continued)*

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 Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

### IV. TAXATION

Major categories of taxes and respective tax rates of the Group during the period are set out below:

- |                                       |   |  |
|---------------------------------------|---|--|
| Value-added tax (VAT)                 | - | The output tax of general taxpayers shall be levied at a tax rate of 6%, 9% or 13% on the taxable income, and the VAT shall be levied after deducting the deductible input tax for the current period. The VAT of small scale taxpayers shall be levied at a tax rate of 3% on the taxable income. |
| City maintenance and construction tax | - | It is levied at 7%, 5% and 1% on the turnover taxes paid.  |
| Educational surcharge                 | - | It is levied at 3% on the turnover taxes paid.   |
| Local educational surcharge           | - | It is levied at 2% on the turnover taxes paid.   |
| Enterprise income tax (EIT)           | - | It is levied at 25% on the taxable income.   |
| Land appreciation tax                 | - | The land appreciation tax is levied at the ultra progressive tax rate based on the appreciation value from the property transfer.  |

## V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

	Principal place of business/ place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Tianchen Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	400,000	100	-	100	Note 1
Bozhou Qihang Transportation Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	315,787	90	-	90	
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	PRC/PRC	Limited liability company	Automobile technology development and sales	300,000	90	-	90	
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	220,000	80	-	80	
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	205,000	100	-	100	
Tibet Jiming Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	200,000	100	-	100	
HCG (Ningbo) Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability company	Supply chain management	200,000	100	-	100	Note 2
HCG Installment Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	180,000	100	-	100	Note 3
Huainan Fengrui Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	161,651	80	-	80	
HCG Henan Zhongyuan Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	
Hebei Construction Group Garden Engineering Co., Ltd.	PRC/PRC	Limited liability company	Garden engineering	108,000	100	-	100	
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	101,000	100	-	100	
Shaanxi Tianjin Jianan Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	
Dangshan Soaring General Aviation Industry Development Co., Ltd.	PRC/PRC	Limited liability company	Aviation industry	100,000	80	-	80	
Dacheng County Zhongzhou Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Production and supply of running water	100,000	-	100	100	
HCG (Tianjin) Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability company	Supply chain management	100,000	100	-	100	Note 2
Dacheng County Zhongyu Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Running water supply	88,480	20	80	100	Note 2

# NOTES TO FINANCIAL STATEMENTS

2021

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## V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Information about subsidiaries (Continued)

	Principal place of business/ place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Shandong Juhe Agricultural Service Development Co., Ltd.	PRC/PRC	Limited liability company	Agricultural sale	76,160	89	-	89	
Baoding Zhongcheng Investment Management Co., Ltd.	PRC/PRC	Limited liability company	Investment management	69,000	100	-	100	
Zhongrun Lvgu Ecological Development Co., Ltd.	PRC/PRC	Limited liability company	Urban greening	60,000	-	100	100	Note 4
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	PRC/PRC	Limited liability company	Hospital management	60,000	90	-	90	
Hebei Lvjian Investment Company	PRC/PRC	Limited liability company	Investment management	60,000	92	8	100	
Baoding Zhongze Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Water production and supply	50,000	75	-	75	
HCG Jimu Door and Window Co., Ltd.	PRC/PRC	Limited liability company	Curtain wall engineering	50,000	-	100	100	
HCG Tianding Construction and Installation Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
HCG Tianpeng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
HCG Steel Structure Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
HCG Tiansheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
HCG Tianming Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Hebei Zhongbao New Building Material Manufacturing Co., Ltd.	PRC/PRC	Limited liability company	Sales of construction material	50,000	100	-	100	
Tianjin Tianzheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Hebei Construction Group Zhengyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	50,000	100	-	100	
HCG Tianchu Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Hebei Construction Group Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	

## V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Information about subsidiaries (Continued)

	Principal place of business/ place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Yuncai Network Technology Co., Ltd.	PRC/PRC	Limited liability company	Internet development and sale	50,000	80	-	80	
Hebei Xiong'an Dayang Environmental Technology Co., Ltd.	PRC/PRC	Limited liability company	Water treatment	50,000	70	-	70	
HCG Smart Energy Co., Ltd.	PRC/PRC	Limited liability company	Development of new energy technology	50,000	1	51	52	
Shenzhen Zhongru Investment Co., Ltd.	PRC/PRC	Limited liability company	Investment advisory and consultation	50,000	100	-	100	
Beijing Tianjia Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Hebei Shenning Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	30,000	95	-	95	
Hebei Haikuo Environmental Technology Co., Ltd.	PRC/PRC	Limited liability company	Environmental engineering	30,000	100	-	100	
HCG Jianyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete sale	25,000	-	100	100	
Fuping Fuyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	25,000	100	-	100	
Baoding Shitongyuan Electricity Sale Co., Ltd.	PRC/PRC	Limited liability company	Electricity sales service	21,000	-	52	52	
Hebei Tuowei Investment Co., Ltd.	PRC/PRC	Limited liability company	Investment and management of new energy industry	21,000	-	100	100	
Hebei Tuo'an Electrical Installation Co., Ltd.	PRC/PRC	Limited liability company	Electrical equipment installation and sales	21,000	-	51	51	
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	PRC/PRC	Limited liability company	Lease of machinery equipment	16,060	100	-	100	
Rongcheng County Xinrong City Development Co., Ltd.	PRC/PRC	Limited liability company	Urban greening	15,000	80	-	80	
Hebei Xingxi Corporate Management Co., Ltd.	PRC/PRC	Limited liability company	Advisory service	10,000	100	-	100	
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	10,000	-	83	83	
Anping County Xinjian Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	10,000	-	80	80	
Hebei Tuohui New Energy Technology Co., Ltd.	PRC/PRC	Limited liability company	Development of new energy technology	10,000	-	100	100	Note 2
Shunping County Huanzhou Greening Co., Ltd.	PRC/PRC	Limited liability company	Garden engineering	6,600	-	80	80	
Zhuhai Zhongwei Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	6,000	100	-	100	

## NOTES TO FINANCIAL STATEMENTS

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### V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 1. Information about subsidiaries (Continued)

	Principal place of business/ place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Jilin Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	6,000	100	-	100	
Hebei Zhongru Software Technology Co., Ltd.	PRC/PRC	Limited liability company	Construction software development and sale	5,500	70	-	70	
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	PRC/PRC	Limited liability company	Garden engineering	5,000	-	80	80	
Hebei Zhuocheng Engineering Inspection Co., Ltd.	PRC/PRC	Limited liability company	Construction project quality inspection	3,000	100	-	100	
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	1,000	100	-	100	
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	PRC/PRC	Limited liability company	Waste water treatment	1,000	-	100	100	
Baoding Yungong Trading Co., Ltd.	PRC/PRC	Limited liability company	Comprehensive sales	100	-	100	100	Note 2

*Notes:*

*Note 1:* During the year, Hebei Construction Group Corporation Limited acquired 13% equity interest in HCG Tianchen Construction Engineering Co., Ltd. held by Baoding Zhongcheng Investment Management Co., Ltd. and therefore directly held 100% equity interest in HCG Tianchen Construction Engineering Co., Ltd.

*Note 2:* Such subsidiaries were newly established during the year.

*Note 3:* During the year, Hebei Construction Group Corporation Limited acquired 39% equity interest in HCG Installment Engineering Co., Ltd. held by Baoding Zhongcheng Investment Management Co., Ltd. and therefore directly held 100% equity interest in HCG Installment Engineering Co., Ltd.

*Note 4:* During the year, Hebei Construction Group Garden Engineering Co., Ltd. acquired 49% equity interest in Zhongrun Lvgu Ecological Development Co., Ltd. held by Baoding Zhubang Garden Landscape Engineering Co., Ltd., and therefore Hebei Construction Group Corporation Limited indirectly held 100% equity interest in Zhongrun Lvgu Ecological Development Co., Ltd.

*Note 5:* Anguo Jiuchen Construction Development Co., Ltd. and Sichuan Tianchuan Construction Engineering Co., Ltd. were deregistered during the year.

The scope of the consolidated financial statements is consistent with that of the previous year, except for the cancellation of subsidiaries and newly established subsidiaries

## V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Material non-controlling interests

Subsidiaries with non-controlling interests that are material to the Group are as follows:

#### 2021

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(2,473)	25,860
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(37)	16,988
Bozhou Qihang Transportation Construction Co., Ltd.	10	(4,559)	17,162
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	20	(21)	3,406

#### 2020

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(1,965)	28,333
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(14)	17,025
Zhongrun Lvgu Ecological Development Co., Ltd.	49	(65)	14,663
Bozhou Qihang Transportation Construction Co., Ltd.	10	(371)	13,391
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	20	(42)	3,427

NOTES TO FINANCIAL STATEMENTS

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**V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**2. Material non-controlling interests** (Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.	Bozhou Qihang Transportation Construction Co., Ltd.	Rongcheng County Rongyu City Garden Engineering Co., Ltd.
<b>2021</b>				
Current assets	218,967	10,821	81,501	20,136
Non-current assets	556,211	11,317	1,113,119	-
Total assets	<u>775,178</u>	<u>22,138</u>	<u>1,194,620</u>	<u>20,136</u>
Current liabilities	525,113	176	610,067	3,165
Non-current liabilities	50,000	-	436,430	-
Total liabilities	<u>575,113</u>	<u>176</u>	<u>1,046,497</u>	<u>3,165</u>
Operating revenue	32,755	-	-	7,460
Net loss	(9,893)	(219)	(45,588)	(105)
Total comprehensive loss	<u>(9,893)</u>	<u>(219)</u>	<u>(45,588)</u>	<u>(105)</u>
Net cash flows (used in)/ generated from operating activities	<u>(19,829)</u>	<u>(518)</u>	<u>(165,953)</u>	<u>1,009</u>

## V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Material non-controlling interests (Continued)

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.	Zhongrun Lvgu Ecological Development Co., Ltd.	Bozhou Qihang Transportation Construction Co., Ltd.	Rongcheng County Rongyu City Garden Engineering Co., Ltd.
2020					
Current assets	229,640	11,257	37,937	366,122	26,811
Non-current assets	558,015	11,102	1,315	729,092	21
Total assets	787,655	22,359	39,252	1,095,214	26,832
Current liabilities	162,673	208	9,927	480,349	9,694
Non-current liabilities	410,000	-	-	456,000	-
Total liabilities	572,673	208	9,927	936,349	9,694
Operating revenue	212	-	3,054	-	-
Net loss	(7,861)	(83)	(133)	(3,707)	(209)
Total comprehensive loss	(7,861)	(83)	(133)	(3,707)	(209)
Net cash flows (used in)/ generated from operating activities	(19,472)	(260)	4,565	(322,925)	(82)

## NOTES TO FINANCIAL STATEMENTS

2021

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### VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and cash equivalents

	2021	2020
Cash on hand	6,937	9,540
Bank deposits	7,036,493	6,984,518
Other cash and cash equivalents	1,766,533	1,459,213
	<b>8,809,963</b>	<b>8,453,271</b>

As at 31 December 2021, the Group's cash and cash equivalents with restricted ownership amounted to RMB502,735,000 (31 December 2020: RMB452,706,000). Please refer to Note VI-19.

#### 2. Held-for-trading financial assets

	2021	2020
Financial assets at fair value through profit or loss		
Equity instrument investment	2,472	743

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Accounts receivable

The accounts receivable of the Group are mainly receivables for construction contracting business. The credit period of accounts receivable is usually one to three months. All accounts receivable are non-interest-bearing.

The ageing analysis of accounts receivable is as follows:

	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
	<b>8,998,391</b>	6,090,684
Less: Bad debt allowance on accounts receivable	<b>1,257,944</b>	663,649
	<b>7,740,447</b>	5,427,035

Except for project quality deposits receivable, the ageing of accounts receivable was calculated since the invoice date. The ageing of the project quality deposits receivable is calculated from the later of the invoice date and the expiry of the warranty period.

Movements in bad debt allowance on accounts receivable are as follows:

	Opening balance	Accrual during the year	Recovery or reversal during the year	Closing balance
2021	663,649	987,868	(393,573)	1,257,944
2020	735,091	366,798	(438,240)	663,649

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**3. Accounts receivable** (Continued)

Accounts receivable and bad debt provisions are disclosed by category as follows:

	2021			
	Book balance		Bad debt provisions	
	Amount	Proportion (%)	Amount	Ratio (%)
Individual provision for bad debts	3,254,757	36	981,518	30
Provision for bad debts according to credit risk portfolio	5,743,634	64	276,426	5
	<b>8,998,391</b>	<b>100</b>	<b>1,257,944</b>	

	2020			
	Book balance		Bad debt provisions	
	Amount	Proportion (%)	Amount	Ratio (%)
Individual provision for bad debts	641,643	11	457,781	71
Provision for bad debts according to credit risk portfolio	5,449,041	89	205,868	4
	<b>6,090,684</b>	<b>100</b>	<b>663,649</b>	

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Accounts receivable (Continued)

The Group's accounts receivable with bad debt provision using the ageing analysis method are as follows:

	2021			2020		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	4,316,913	0.90	38,644	4,050,630	0.59	23,880
1 to 2 years	845,771	4.64	39,257	1,021,420	3.18	32,473
2 to 3 years	377,967	17.88	67,564	171,240	15.53	26,592
3 to 4 years	92,597	40.52	37,521	95,202	39.68	37,777
4 to 5 years	46,427	63.50	29,481	57,244	55.62	31,841
Over 5 years	63,959	100.00	63,959	53,305	100.00	53,305
	<b>5,743,634</b>		<b>276,426</b>	<b>5,449,041</b>		<b>205,868</b>

As at 31 December 2021, the Group's accounts receivable with restricted ownership amounted to RMB100,816,000 (31 December 2020: RMB282,960,000). Please refer to Note VI-19.

### 4. Receivables at fair value through other comprehensive income

	2021	2020
Bank acceptance bill	362,090	228,877
Commercial acceptance bill	142,122	1,470,554
	<b>504,212</b>	<b>1,699,431</b>

As at 31 December 2021, the Group's receivables at fair value through other comprehensive income with restricted ownership amounted to RMB105,222,000 (31 December 2020: RMB116,805,000). Please refer to Note VI-19 for details.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Prepayments

The ageing analysis of prepayments is as follows:

	2021		2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	600,001	78	662,741	80
1 to 2 years	144,325	19	152,481	19
2 to 3 years	14,252	2	2,202	-
Over 3 years	5,452	1	4,788	1
	<b>764,030</b>	<b>100</b>	822,212	100

The breakdown of prepayments by nature is as follows:

	2021	2020
Prepayments for subcontracting works	535,368	618,599
Prepayments for materials	228,662	203,613
	<b>764,030</b>	822,212

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Other receivables

	2021	2020
Dividend receivable	20,250	-
Other receivables	<u>2,597,614</u>	<u>2,437,425</u>
	<u>2,617,864</u>	<u>2,437,425</u>

The overdue ageing analysis of other receivables is as follows:

	2021	2020
Not overdue and overdue for no more than 1 year	2,650,534	2,443,946
Overdue for 1 to 2 years	28,815	36,362
Overdue for 2 to 3 years	15,660	20,916
Overdue for over 3 years	<u>64,176</u>	<u>64,040</u>
	2,759,185	2,565,264
Less: Bad debt allowance on other receivables	<u>161,571</u>	<u>127,839</u>
	<u>2,597,614</u>	<u>2,437,425</u>

NOTES TO FINANCIAL STATEMENTS

2021

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**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**6. Other receivables** (Continued)

The breakdown of other receivables by nature is as follows:

	<b>2021</b>	2020
Project advances	<b>937,684</b>	873,521
Performance bond	<b>719,373</b>	618,881
Construction deposit	<b>214,717</b>	204,289
Tender deposit	<b>235,135</b>	263,528
Security deposit	<b>385,895</b>	354,568
Other deposit	<b>187,854</b>	174,364
Others	<b>78,527</b>	76,113
	<b>2,759,185</b>	2,565,264
Less: Bad debt allowance on other receivables	<b>161,571</b>	127,839
	<b>2,597,614</b>	2,437,425

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Other receivables (Continued)

The movements of bad debt allowance on other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

#### 2021

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	13,096	7,522	107,221	127,839
Opening balance of the year				
- Transfer to stage 2	(6,361)	6,361	-	-
- Transfer to stage 3	(5,000)	-	5,000	-
Provision during the year	12,022	56,319	-	68,341
Reversal during the year	(465)	(1,193)	(32,951)	(34,609)
Closing balance	13,292	69,009	79,270	161,571

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**6. Other receivables** (Continued)

2020

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	1,478	26,761	92,281	120,520
Opening balance of the year				
- Transfer to stage 2	(180)	180	-	-
- Transfer to stage 3	-	(26,336)	26,336	-
Provision during the year	12,113	7,355	200	19,668
Reversal during the year	(315)	(438)	(11,596)	(12,349)
Closing balance	<u>13,096</u>	<u>7,522</u>	<u>107,221</u>	<u>127,839</u>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Other receivables (Continued)

Changes in the book balance of other receivables that affected the change in loss allowance are as follows:

#### 2021

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	2,221,428	236,615	107,221	2,565,264
Opening balance of the year				
- Transfer to stage 2	(1,079,072)	1,079,072	-	-
- Transfer to stage 3	(5,000)	-	5,000	-
Changes during the year	194,561	32,311	(32,951)	193,921
Closing balance	1,331,917	1,347,998	79,270	2,759,185

## NOTES TO FINANCIAL STATEMENTS

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Unit: RMB'000

### VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Other receivables (Continued)

2020

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	2,464,501	32,737	92,281	2,589,519
Opening balance of the year				
- Transfer to stage 2	(299,498)	299,498	-	-
- Transfer to stage 3	-	(26,536)	26,536	-
Changes during the year	<u>56,425</u>	<u>(69,084)</u>	<u>(11,596)</u>	<u>(24,255)</u>
Closing balance	<u>2,221,428</u>	<u>236,615</u>	<u>107,221</u>	<u>2,565,264</u>

In 2021, the Group made a provision for bad debts of RMB68,341,000 (2020: RMB19,668,000) for other receivables, and recovered or reversed a bad debt provision of RMB34,609,000 (2020: RMB12,349,000).

#### 7. Inventories

	2021	2020
Raw materials	<u>265,873</u>	<u>337,772</u>

As at 31 December 2021, the management of the Group believes that there is no need to make provision for the inventory impairment.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Contract assets

Contract assets are mainly generated by the construction project 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.

	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>

The movements in the loss allowance for impairment of contract assets are as follows:

	Opening balance	Charge for the year	Written back during the year	Closing balance
2021	<u>485,227</u>	<u>1,448,268</u>	<u>(146,652)</u>	<u>1,786,843</u>
2020	<u>160,030</u>	<u>405,726</u>	<u>(80,529)</u>	<u>485,227</u>

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**8. Contract assets** (Continued)

	2021			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual impairment provision	3,495,697	7.95	1,422,754	40.70
Provision for impairment according to credit risk portfolio	40,454,334	92.05	364,089	0.90
	<b>43,950,031</b>	<b>100.00</b>	<b>1,786,843</b>	

	2020			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual impairment provision	967,263	2.36	249,936	26.84
Provision for impairment according to credit risk portfolio	40,041,554	97.64	235,291	0.59
	<b>41,008,817</b>	<b>100.00</b>	<b>485,227</b>	

As at 31 December 2021, there was an increase in the Group's progress in the performance of relevant construction contracts, some of which had not yet billed, resulting in an increase in the carrying value of the contract assets.

As at 31 December 2021, the Group's contract assets with restricted ownership amounted to RMB2,575,382,000 (31 December 2020: RMB2,472,966,000). For details, please refer to Note VI-19.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Other current assets

	2021	2020
Debt investments	<b>140,556</b>	-
Prepaid VAT and deductible input tax	<b>110,271</b>	48,233
Prepaid EIT	<b>85,248</b>	57,251
Prepaid surcharges	<b>50,688</b>	45,792
Prepaid land use tax	<b>10,686</b>	10,623
Prepaid stamp duty	<b>8,813</b>	8,695
Prepaid personal income tax	<b>2</b>	1,010
Others	<b>8,269</b>	8,957
	<b>414,533</b>	180,561

As at 31 December 2021, the Group's other current assets with restricted ownership amounted to RMB10,556,000 (31 December 2020: nil). For details, please refer to Note VI-19.

The management of the Group considers that there is no bad debt provision for expected credit losses under the normal method for the above debt investments.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. 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.

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

The ageing of long-term receivables shall be calculated since the date when the budget needed for the completion of concession project is settled. The management of the Group considers that long-term receivables have no bad debt provision for lifetime expected credit losses as of 31 December 2021 (31 December 2020: nil).

As at 31 December 2021, the Group's long-term receivables with restricted ownership amounted to RMB213,612,000 (31 December 2020: RMB120,894,000). Please refer to Note VI-19 for details.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments

	2021	2020
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	<b>376,164</b>	407,617
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	<b>15,742</b>	15,742
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	<b>11,230</b>	6,288
Inner Mongolia Construction Investment Group Co., Ltd.	<b>4,000</b>	-
Beijing Rungucheng Investment Management Co., Ltd.	<b>45</b>	1,247
Associates		
Yizongliangheng	<b>56,779</b>	56,788
Rongcheng County Hengda Construction Investment Co., Ltd.	<b>29,135</b>	29,141
Bozhou Xiangju	<b>20,470</b>	18,538
Zhongyuan Environmental	<b>8,545</b>	5,440
	<b>522,110</b>	540,801

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**11. Long-term equity investments** (Continued)

Key information of joint ventures and associates:

**2021**

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Inner Mongolia Construction Investment Group Co., Ltd.	PRC/PRC	Construction investment	100,000	40	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments (Continued)

2020

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Beijing Rungucheng Investment Management Co., Ltd.	PRC/PRC	Investment management	10,000	30	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction investment	100,000	29	Equity method

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Long-term equity investments (Continued)

The following table sets forth the financial information of joint ventures and associates that are immaterial to the Group:

	2021	2020
Total carrying values of investments	522,110	540,801
Total amounts calculated as per shareholding as follows		
Net (loss)/profit	(1,274)	3,225
Total comprehensive (loss)/income	(1,274)	3,225

As at 31 December 2021, the management of the Group considers that no impairment provision is required for long-term equity investments.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Other equity instrument investments

2021

	Accumulated fair value changes through other comprehensive income	Fair value	Dividend income for the year Equity instruments held	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	163,500	609,000	44,550	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	43,250	83,250	20,250	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	6,000	9,000	-	Strategic investment
China Risun Group Co., Ltd.	30,069	78,385	4,578	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	2	158	-	Strategic investment
	<b>242,821</b>	<b>779,793</b>	<b>69,378</b>	

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**12. Other equity instrument investments** (Continued)

2020

	Accumulated fair value changes through other comprehensive income	Fair value	Dividend income for the year  Equity instruments held	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	142,500	588,000	59,400	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	77,000	117,000	25,000	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	6,000	9,000	-	Strategic investment
China Risun Group Co., Ltd.	(2,476)	54,952	-	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	-	156	-	Strategic investment
	<u>223,024</u>	<u>769,108</u>	<u>84,400</u>	

As at 31 December 2021, the Group has no other equity instrument investment with restricted ownership (31 December 2020: RMB43,962,000). Please refer to Note VI-19.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Investment property

Subsequently measured by adopting the fair value model:

#### 2021

	Houses and buildings
Cost	
Opening balance	136,700
Adjustment on the fair value	300
	<hr/>
Closing balance	<b>137,000</b>

#### 2020

	Houses and buildings
Cost	
Opening balance	134,750
Adjustment on the fair value	1,950
	<hr/>
Closing balance	<b>136,700</b>

Such investment property is leased to a third party under an operating lease.

As at 31 December 2021, the Group's investment property with restricted ownership amounted to RMB137,000,000 (31 December 2020: nil). Please refer to Note VI-19.

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**14. Fixed assets**

**2021**

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
<b>Cost</b>					
Opening balance	335,730	170,983	74,587	100,066	681,366
Acquisitions	118,694	26,254	6,745	9,449	161,142
Transfer from construction in progress	504,358	-	-	-	504,358
Disposal or retirement	(14,425)	(42,118)	(4,036)	(1,524)	(62,103)
Closing balance	<u>944,357</u>	<u>155,119</u>	<u>77,296</u>	<u>107,991</u>	<u>1,284,763</u>
<b>Accumulated depreciation</b>					
Opening balance	(67,862)	(104,789)	(56,002)	(90,612)	(319,265)
Provision	(24,882)	(16,653)	(7,567)	(8,075)	(57,177)
Disposal or retirement	10,088	31,848	3,009	1,491	46,436
Closing balance	<u>(82,656)</u>	<u>(89,594)</u>	<u>(60,560)</u>	<u>(97,196)</u>	<u>(330,006)</u>
<b>Carrying amount</b>					
At the end of the year	<u>861,701</u>	<u>65,525</u>	<u>16,736</u>	<u>10,795</u>	<u>954,757</u>
At the beginning of the year	<u>267,868</u>	<u>66,194</u>	<u>18,585</u>	<u>9,454</u>	<u>362,101</u>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. Fixed assets (Continued)

2020

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	295,424	178,735	79,967	96,990	651,116
Acquisitions	40,306	19,241	8,556	3,088	71,191
Disposal or retirement	-	(26,993)	(13,936)	(12)	(40,941)
Closing balance	<u>335,730</u>	<u>170,983</u>	<u>74,587</u>	<u>100,066</u>	<u>681,366</u>
Accumulated depreciation					
Opening balance	(35,336)	(102,672)	(55,684)	(79,307)	(272,999)
Provision	(32,526)	(27,874)	(13,557)	(11,317)	(85,274)
Disposal or retirement	-	25,757	13,239	12	39,008
Closing balance	<u>(67,862)</u>	<u>(104,789)</u>	<u>(56,002)</u>	<u>(90,612)</u>	<u>(319,265)</u>
Carrying amount					
At the end of the year	<u>267,868</u>	<u>66,194</u>	<u>18,585</u>	<u>9,454</u>	<u>362,101</u>
At the beginning of the year	<u>260,088</u>	<u>76,063</u>	<u>24,283</u>	<u>17,683</u>	<u>378,117</u>

As at 31 December 2021, the management of the Group considers that no impairment provision is required for fixed assets.

As at 31 December 2021, the Group's fixed assets with restricted ownership amounted to RMB266,728,000 (31 December 2020: RMB189,787,000). Please refer to Note VI-19.

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**15. Construction in progress**

**2021**

	Opening balance	Change during the year		Closing balance
		Acquisition and construction	Transfer to fixed assets	
New base in Langfang	35,359	2,175	-	37,534
Project of transformation and construction of office building of the Group	2,150	-	-	2,150
Qingyuan Green Industrial Park	1,496	15,804	-	17,300
Hebei Construction Commercial Center	500,023	3,044	(503,067)	-
Improvement of Hebei Construction Commercial Center	-	61,255	-	61,255
Tianjin office building	34,708	-	-	34,708
Others	1,291	10,697	(1,291)	10,697
	<b>575,027</b>	<b>92,975</b>	<b>(504,358)</b>	<b>163,644</b>

**2020**

	Opening balance	Change during the year		Closing balance
		Acquisition and construction		
New base in Langfang	13,595	21,764		35,359
Project of transformation and construction of office building of the Group	2,150	-		2,150
Qingyuan Green Industrial Park	19	1,477		1,496
Hebei Construction Commercial Center	-	500,023		500,023
Tianjin office building	-	34,708		34,708
Others	-	1,291		1,291
	<b>15,764</b>	<b>559,263</b>		<b>575,027</b>

As at 31 December 2021, the management of the Group considers that no impairment provision is required for construction in progress.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Right-of-use assets

2021

	Buildings	Machinery equipment	Total
Cost			
Opening balance	19,320	34,190	53,510
Addition	8,068	70	8,138
Reduction	(6,965)	(1,387)	(8,352)
Closing balance	<u>20,423</u>	<u>32,873</u>	<u>53,296</u>
Accumulated depreciation			
Opening balance	(7,715)	(14,022)	(21,737)
Addition	(7,463)	(8,437)	(15,900)
Reduction	6,965	1,387	8,352
Closing balance	<u>(8,213)</u>	<u>(21,072)</u>	<u>(29,285)</u>
Carrying amount			
At the end of the year	<u>12,210</u>	<u>11,801</u>	<u>24,011</u>
At the beginning of the year	<u>11,605</u>	<u>20,168</u>	<u>31,773</u>

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**16. Right-of-use assets** (Continued)

2020

	Buildings	Machinery equipment	Total
Cost			
Opening balance	23,572	33,380	56,952
Addition	868	810	1,678
Reduction	(5,120)	-	(5,120)
Closing balance	19,320	34,190	53,510
Accumulated depreciation			
Opening balance	(8,858)	(1,550)	(10,408)
Addition	(3,977)	(12,472)	(16,449)
Reduction	5,120	-	5,120
Closing balance	(7,715)	(14,022)	(21,737)
Carrying amount			
At the end of the year	11,605	20,168	31,773
At the beginning of the year	14,714	31,830	46,544

As at 31 December 2021, the management of the Group considers that no impairment provision is required for right-of-use assets.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Intangible assets

2021

	Land use rights
Cost	
Opening and closing balance	<u>114,062</u>
Accumulated amortisation	
Opening balance	(13,316)
Provision	<u>(2,207)</u>
Closing balance	<u>(15,523)</u>
Carrying amount	
At the end of the year	<u>98,539</u>
At the beginning of the year	<u>100,746</u>

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**17. Intangible assets** (Continued)

2020

	Land use rights
Cost	
Opening balance	47,080
Addition in the year	<u>66,982</u>
Closing balance	<u>114,062</u>
Accumulated amortisation	
Opening balance	(11,447)
Provision	<u>(1,869)</u>
Closing balance	<u>(13,316)</u>
Carrying amount	
At the end of the year	<u>100,746</u>
At the beginning of the year	<u>35,633</u>

As at 31 December 2021, the management of the Group considers that no impairment provision is required for intangible assets.

As at 31 December 2021, the Group's intangible assets with restricted ownership amounted to RMB98,056,000 (31 December 2020: nil). Please refer to Note VI-19.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Deferred income tax assets

Certain deferred tax assets and liabilities recognised have been offset and the Group presents such net amount after offsetting in the balance sheet. As at 31 December 2021, the offset amount was RMB94,333,000 (31 December 2020: RMB88,048,000).

Deferred income tax assets recognised:

	2021	2020
Asset impairment provision	755,273	287,048
Withholding expenses	51,902	40,672
Deductible losses	7,589	4,194
Unrealised profit from internal transactions	49,513	22,496
Adjustment to change in fair value of receivables at fair value through other comprehensive income	1,261	8,330
	<b>865,538</b>	<b>362,740</b>

The Group recognises deferred income tax assets related to deductible losses and tax credits based on the estimation that it will generate sufficient taxable income before the deductible losses and tax credits expire.

As at 31 December 2021, the unrecognised deductible temporary differences for deferred income tax assets of the Group amounted to RMB188,293,000 (31 December 2020: RMB153,922,000) and the deductible loss amounted to RMB351,843,000 (31 December 2020: RMB380,842,000), falling due in 2022 to 2026 (31 December 2020: 2021 to 2025).

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Deferred income tax assets (Continued)

Deferred income tax liabilities recognised:

	2021	2020
Fair value adjustment for other equity instrument investments	<b>60,705</b>	55,756
Fair value adjustment for investment property	<b>33,628</b>	32,292
	<b>94,333</b>	88,048

### 19. Assets with restricted ownership

	2021	2020
Cash and cash equivalents	<b>502,735</b>	452,706 <i>Note 1</i>
Accounts receivable	<b>100,816</b>	282,960 <i>Note 2</i>
Receivables at fair value through other comprehensive income	<b>105,222</b>	116,805 <i>Note 3</i>
Contract assets	<b>2,575,382</b>	2,472,966 <i>Note 2</i>
Other current assets	<b>10,556</b>	- <i>Note 4</i>
Long-term receivables (including long-term receivables due within one year)	<b>213,612</b>	120,894 <i>Note 2</i>
Other equity instrument investments	-	43,962 <i>Note 5</i>
Investment property	<b>137,000</b>	- <i>Note 6</i>
Fixed assets	<b>266,728</b>	189,787 <i>Note 7</i>
Intangible assets	<b>98,056</b>	- <i>Note 7</i>
	<b>4,010,107</b>	3,680,080

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Assets with restricted ownership (Continued)

- Note 1:* As at 31 December 2021, the Group's cash and cash equivalents with restricted ownership included bill deposits of RMB132,022,000, legally freezing of RMB351,832,000 and letters of guarantee of RMB17,881,000; as at 31 December 2020, the Group's cash and cash equivalents with restricted ownership included bill deposits of RMB199,807,000, legally freezing of RMB234,920,000, letters of guarantee of RMB16,019,000 and time deposit certificate pledge of RMB1,960,000.
- Note 2:* As at 31 December 2021, the Group obtained a short-term borrowing of RMB197,650,000 jointly secured by accounts receivable with the carrying amount of RMB100,816,000 and contract assets with the carrying amount of RMB328,590,000. As at 31 December 2021, the Group obtained a long-term borrowing of RMB1,478,691,000 jointly secured by contract assets with the carrying amount of RMB2,246,792,000 and long-term receivables with the carrying amount of RMB213,612,000. As at 31 December 2020, the Group obtained a short-term borrowing of RMB393,687,000 jointly secured by accounts receivable with the carrying amount of RMB282,960,000 and contract assets with the carrying amount of RMB766,985,000. As at 31 December 2020, the Group obtained a long-term borrowing of RMB1,168,319,000 jointly secured by contract assets with the carrying amount of RMB1,705,981,000 and long-term receivables with the carrying amount of RMB120,894,000.
- Note 3:* As at 31 December 2021, the Group obtained a short-term borrowing of RMB105,355,000 secured by receivables at fair value through other comprehensive income with the carrying amount of RMB105,222,000. As at 31 December 2020, the Group obtained a short-term borrowing of RMB117,554,000 secured by receivables at fair value through other comprehensive income with the carrying amount of RMB116,805,000.
- Note 4:* As at 31 December 2021, the Group's other current assets with restricted ownership represent bill deposits of RMB10,556,000 (31 December 2020: nil).
- Note 5:* As at 31 December 2021, the Group has no other equity instrument investments with restricted ownership. As at 31 December 2020, the Group obtained a long-term borrowing of RMB10,990,000 secured by other equity instrument investments with the carrying amount of RMB43,962,000.
- Note 6:* As at 31 December 2021, the Group obtained a short-term bank borrowings of RMB100,143,000 secured by investment property with the carrying amount of RMB137,000,000 (31 December 2020: nil).
- Note 7:* As at 31 December 2021, the Group obtained a short-term borrowings of RMB286,185,000 secured by fixed assets with the carrying amount of RMB266,728,000 and intangible assets with the carrying amount of RMB98,056,000. As at 31 December 2020, the Group obtained a long-term borrowing of RMB53,790,000 secured by fixed assets of RMB166,276,000, and obtained a short-term borrowing of RMB17,500,000 secured by fix assets of RMB23,511,000.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Short-term borrowings

	2021	2020
Unsecured loans	<b>821,091</b>	756,800
Guaranteed loans	<b>750,347</b>	984,000
Loans secured by mortgages	<b>386,328</b>	17,500
Loans secured by pledges	<b>303,005</b>	511,241
	<b>2,260,771</b>	2,269,541

As at 31 December 2021, interest rates of the above borrowings ranged from 3.95% to 9.00% per annum (31 December 2020: 3.35% to 10.00%).

### 21. 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:

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

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

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Contract liabilities

	2021	2020
Payable to customers for contract works	<b>6,006,902</b>	6,015,490

As at 31 December 2021, the decrease in contract liabilities was mainly due to the crediting of receipts in advance for construction work based on the progress of performance.

### 23. Employee benefits payable

	Payable in 2021	Unpaid amount at the end of 2021	Payable in 2020	Unpaid amount at the end of 2020
Wages, bonuses, allowances and subsidies	<b>745,707</b>	<b>96,325</b>	714,465	94,542
Contribution to the social insurance	<b>36,199</b>	<b>24,883</b>	34,801	22,498
Including: Medical insurance	<b>29,268</b>	<b>18,409</b>	26,128	16,698
Work-related injuries insurance	<b>4,761</b>	<b>3,723</b>	3,771	2,564
Maternity insurance	<b>2,170</b>	<b>2,751</b>	4,902	3,236
Housing provident fund	<b>43,465</b>	<b>36,674</b>	46,828	35,730
	<b>825,371</b>	<b>157,882</b>	796,094	152,770
Defined contribution plans	<b>73,978</b>	<b>51,143</b>	67,930	49,809
Including: Basic pension insurance	<b>71,183</b>	<b>49,007</b>	65,032	47,864
Unemployment insurance	<b>2,795</b>	<b>2,136</b>	2,898	1,945
	<b>899,349</b>	<b>209,025</b>	864,024	202,579

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**24. Taxes payable**

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

**25. Other current liabilities**

	2021	2020
VAT amounts to be transferred to output	<b>3,548,007</b>	3,300,265
Financial guarantee contracts	<b>23,778</b>	23,311
	<b>3,571,785</b>	3,323,576

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Long-term borrowings

	2021	2020
Guaranteed loans	<b>1,739,992</b>	1,683,847
Guaranteed loans and loans secured by pledges	<b>865,501</b>	651,319
Loans secured by pledges	<b>613,190</b>	527,990
Loans secured by mortgages	<b>-</b>	53,790
	<b>3,218,683</b>	2,916,946
Less: Long-term borrowings due within one year	<b>1,489,431</b>	957,347
	<b>1,729,252</b>	1,959,599

As at 31 December 2021, interest rates of the above borrowings are 4.45% to 9.00% per annum (31 December 2020: 3.50% to 12.00%).

The term analysis of long-term borrowings is as follows:

	2021	2020
Within 1 year	<b>1,489,431</b>	957,347
1 to 2 years	<b>902,154</b>	516,280
2 to 5 years	<b>-</b>	336,000
Over 5 years	<b>827,098</b>	1,107,319
	<b>3,218,683</b>	2,916,946

Pursuant to the covenants in loan contracts entered into between certain subsidiaries of the Company and banks, if the borrower incurs significant operating losses or has a gearing ratio higher than a certain level, the borrower is required to repay the principal and interest on the relevant borrowings immediately. The management of the Group reclassified such long-term borrowings totalling RMB586,717,000 to long-term borrowings due within one year in accordance with such covenants.

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**27. Lease liabilities**

	2021	2020
Lease liabilities for machinery equipment	<b>13,740</b>	16,343
Lease liabilities for buildings	<b>10,028</b>	13,135
	<b>23,768</b>	29,478
Less: Lease liabilities due within one year	<b>9,188</b>	7,366
	<b>14,580</b>	22,112

The term analysis of lease liabilities is as follows:

	2021	2020
Within 1 year	<b>9,188</b>	7,366
1 to 2 years	<b>7,869</b>	9,402
2 to 5 years	<b>5,293</b>	12,710
Over 5 years	<b>1,418</b>	-
	<b>23,768</b>	29,478

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Share capital

	2021		2020	
	RMB	Proportion (%)	RMB	Proportion (%)
Zhongru Investment Co., Ltd.	1,202,500	68	1,202,500	68
H Shares on the Main Board of Hong Kong	461,384	26	461,384	26
Qianbao Investment Co., Ltd.	97,500	6	97,500	6
	<b>1,761,384</b>	<b>100</b>	<b>1,761,384</b>	<b>100</b>

### 29. Capital reserve

#### 2021

	Share premium	Other capital reserve	Total
Opening balance	1,462,156	199,076	1,661,232
Acquisition of non-controlling interests of subsidiaries	831	-	831
Closing balance	<b>1,462,987</b>	<b>199,076</b>	<b>1,662,063</b>

#### 2020

	Total
Opening and closing balance	1,661,232

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**30. Other comprehensive income**

Cumulative balance of other comprehensive income attributable to the owners of the parent company in the consolidated balance sheet:

**2021**

	1 January 2021	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2021
Other comprehensive income that cannot be reclassified to profit or loss				
Changes in fair value of other equity instrument investments	167,268	17,426	(2,578)	182,116
Other comprehensive income that will be reclassified to profit or loss				
Changes in fair value of receivables at fair value through other comprehensive income	-	(4,024)	-	(4,024)
Amount of financial assets reclassified to other comprehensive income	(26,086)	26,086	-	-
	<b>141,182</b>	<b>39,488</b>	<b>(2,578)</b>	<b>178,092</b>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Other comprehensive income (Continued)

2020

	1 January 2020	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2020
Other comprehensive income that cannot be reclassified to profit or loss				
Changes in fair value of other equity instrument investments	134,000	23,715	9,553	167,268
Other comprehensive income that will be reclassified to profit or loss				
Changes in fair value of receivables at fair value through other comprehensive income	(14,443)	(11,643)	-	(26,086)
	<u>119,557</u>	<u>12,072</u>	<u>9,553</u>	<u>141,182</u>

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**30. Other comprehensive income** (Continued)

Other comprehensive income incurred:

**2021**

	Amount before tax	Less: income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	23,235	5,809	17,426
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables at fair value through other comprehensive income	(5,286)	(1,262)	(4,024)
Amount of financial assets reclassified to other comprehensive income	34,417	8,331	26,086
	<b>52,366</b>	<b>12,878</b>	<b>39,488</b>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Other comprehensive income (Continued)

2020

	Amount before tax	Less: income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	31,620	7,905	23,715
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables at fair value through other comprehensive income	(15,289)	(3,646)	(11,643)
	<u>16,331</u>	<u>4,259</u>	<u>12,072</u>

### 31. Special reserve

#### Safety production costs

	2021	2020
Opening balance	-	-
Appropriation for the year	956,565	802,999
Use in the year	(956,565)	(802,999)
Closing balance	<u>-</u>	<u>-</u>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Surplus reserve

2021

	Opening and closing balance
Statutory surplus reserve	<b>500,912</b>

2020

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Statutory surplus reserve	<u>417,681</u>	<u>83,231</u>	<u>-</u>	<u>500,912</u>

According to the company law and the Articles of Association, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% or more of the registered capital of the Company.

After the appropriation to the statutory surplus reserve, the Company may make an appropriation to any surplus reserve. Upon approval, the surplus reserve may be used to make up for the losses from the previous years or increase the share capital.

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33. Retained earnings

	2021	2020
Retained earnings at the end of last year	<b>2,181,233</b>	1,760,756
Net (loss)/profit attributable to shareholders of the parent	<b>(345,975)</b>	759,856
Less: Appropriation to statutory surplus reserve	-	83,231
Cash dividends paid ( <i>Note</i> )	<b>246,594</b>	246,595
Add: Other comprehensive income/(loss) transferred to retained earnings	<b>2,578</b>	(9,553)
Retained earnings at the end of the year	<b>1,591,242</b>	2,181,233

*Note:* Pursuant to the resolution at the general meeting on 8 June 2021, the Company declared a cash dividend of RMB0.14 (tax included) for each share, which amounted to RMB246,593,690 (tax included) based on the total share capital as at 31 December 2020. On 16 July 2021, such cash dividend was fully paid.

The Company does not recommend the payment of dividend for the year ended 31 December 2021.

## NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

### VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 34. Revenue

The revenue is as follows:

	2021	2020
Revenue from primary business	<b>47,006,296</b>	39,504,481
Revenue from other business	<b>821,970</b>	645,444
	<b>47,828,266</b>	40,149,925

The revenue is as follows:

	2021	2020
Revenue from contracts with customers	<b>47,796,921</b>	40,118,580
Rental income	<b>31,345</b>	31,345
	<b>47,828,266</b>	40,149,925

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Revenue (Continued)

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

#### 2021

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>

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**34. Revenue** (Continued)

2020

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	151,471	-	151,471
	<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	458,181	122,163	580,344
	<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	-	33,755	33,755
	<u>38,841,890</u>	<u>1,276,690</u>	<u>40,118,580</u>

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Revenue (Continued)

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

	2021	2020
Building construction	2,798,898	1,883,995
Infrastructure construction	1,585,969	894,187
Specialized and other construction	453,654	561,094
	<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.

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**35. Finance costs**

	2021	2020
Interest expenses	<b>326,851</b>	304,527
Less: Interest income	<b>40,926</b>	39,167
Foreign exchange losses/(gains)	<b>22,151</b>	(2,153)
	<b>308,076</b>	263,207

There were no capitalised borrowing costs during the year (2020: nil).

**36. Other income**

	2021	2020	Related to assets/income
Reward and subsidy for Cao River Greenery Project	<b>4,196</b>	4,123	Related to income
Reward and subsidy for the qualification of enterprise technology center	-	3,500	Related to income
Central government subsidy for forestry loan interest	-	863	Related to income
Subsidy for the Project of Wetland Buffer Zone Technology for Ecological Purification of Water Inflow of Baiyang Lake	-	500	Related to income
Subsidy for the Forestry Project of Comprehensive Treatment of Groundwater Over-exploitation	-	491	Related to income
Subsidy for the Project of "Research, Development and Application of Ultra Low Energy Consumption Key Technology for Prefabricated Steel Structure Residential Buildings"	-	400	Related to income
Others	<b>786</b>	882	Related to income
	<b>4,982</b>	10,759	

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Investment income

	2021	2020
Dividend income from other equity instrument investments held	69,378	84,400
(Losses)/gains on long-term equity investments accounted for under the equity method	(1,274)	3,225
Losses on derecognition of financial assets at amortised cost	(64,795)	(59,197)
Others	370	(674)
	<b>3,679</b>	27,754

### 38. Gains from changes in fair values

	2021	2020
Financial assets at fair value through profit or loss	(234)	-
Investment property measured at fair value	300	1,950
	<b>66</b>	1,950

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**39. Credit impairment losses**

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

**40. Asset impairment losses**

	2021	2020
Impairment loss for contract assets	<b>(1,301,616)</b>	(325,197)

**41. Expenses by nature**

The supplemental information of the Group's operating costs, selling expenses, administrative expenses and research and development costs by nature is as follows:

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

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Income tax expenses

	2021	2020
Current income tax	<b>378,888</b>	267,843
Deferred income tax	<b>(516,019)</b>	(83,940)
	<b>(137,131)</b>	183,903

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

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

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

NOTES TO FINANCIAL STATEMENTS

2021

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**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**43. (Losses)/earnings per share**

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

Basic (losses)/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:

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

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

## VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Cash flows from operating activities

#### *Reconciliation of net (loss)/profit to cash flows generated from operating activities:*

	2021	2020
Net (loss)/profit	<b>(358,166)</b>	752,231
Add: Credit impairment losses	<b>623,156</b>	(55,392)
Asset impairment losses	<b>1,301,616</b>	325,197
Gains on changes in fair value	<b>(66)</b>	(1,950)
Depreciation of right-of-use assets	<b>15,900</b>	16,449
Depreciation of fixed assets	<b>57,177</b>	85,274
Amortisation of intangible assets	<b>2,207</b>	1,869
Losses/(gains) on the disposal of fixed assets, intangible assets and other long-term assets	<b>1,624</b>	(214)
Finance expenses	<b>322,413</b>	272,921
Investment gains	<b>(3,679)</b>	(27,754)
Increase in deferred income tax assets	<b>(516,019)</b>	(83,940)
Decrease/(increase) in inventories	<b>71,899</b>	(96,627)
Increase in operating receivables	<b>(5,137,029)</b>	(63,909)
Increase in operating payables	<b>4,473,832</b>	847,777
Net cash flows generated from operating activities	<b>854,865</b>	1,971,932

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

**45. Cash and cash equivalents**

	2021	2020
Cash	<b>8,809,963</b>	8,453,271
Including: Cash on hand	<b>6,937</b>	9,540
Bank deposits	<b>7,036,493</b>	6,984,518
Other cash and cash equivalents	<b>1,766,533</b>	1,459,213
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	<b>502,735</b>	452,706
Closing balance of cash and cash equivalents	<b>8,307,228</b>	8,000,565
	2021	2020
Closing balance of cash for the year	<b>8,307,228</b>	8,000,565
Less: Opening balance of cash for the year	<b>8,000,565</b>	6,675,426
Net increase in cash and cash equivalents	<b>306,663</b>	1,325,139

## VII. SEGMENT REPORT

### 1. Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (1) The construction contracting segment mainly engages in the construction general contracting and subcontracting business;
- (2) Other segment mainly includes concession arrangements and other services of the Group.

The management monitors the results of the business units separately for the purpose of decision-making regarding resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit. The indicator is measured consistently with the Group's total profit from continuing operations.

#### 2021

	Construction contracting	Others	Adjustment and offset	Total
Sales to external customers	46,317,445	1,510,821	-	47,828,266
Intersegment sales	558,773	49,203	(607,976)	-
Gains on investments in joint ventures and associates	(628)	(646)	-	(1,274)
Credit impairment losses	506,480	116,676	-	623,156
Asset impairment losses	1,267,776	54,764	(20,924)	1,301,616
Depreciation and amortisation	38,624	36,660	-	75,284
Total loss	(341,999)	(108,638)	(44,660)	(495,297)
Total assets	63,729,605	6,424,550	(3,206,902)	66,947,253
Total liabilities	58,208,608	4,671,288	(1,805,235)	61,074,661
Other disclosures				
Long-term equity investments in associates and joint ventures	510,833	11,277	-	522,110
Increase in non-current assets other than long-term equity investments	190,065	64,052	-	254,117

## NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

### VII. SEGMENT REPORT (Continued)

#### 1. Operating segments (Continued)

2020

	Construction contracting	Others	Adjustment and offset	Total
Sales to external customers	38,841,890	1,308,035	-	40,149,925
Intersegment sales	267,401	51,474	(318,875)	-
Gains on investments in joint ventures and associates	4,631	(1,406)	-	3,225
Credit impairment losses	(50,333)	(5,059)	-	(55,392)
Asset impairment losses	325,197	54,759	(54,759)	325,197
Depreciation and amortisation	72,130	31,462	-	103,592
Total profit	1,034,997	(75,400)	(23,463)	936,134
Total assets	60,070,301	5,671,036	(2,947,455)	62,793,882
Total liabilities	53,873,652	4,044,230	(1,564,079)	56,353,803
Other disclosures				
Long-term equity investments in associates and joint ventures	539,554	1,247	-	540,801
Increase in non-current assets other than long-term equity investments	612,326	85,110	-	697,436

## VII. SEGMENT REPORT (Continued)

### 2. Other information

#### ***Geographical information***

##### *Revenue from external transactions*

As the majority of the Group's revenue is derived from customers in Mainland China, no further information of geographical segments is required. Revenue from external transactions is analysed by geographic locations where the customers are located.

##### *Total non-current assets*

All non-current assets held by the Group are located in Mainland China. Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

#### ***Information about major customers***

No operating revenue from a single customer accounted for more than 10% of the Group's revenue.

## NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

### VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS

#### 1. Classification of financial instruments

The carrying amounts of financial instruments at the balance sheet date are as follows:

#### 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Required by the standards		Required by standards	Designated	
Cash and cash equivalents	-	8,809,963	-	-	8,809,963
Held-for-trading financial assets	2,472	-	-	-	2,472
Accounts receivable	-	7,740,447	-	-	7,740,447
Receivables at fair value through other comprehensive income	-	-	504,212	-	504,212
Other receivables	-	2,617,864	-	-	2,617,864
Current portion of non-current assets	-	49,386	-	-	49,386
Long-term receivables	-	164,226	-	-	164,226
Other equity instrument investments	-	-	-	779,793	779,793
	<b>2,472</b>	<b>19,381,886</b>	<b>504,212</b>	<b>779,793</b>	<b>20,668,363</b>

**VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS** (Continued)**1. Classification of financial instruments** (Continued)

The carrying amounts of financial instruments at the balance sheet date are as follows: (Continued)

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
Short-term borrowings	<b>2,260,771</b>
Bills payable	<b>915,410</b>
Accounts payable	<b>37,936,655</b>
Other payables	<b>6,073,401</b>
Current portion of non-current liabilities	<b>1,498,619</b>
Long-term borrowings	<b>1,729,252</b>
Lease liabilities	<b>14,580</b>
	<b>50,428,688</b>

## NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

### VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

#### 1. Classification of financial instruments (Continued)

The carrying amounts of financial instruments at the balance sheet date are as follows: (Continued)

2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		Total
	Required by the standards		Required by standards	Designated	
Cash and cash equivalents	-	8,453,271	-	-	8,453,271
Held-for-trading financial assets	743	-	-	-	743
Accounts receivable	-	5,427,035	-	-	5,427,035
Receivables at fair value through other comprehensive income	-	-	1,699,431	-	1,699,431
Other receivables	-	2,437,425	-	-	2,437,425
Current portion of non-current assets	-	35,102	-	-	35,102
Long-term receivables	-	85,792	-	-	85,792
Other equity instrument investments	-	-	-	769,108	769,108
	<u>743</u>	<u>16,438,625</u>	<u>1,699,431</u>	<u>769,108</u>	<u>18,907,907</u>

**VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS** (Continued)**1. Classification of financial instruments** (Continued)

Financial liabilities

	Financial liabilities at amortised cost
Short-term borrowings	2,269,541
Bills payable	571,443
Accounts payable	35,025,888
Other payables	5,304,087
Current portion of non-current liabilities	964,713
Long-term borrowings	1,959,599
Lease liabilities	22,112
	<u>46,117,383</u>

**2. Transfer of financial assets*****Financial assets being transferred but not derecognised as a whole***

As at 31 December 2021, the carrying amount of bills endorsed to suppliers for settlement of accounts payable amounted to RMB756,195,000 (31 December 2020: RMB413,153,000). The Group considers that it has retained substantially all the risks and rewards, including default risks relating to such bills. Accordingly, the bills and relevant settled amounts payable are fully recognised. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the right of sale, transfer or pledge of the bills to any other third parties. As at 31 December 2021, the carrying amount for settlement of accounts payable of the Group amounted to RMB756,195,000 (31 December 2020: RMB413,153,000).

**VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS** (Continued)**2. Transfer of financial assets** (Continued)***Financial assets being transferred but not derecognised as a whole*** (Continued)

As part of the daily business, the Group and some financial institutions have reached factoring arrangements for accounts receivable and transferred certain accounts receivable to the financial institutions. Pursuant to such arrangements, if the debtor of the accounts receivable delays payment, the Group is required to repay the amount. For the financial assets which the Group retains almost all of their risks and rewards of ownership, such financial assets will not be derecognised. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 31 December 2021, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB197,650,000 (31 December 2020: RMB353,086,000), and the related liabilities amounted to RMB197,650,000 (31 December 2020: RMB353,086,000), which were included in accounts receivable and short-term borrowings, respectively.

***Transferred financial assets that are derecognised as a whole with continuing involvement***

As at 31 December 2021, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB148,326,000 (31 December 2020: RMB1,258,725,000). As at 31 December 2021, the bills have a maturity of 1 to 12 months. In accordance with the Negotiable Instruments Law, if the acceptance bank refuses to pay, the holder of bills may exercise recourse against any one, several or all of the debtors of the bills, including the Group, without regard to the order of the debtors of the bills (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, the carrying amount of accounts payable settled by the bills was derecognised. The maximum loss and undiscounted cash flow of the Continuing Involvement and repurchase approximate to their carrying amounts. In the opinion of the Group, the fair value of the Group's Continuing Involvement is not significant.

During the year ended 31 December 2021, the Group has not recognised any gain or loss on the date of transfer of the bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

## VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

### 3. Financial instruments risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

#### *Credit risk*

According to the policies of the Group, credit risk assessment will be conducted when accepting new customers and a credit risk exposure limit for individual customers will be set. There are no significant concentrations of credit risk within the Group.

The maximum credit risk exposure of the Group's financial assets equals to their carrying amounts. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

#### *Criteria for determining significant increase in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. When determining whether the credit risk has significantly increased since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers that credit risk of financial instrument has significantly increased when there is a material adverse change in the operating or financial condition of the principal debtor.

## VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

### 3. Financial instruments risks (Continued)

#### **Credit risk** (Continued)

##### *Definition of credit-impaired assets*

The criteria adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative indicators. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single identifiable event.

## VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

### 3. Financial instruments risks (Continued)

#### **Credit risk** (Continued)

##### *Parameters of measurement of expected credit losses*

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognises impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of expected credit loss model is a function of the probability of default, the loss given default and the exposure at default as key parameters. The Group establishes the model of the probability of default, the loss given default and the exposure at default by considering the quantitative analysis of historical statistics and forward-looking information.

Definitions are as follows:

- (1) The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic expected credit loss environment conditions, the Group's assessment of the probability of default is based on the calculation of expected credit loss model adjusted by forward-looking information;
- (2) The loss given default refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration;
- (3) The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

## VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

### 3. Financial instruments risks (Continued)

#### **Credit risk** (Continued)

##### *Parameters of measurement of expected credit losses (Continued)*

The assessment of a significant increase in credit risk and calculation of expected credit losses involve forward-looking information. The Group identifies key economic ratios that affect credit risk and expected credit losses of different businesses by historical data analysis.

As at 31 December 2021, no provision was provided for impairment losses of other receivables which were overdue over one year based on 12-month expected credit losses (31 December 2020: Nil).

For information on exposure at default of accounts receivable, other receivables, contract assets and long-term receivables, please refer to Notes VI-3, 6, 8 and 10. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

**VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS** (Continued)**3. Financial instruments risks** (Continued)**Liquidity risk**

The Group's objective is to meet the liquidity requirements by maintaining sufficient capital and credit lines. The Group funds its operations by revenue from its operating activities and borrowings.

The maturity analysis of the financial liabilities based on the contractual undiscounted cash flow, is as follows:

**2021**

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,331,346	-	-	2,331,346
Bills payable	915,410	-	-	915,410
Accounts payable	37,936,655	-	-	37,936,655
Other payables	6,073,401	-	-	6,073,401
Current portion of non-current liabilities	1,658,083	-	-	1,658,083
Long-term borrowings	-	1,129,055	1,100,921	2,229,976
Lease liabilities	-	15,093	2,417	17,510
Financial guarantee contract	34,645	191,982	514,151	740,778
	<b>48,949,540</b>	<b>1,336,130</b>	<b>1,617,489</b>	<b>51,903,159</b>

## NOTES TO FINANCIAL STATEMENTS

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### VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

#### 3. Financial instruments risks (Continued)

##### *Liquidity risk (Continued)*

2020

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,330,842	-	-	2,330,842
Bills payable	571,443	-	-	571,443
Accounts payable	35,025,888	-	-	35,025,888
Other payables	5,304,087	-	-	5,304,087
Current portion of non-current liabilities	1,130,663	-	-	1,130,663
Long-term borrowings	-	1,165,575	1,562,804	2,728,379
Lease liabilities	-	27,364	-	27,364
Financial guarantee contract	16,728	108,187	28,379	153,294
	<u>44,379,651</u>	<u>1,301,126</u>	<u>1,591,183</u>	<u>47,271,960</u>

##### *Market risk*

###### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowings with floating interest rates. The Group manages interest rate risk by closely monitoring changes in interest rates and reviewing its borrowings on a regular basis.

As at 31 December 2021, under the assumption that other variables were held constant, if the interest rate of borrowings increased/decreased by 100 basis points, the net profit/loss of the Group would decrease/increase by RMB6,212,000 (31 December 2020: RMB14,692,000) due to the changes in interest expenses of borrowings with floating interest rates.

**VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS** (Continued)**3. Financial instruments risks** (Continued)**Market risk** (Continued)*Price risk of equity instrument investments*

The Group's exposure to the price risk of equity instrument investments primarily relates to the shares of listed companies held by the Group.

As at 31 December 2021, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investments increased/decreased by 100 base points, the other comprehensive income (net of tax) of the Group would increase/decrease by RMB588,000 (31 December 2020: RMB412,000) due to the change in the fair value of other equity instrument investments.

**4. Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to provide returns for the shareholders and to optimise its capital structure in order to minimise the costs of capital.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce liabilities. No changes were made in the objectives, policies or processes for capital management for the years of 2021 and 2020.

The Group monitors capital using the gearing ratio, which is the sum of short-term borrowings, current portion of non-current liabilities and long-term borrowings divided by total equity. The Group's gearing ratio as at the balance sheet date was as follows:

	2021	2020
Gearing ratio	<b>93%</b>	81%

## IX. FAIR VALUE

### 1. Fair value of financial instruments

The management has assessed that the fair values of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, bills and accounts payables, other payables and non-current assets due within one year approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The following are the carrying amount and fair value of financial instruments except for lease liabilities and the financial instruments for which the difference between the carrying amount and fair value is immaterial:

	Carrying amount		Fair value	
	2021	2020	2021	2020
Long-term borrowings	1,113,468	765,990	1,119,362	809,416

At each balance sheet date, the finance department analyses the movements in the fair value of the financial instruments and determines the major input applicable to the valuation.

The fair values of financial assets and financial liabilities are determined based on the amount for which an asset could be exchanged or a liability is settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions were used in the assessment of fair value.

The fair value of long-term receivables and long-term borrowings is calculated by discounting the future cash flows using market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 31 December 2021 and 31 December 2020, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 31 December 2021 and 2020, the fair value of long-term receivables approximates their carrying amount.

**IX. FAIR VALUE** (Continued)**1. Fair value of financial instruments** (Continued)

The fair values of listed equity instrument investments are determined by the market value. The fair values of investments in unlisted equity instruments use assumptions that are not supported by observable market prices or interest rates. The valuation requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings (“P/E”) multiple and price to net assets (“P/B”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by earnings and net assets measures. The trading multiple is then discounted for liquidity based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences between comparable companies. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date.

For the fair value of the non-listed equity instrument investment, the Group estimated and quantified the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model: with the use of less favorable assumption, the fair value decreased by approximately RMB7,002,000; with the use of more favorable assumption, the fair value increased by approximately RMB7,932,000.

**2. Fair value of investment property using the fair value model**

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2021	2020
RT-Mart	Yield approach	Yield rate Annual market rental ( <i>per square meter</i> )	<b>8.47%</b> <b>124-142</b>	8.20% 123-143

NOTES TO FINANCIAL STATEMENTS

2021

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**IX. FAIR VALUE** (Continued)

**3. Fair value hierarchy**

Assets measured at fair value:

**2021**

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Held-for-trading financial assets	2,472	-	-	2,472
Receivables at fair value through other comprehensive income	-	504,212	-	504,212
Other equity instrument investments	78,385	-	701,408	779,793
Investment property	-	-	137,000	137,000
	<b>80,857</b>	<b>504,212</b>	<b>838,408</b>	<b>1,423,477</b>

**IX. FAIR VALUE** (Continued)**3. Fair value hierarchy** (Continued)

2020

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Held-for-trading financial assets	743	-	-	743
Receivables at fair value through other comprehensive income	-	1,699,431	-	1,699,431
Other equity instrument investments	54,952	-	714,156	769,108
Investment property	-	-	136,700	136,700
	<u>55,695</u>	<u>1,699,431</u>	<u>850,856</u>	<u>2,605,982</u>

The fair value of receivables at fair value through other comprehensive income is calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

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### IX. FAIR VALUE (Continued)

#### 3. Fair value hierarchy (Continued)

The following is an overview of the significant unobservable inputs in the fair value measurement categorised within level 3:

	Fair value at the end of the year	Valuation technique	Unobservable inputs	Scope (Weighted average)
<b>Non-listed equity investments</b>				
Baoding Commercial Bank Co., Ltd.	2021: 609,000 2020: 588,000	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2021: 0.8-1.0 2020: 0.8-1.1 2021: 30% 2020: 30%
Taihang Heyi Environmental Technology Co., Ltd.	2021: 83,250 2020: 117,000	Listed companies comparison method	P/B multiple Median of peers P/E multiple Median of peers Discount for liquidity	2021: 1.1-1.9 2020: 6.5-10.1 2021: 30% 2020: 30%
Qinhuangdao Smooth Road Construction Co., Ltd.	2021: 9,000 2020: 9,000	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2021: 0.9-2.3 2020: 0.9-1.2 2021: 30% 2020: 30%
Xihua County Jijiantongda Construction Co., Ltd.	2021: 158	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2021: 1.6-4.1 2021: 30%
Investment property RT-Mart	2021: 137,000 2020: 136,700	Discounted cash flow method	Yield rate Annual market rental (per square metre)	2021: 8.47% 2020: 8.20% 2021: 124-142 2020: 123-143

**IX. FAIR VALUE** (Continued)**3. Fair value hierarchy** (Continued)

There were no transfers of fair value measurements of the Group's financial assets and financial liabilities between Level 1 and Level 2 and no transfers into or out from Level 3.

Liabilities disclosed at fair value:

**2021**

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	1,119,362	-	1,119,362

**2020**

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	-	809,416	-	809,416

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Definition of related parties

If a party controls, jointly controls or exerts significant influence over another party, or if two or more parties are under the control or common control, related party relationship is constituted.

Related parties of the Company are as follows:

- (1) Parent companies of the Company;
- (2) Subsidiaries of the Company;
- (3) Other enterprises under common control by the parent company;
- (4) The investor with common control over the Company;
- (5) The investor with significant influence over the Company;
- (6) Joint ventures of the Group;
- (7) Associates of the Group;
- (8) Major individual investors of the Company and their close family members;
- (9) Key management personnel of the Company or the parent companies and their close family members;
- (10) Other enterprises under the control or common control of the Company's major individual investors, key management personnel or their close family members;
- (11) Joint ventures or associates of other members (including parent company and subsidiaries) within the same group as the Company.
- (12) Joint ventures or associates of enterprises that exercise common control over the Company.
- (13) Joint ventures of enterprises with significant influence over the Company.

The joint ventures mentioned above include the joint ventures and their subsidiaries, and the associates include the associates and their subsidiaries.

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**2. Parent companies and subsidiaries**

<b>Name of the parent company</b>	<b>Place of registration</b>	<b>Nature of business</b>	<b>Proportion of shareholding in the Company (%)</b>	<b>Proportion of votes in the Company (%)</b>	<b>Registered capital</b>
Zhongru Investment Co., Ltd.	Beijing	Investment management	69.4	69.4	RMB1,202,500,000
Qianbao Investment Co., Ltd.	Baoding, Hebei	Investment	5.6	5.6	RMB97,500,000

The ultimate controlling party of the Company and the Group is Qianbao Investment Co., Ltd.

Details of the Company's major subsidiaries are set out in Note V-1.

**3. Other related parties**

<b>Name of related party</b>	<b>Related party relationships</b>	<b>Note</b>
Zhongru Investment Co., Ltd.	Parent company	
Qianbao Investment Co., Ltd.	Parent company	
Yizongliangheng	Associate	
Bozhou Xiangju	Associate	
Rongcheng County Hengda Construction Investment Co., Ltd.	Associate	
Zhongyuan Environmental	Associate	
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	Joint venture	
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	Joint venture	
Beijing Rungucheng Investment Management Co., Ltd.	Joint venture	

## NOTES TO FINANCIAL STATEMENTS

2021

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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

#### 3. Other related parties (Continued)

Name of related party	Related party relationships	Note
Zhongming Zhiye Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Tianbo Construction Technology Co., Ltd.	Other enterprises under common control by the parent company	
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	Other enterprises under common control by the parent company	
Sanhe Baolan Heat Co., Ltd.	Other enterprises under common control by the parent company	
Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Luanping Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Huailai Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Construction Group Qianqiu Management Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Qianyuan Red Agricultural Group Co., Ltd.	Other enterprises under common control by the parent company	Note 1
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Guangsha Property Management Co., Ltd.	Other enterprises under common control by the parent company	
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Zitan Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**3. Other related parties** (Continued)

<b>Name of related party</b>	<b>Related party relationships</b>	<b>Note</b>
Baoding Zhucheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Chengdu New Era Tiancheng Properties Co., Ltd.	Associate of other enterprises under common control by the parent company	
Datang Baoding Heat Supply Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Baocang Expressway Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Baoyu Surveying Service Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Sanhe Jinshibang Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Fuping County Ruifu Building Material Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Hebei Sunshine Kangcheng Elderly Services Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Hebei Keshengxing Start-up Incubator Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Huailai Shengcheng Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Yi County Shengji Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Key management personnel	Key management personnel of the Group	

*Note 1:* Hebei Qianyuan Red Agricultural Technology Co., Ltd. was renamed as Hebei Qianyuan Red Agricultural Group Co., Ltd. during the year.

NOTES TO FINANCIAL STATEMENTS

2021

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## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties

#### (1) Sales or purchases of goods and rendering or receipt of services

*Rendering of services to related parties*

	Notes	2021 Amount	2020 Amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(1)a	247,726	355,599
Xi'an Zhongyuan Real Estate Development Co., Ltd.	(1)b	129,486	123,764
Huilai Shengcheng Real Estate Development Co., Ltd.	(1)c	92,071	-
Zhongyuan Environmental	(1)d	82,041	102,166
Huilai Jingsheng Real Estate Development Co., Ltd.	(1)e	69,626	100,224
Hebei Zitan Real Estate Development Co., Ltd.	(1)f	66,659	70,835
Baoding Zhucheng Real Estate Development Co., Ltd.	(1)g	66,606	83,443
Sanhe Jinshibang Real Estate Development Co., Ltd.	(1)h	56,901	57,294
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(1)i	54,202	62,456
Baoding Taiji Real Estate Development Co., Ltd.	(1)j	48,315	14,771
Zhongcheng Real Estate Development Co., Ltd.	(1)k	16,026	11,531
Guangan Zhongcheng Real Estate Development Co., Ltd.	(1)l	3,087	-
Datang Baoding Heat Supply Co., Ltd.	(1)m	2,807	11,838
Huilai Zhongcheng Real Estate Development Co., Ltd.	(1)n	1,918	17,357
Luanping Zhongcheng Real Estate Development Co., Ltd.	(1)o	700	10,476
Hebei Qianyuan Red Agricultural Group Co., Ltd.	(1)p	635	7,563
Hebei Baocang Expressway Co., Ltd.	(1)q	563	2,127
Hebei Guangsha Property Management Co., Ltd.	(1)r	6	-
Bozhou Xiangju	(1)s	-	8,125
Yizongliangheng	(1)t	-	4,368
Laiyuan Zhongcheng Construction Development Co., Ltd.	(1)u	-	4,203
Sanhe Baolan Heat Co., Ltd.	(1)v	-	893
Qianbao Investment Co., Ltd.	(1)w	-	306
		<b>939,375</b>	<b>1,049,339</b>

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**4. Major transactions with related parties** (Continued)**(1) Sales or purchases of goods and rendering or receipt of services** (Continued)*Receipt of services from related parties*

	Notes	2021 Amount	2020 Amount
Baoding Tianli Labor Service Co., Ltd.	(1)x	3,834,687	3,455,330
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	(1)y	16,048	-
Hebei Guangsha Property Management Co., Ltd.	(1)z	6,870	-
Fuping County Ruifu Building Material Co., Ltd.	(1)aa	2,514	-
Hebei Tianbo Construction Technology Co., Ltd.	(1)ab	2,267	1,466
Hebei Baoyu Surveying Service Co., Ltd.	(1)ac	386	-
		<b>3,862,772</b>	<b>3,456,796</b>

**(2) Related party leases***As lessee*

	Notes	Type of leased asset	2021 Leasing fees	2020 Leasing fees
Zhongming Zhiye Co., Ltd.	(2)a	Office building	3,652	2,796

Note: The transaction price of property lease between the Group and its related party was determined by both parties through negotiation with reference to market prices and other factors.

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties (Continued)

#### (3) Guarantees to/from related parties

*Providing guarantees to related parties*

**2021**

Guaranteed party	Note	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(3)a	600,000	2019/8/29	2036/12/20	No	583,000

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**4. Major transactions with related parties** (Continued)**(3) Guarantees to/from related parties** (Continued)*Receiving guarantees from related parties***2021**

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	No	-
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	Yes	-
Zhongming Zhiye Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Co., Ltd.	(3)d	200,000	2019/12/30	2023/12/29	No	-
Zhongcheng Real Estate Development Co., Ltd.	(3)e	150,000	2020/6/15	2022/6/8	No	120,000
Zhongru Investment Co., Ltd.	(3)f	70,000	2020/8/18	2024/2/10	No	-
Zhongming Zhiye Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	160,000
Zhongming Zhiye Co., Ltd.	(3)h	100,000	2020/11/25	2021/11/24	Yes	-
Zhongming Zhiye Co., Ltd.	(3)i	25,000	2020/12/22	2023/12/21	No	-
Zhongming Zhiye Co., Ltd.	(3)j	140,000	2020/12/28	2025/12/27	No	140,000
Zhongming Zhiye Co., Ltd.	(3)k	200,000	2020/12/31	2024/12/30	No	-
Zhongming Zhiye Co., Ltd.	(3)l	30,000	2021/2/1	2022/1/27	No	14,000
Zhongru Investment Co., Ltd.	(3)m	70,000	2021/7/29	2022/2/10	No	70,000
Zhongcheng Real Estate Development Co., Ltd.	(3)n	35,000	2021/8/26	2022/8/26	No	35,000
Zhongming Zhiye Co., Ltd.	(3)o	100,000	2021/11/25	2026/11/25	No	100,000
Zhongming Zhiye Co., Ltd.	(3)p	25,000	2021/12/8	2025/12/9	No	25,000
Zhongming Zhiye Co., Ltd.	(3)q	200,000	2021/12/31	2025/12/30	No	200,000

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties (Continued)

#### (3) Guarantees to/from related parties (Continued)

*Providing guarantees to related parties*

2020

Guaranteed party	Note	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(3)a	600,000	2019/8/29	2036/12/20	No	127,500

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**4. Major transactions with related parties (Continued)****(3) Guarantees to/from related parties (Continued)***Receiving guarantees from related parties*

2020

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	No	-
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Baoding Taiji Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/3/26	2021/4/1	No	239,847
Zhongcheng Real Estate Development Co., Ltd.	(3)c	399,847	2019/5/8	2021/4/1	No	239,847
Zhongming Zhiye Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	239,847
Zhongming Zhiye Co., Ltd.	(3)d	200,000	2019/12/30	2023/12/29	No	-
Zhongcheng Real Estate Development Co., Ltd.	(3)e	150,000	2020/6/15	2022/6/8	No	140,000
Zhongru Investment Co., Ltd.	(3)f	70,000	2020/8/18	2024/2/10	No	70,000
Zhongming Zhiye Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	160,000
Zhongming Zhiye Co., Ltd.	(3)h	100,000	2020/11/25	2021/11/24	No	98,000

## NOTES TO FINANCIAL STATEMENTS

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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

#### 4. Major transactions with related parties (Continued)

##### (3) Guarantees to/from related parties (Continued)

*Receiving guarantees from related parties (Continued)*

2020

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Co., Ltd.	(3)i	25,000	2020/12/22	2023/12/21	No	25,000
Zhongming Zhiye Co., Ltd.	(3)j	140,000	2020/12/28	2025/12/27	No	140,000
Zhongming Zhiye Co., Ltd.	(3)k	200,000	2020/12/31	2024/12/30	No	200,000
Zhongcheng Real Estate Development Co., Ltd.	(3)r	400,000	2018/7/19	2020/7/18	Yes	-
Huilai Jingsheng Real Estate Development Co., Ltd.	(3)r	400,000	2018/7/19	2020/7/18	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)r	400,000	2019/5/8	2020/7/18	Yes	-
Zhongming Zhiye Co., Ltd.	(3)r	400,000	2019/5/8	2020/7/18	Yes	-
Zhongming Zhiye Co., Ltd.	(3)s	100,000	2019/11/25	2020/11/24	Yes	-
Zhongming Zhiye Co., Ltd.	(3)t	150,000	2019/11/25	2020/11/24	Yes	-

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**4. Major transactions with related parties** (Continued)**(4) Other related party transactions**

	Notes	2021 Amount	2020 Amount
Emolument of key management personnel	(4)a	<b>10,555</b>	11,027

Notes:

## (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES

- (a) In 2021, the Group provided construction services to Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at the market price of RMB247,726,000 (2020: RMB355,599,000).
- (b) In 2021, the Group provided construction services to Xi'an Zhongyuan Real Estate Development Co., Ltd. at the market price of RMB129,486,000 (2020: RMB123,764,000).
- (c) In 2021, the Group provided construction services to Huailai Shengcheng Real Estate Development Co., Ltd. at the market price of RMB92,071,000 (2020: Nil).
- (d) In 2021, the Group provided construction services to Zhongyuan Environmental at the market price of RMB82,041,000 (2020: RMB102,166,000).
- (e) In 2021, the Group provided construction services to Huailai Jingsheng Real Estate Development Co., Ltd. at the market price of RMB69,626,000 (2020: RMB100,224,000).
- (f) In 2021, the Group provided construction services to Hebei Zitan Real Estate Development Co., Ltd. at the market price of RMB66,659,000 (2020: RMB70,835,000).
- (g) In 2021, the Group provided construction services to Baoding Zhucheng Real Estate Development Co., Ltd. at the market price of RMB66,606,000 (2020: RMB83,443,000).
- (h) In 2021, the Group provided construction services to Sanhe Jinshibang Real Estate Development Co., Ltd. at the market price of RMB56,901,000 (2020: RMB57,294,000).
- (i) In 2021, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB54,202,000 (2020: RMB62,456,000).

## NOTES TO FINANCIAL STATEMENTS

2021

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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

#### 4. Major transactions with related parties (Continued)

Notes: (Continued)

(1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES  
(Continued)

- (j) In 2021, the Group provided construction services to Baoding Taiji Real Estate Development Co., Ltd. at the market price of RMB48,315,000 (2020: RMB14,771,000).
- (k) In 2021, the Group provided construction services to Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB16,026,000 (2020: RMB11,531,000).
- (l) In 2021, the Group provided construction services to Guangan Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB3,087,000 (2020: Nil).
- (m) In 2021, the Group provided construction services to Datang Baoding Heat Supply Co., Ltd. at the market price of RMB2,807,000 (2020: RMB11,838,000).
- (n) In 2021, the Group provided construction services to Huailai Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB1,918,000 (2020: RMB17,357,000).
- (o) In 2021, the Group provided construction services to Luanping Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB700,000 (2020: RMB10,476,000).
- (p) In 2021, the Group provided construction services to Hebei Qianyuan Red Agricultural Group Co., Ltd. at the market price of RMB635,000 (2020: RMB7,563,000).
- (q) In 2021, the Group provided construction services to Hebei Baocang Expressway Co., Ltd. at the market price of RMB563,000 (2020: RMB2,127,000).
- (r) In 2021, the Group provided construction services to Hebei Guangsha Property Management Co., Ltd. at the market price of RMB6,000 (2020: Nil).
- (s) In 2021, the Group did not provide any construction services to Bozhou Xiangju (2020: RMB8,125,000).
- (t) In 2021, the Group did not provide any construction services to Yizongliangheng (2020: RMB4,368,000).

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties (Continued)

Notes: (Continued)

(1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES  
(Continued)

- (u) In 2021, the Group did not provide any construction services to Laiyuan Zhongcheng Construction Development Co., Ltd. (2020: RMB4,203,000).
- (v) In 2021, the Group did not provide any construction services to Sanhe Baolan Heat Co., Ltd. (2020: RMB893,000).
- (w) In 2021, the Group did not provide any construction services to Qianbao Investment Co., Ltd. (2020: RMB306,000).
- (x) In 2021, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB3,834,687,000 (2020: RMB3,455,330,000).
- (y) In 2021, the Group received engineering surveying services from Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. at the market price of RMB16,048,000 (2020: Nil).
- (z) In 2021, the Group received property management services from Hebei Guangsha Property Management Co., Ltd. at the market price of RMB6,870,000 (2020: Nil).
- (aa) In 2021, the Group purchased construction material from Fuping County Ruifu Building Material Co., Ltd. at the market price of RMB2,514,000 (2020: Nil).
- (ab) In 2021, the Group received testing services from Hebei Tianbo Construction Technology Co., Ltd. at the market price of RMB2,267,000 (2020: RMB1,466,000).
- (ac) In 2021, the Group received testing services from Hebei Baoyu Surveying Service Co., Ltd. at the market price of RMB386,000 (2020: Nil).

(2) RELATED PARTY LEASES

- (a) In 2021, the Group leased an office building from Zhongming Zhiye Co., Ltd. and incurred leasing fees of RMB3,652,000 (2020: RMB2,796,000) under the lease contract.

## NOTES TO FINANCIAL STATEMENTS

2021

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### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

#### 4. Major transactions with related parties (Continued)

Notes: (Continued)

##### (3) GUARANTEES TO/FROM RELATED PARTIES

- (a) The Group provided a guarantee with an amount of RMB600,000,000 for Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at nil consideration from 29 August 2019 to 20 December 2036, and the actual guaranteed amount for the year was RMB583,000,000 (2020: amount of guarantee: RMB600,000,000, actual guaranteed amount: RMB127,500,000).
- (b) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB108,000,000 for the Group at nil consideration from 26 October 2018 to 25 October 2022, the Group has repaid the borrowings but the guarantee has not been fully performed (2020: amount of guarantee: RMB108,000,000, actual guaranteed amount: Nil).
- (c) From 26 March 2019 to 1 April 2021, Chengdu New Era Tiancheng Properties Co., Ltd., Chengde Summer Resort Cultural Industrial Park Co., Ltd., Baoding Taiji Real Estate Development Co., Ltd. and Zhongcheng Real Estate Development Co., Ltd. provided the inventory, land use right and construction in progress held by them as collateral for mortgage guarantees of the Group; from 8 May 2019 to 1 April 2021, Zhongcheng Real Estate Development Co., Ltd. provided the 51% equity interests in Huailai Jingsheng Real Estate Development Co., Ltd. and its derived equity as collateral for pledge guarantee; from 1 April 2019 to 1 April 2024, Zhongming Zhiye provided a credit guarantees. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group. The Group has repaid the borrowings during the year, and the guarantees have been fully performed other than that from Zhongming Zhiye Co., Ltd. (2020: amount of guarantee: RMB399,847,000, actual guaranteed amount: RMB239,847,000).
- (d) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 30 December 2019 to 29 December 2023, the Group has repaid the borrowings but the guarantee has not been fully performed (2020: amount of guarantee: RMB200,000,000, actual guaranteed amount: Nil).
- (e) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 15 June 2020 to 8 June 2022, and the actual guaranteed amount for the year was RMB120,000,000 (2020: amount of guarantee: RMB150,000,000, actual guaranteed amount: RMB140,000,000).
- (f) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 18 August 2020 to 10 February 2024, and the Group has repaid the borrowings during the year but the guarantee has not been fully performed (2020: amount of guarantee: RMB70,000,000, actual guaranteed amount: RMB70,000,000).

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties (Continued)

Notes: (Continued)

#### (3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (g) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB160,000,000 for the Group at nil consideration from 17 November 2020 to 16 November 2025, and the actual guaranteed amount for the year was RMB160,000,000 (2020: amount of guarantee: RMB160,000,000, actual guaranteed amount: RMB160,000,000).
- (h) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2020 to 24 November 2021, and the Group has repaid the borrowings during the year and the guarantee has been fully performed (2020: amount of guarantee: RMB100,000,000, actual guaranteed amount: RMB98,000,000).
- (i) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB25,000,000 for the Group at nil consideration from 22 December 2020 to 21 December 2023, and the Group has repaid the borrowings during the year but the guarantee has not been fully performed (2020: amount of guarantee: RMB25,000,000, actual guaranteed amount: RMB25,000,000).
- (j) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB140,000,000 for the Group at nil consideration from 28 December 2020 to 27 December 2025, and the actual guaranteed amount for the year was RMB140,000,000 (2020: amount of guarantee: RMB140,000,000, actual guaranteed amount: RMB140,000,000).
- (k) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 31 December 2020 to 30 December 2024, and the Group has repaid the borrowings during the year but the guarantee has not been fully performed (2020: amount of guarantee: RMB200,000,000, actual guaranteed amount: RMB200,000,000).
- (l) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB30,000,000 for the Group at nil consideration from 1 February 2021 to 27 January 2022, and the actual guaranteed amount as of 31 December 2021 was RMB14,000,000 (2020: Nil).
- (m) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 29 July 2021 to 10 February 2022, and the actual guaranteed amount as of 31 December 2021 was RMB70,000,000 (2020: Nil).
- (n) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB35,000,000 for the Group at nil consideration from 26 August 2021 to 26 August 2022, and the actual guaranteed amount for the year was RMB35,000,000 (2020: Nil).

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

### 4. Major transactions with related parties (Continued)

Notes: (Continued)

#### (3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (o) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2021 to 25 November 2026, and the actual guaranteed amount for the year was RMB100,000,000 (2020: Nil).
- (p) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB25,000,000 for the Group at nil consideration from 8 December 2021 to 9 December 2025, and the actual guaranteed amount for the year was RMB25,000,000 (2020: Nil).
- (q) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 31 December 2021 to 30 December 2025, and the actual guaranteed amount for the year was RMB200,000,000 (2020: Nil).
- (r) As of 31 December 2020, the mortgage guarantee provided by Zhongcheng Real Estate Development Co., Ltd. and Huailai Jingsheng Real Estate Development Co., Ltd. for the Group from 19 July 2018 to 18 July 2020 has been performed.

As of 31 December 2020, the mortgage guarantee provided by Zhongcheng Real Estate Development Co., Ltd. and Zhongming Zhiye Co., Ltd. for the Group from 8 May 2019 to 18 July 2020 has been performed.

- (s) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and such guarantee has been performed as of 31 December 2020.
- (t) Zhongming Zhiye Co., Ltd. provided a guarantee with an amount of RMB150,000,000 for the Group at nil consideration from 25 November 2019 to 24 November 2020, and such guarantee has been performed as of 31 December 2020.

#### (4) OTHER RELATED PARTY TRANSACTIONS

- (a) In 2021, the total emolument of key management personnel incurred by the Group amounted to RMB10,555,000 (2020: RMB11,027,000).

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties****(1) Accounts receivable**

	2021		2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Zhucheng Real Estate Development Co., Ltd.	54,135	814	54,131	319
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	16,780	151	200	1
Hebei Zitan Real Estate Development Co., Ltd.	12,023	108	-	-
Zhongyuan Environmental	10,652	96	-	-
Huilai Jingsheng Real Estate Development Co., Ltd.	8,097	73	66	-
Xi'an Zhongyuan Real Estate Development Co., Ltd.	3,685	33	483	15
Zhongcheng Real Estate Development Co., Ltd.	3,083	39	3,208	1,019
Huilai Shengcheng Real Estate Development Co., Ltd.	2,319	21	-	-
Bozhou Xiangju	1,200	11	-	-
Chengdu New Era Tiancheng Properties Co., Ltd.	424	76	2,518	80
Hebei Qianyuan Red Agricultural Group Co., Ltd.	100	1	50	-
Baoding Taiji Real Estate Development Co., Ltd.	3	1	3	-
Datang Baoding Heat Supply Co., Ltd.	-	-	1,600	9
Sanhe Baolan Heat Co., Ltd.	-	-	369	2
Hebei Baocang Expressway Co., Ltd.	-	-	148	-
	<b>112,501</b>	<b>1,424</b>	<b>62,776</b>	<b>1,445</b>

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**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties (Continued)**

**(2) Contract assets**

	2021		2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	164,383	1,475	122,038	972
Yizongliangheng	134,943	1,211	161,139	950
Guangan Zhongcheng Real Estate Development Co., Ltd.	124,261	1,115	122,505	722
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	96,097	2,544	134,870	811
Xi'an Zhongyuan Real Estate Development Co., Ltd.	63,552	570	106,275	627
Sanhe Jinshibang Real Estate Development Co., Ltd.	55,529	498	19,287	114
Zhongcheng Real Estate Development Co., Ltd.	45,439	698	42,089	288
Huilai Jingsheng Real Estate Development Co., Ltd.	43,618	391	84,980	501
Huilai Shengcheng Real Estate Development Co., Ltd.	40,527	364	-	-
Hebei Zitan Real Estate Development Co., Ltd.	34,978	314	246	1
Zhongyuan Environmental	27,484	247	26,366	155
Baoding Taiji Real Estate Development Co., Ltd.	27,078	243	5,924	35
Baoding Zhucheng Real Estate Development Co., Ltd.	22,017	198	33,204	196

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties** (Continued)**(2) Contract assets** (Continued)

	2021		2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Huilai Zhongcheng Real Estate Development Co., Ltd.	11,196	100	18,535	109
Chengdu New Era Tiancheng Properties Co., Ltd.	9,133	82	7,039	41
Hebei Qianyuan Red Agricultural Group Co., Ltd.	7,432	-	8,740	52
Bozhou Xiangju	5,711	51	21,906	129
Sanhe Baolan Heat Co., Ltd.	2,030	18	2,261	13
Datang Baoding Heat Supply Co., Ltd.	1,375	12	4,576	20
Hebei Baocang Expressway Co., Ltd.	222	2	434	3
Laiyuan Zhongcheng Construction Development Co., Ltd.	100	1	4,179	25
	<b>917,105</b>	<b>10,134</b>	<b>926,593</b>	<b>5,764</b>

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**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties** (Continued)

**(3) Other receivables**

	2021		2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Huilai Zhongcheng Real Estate Development Co., Ltd.	35,852	1,841	7,493	51
Zhongcheng Real Estate Development Co., Ltd.	27,031	297	2,091	11
Baoding Taiji Real Estate Development Co., Ltd.	21,580	215	-	-
Huilai Jingsheng Real Estate Development Co., Ltd.	14,962	149	34	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	4,632	198	3,271	19
Hebei Sunshine Kangcheng Elderly Services Co., Ltd.	3,629	-	-	-
Laiyuan Zhongcheng Construction Development Co., Ltd.	3,579	36	-	-
Hebei Keshengxing Start-up Incubator Co., Ltd.	612	6	-	-
Huilai Shengcheng Real Estate Development Co., Ltd.	95	1	-	-
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	66	1	-	-

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties** (Continued)**(3) Other receivables** (Continued)

	2021		2020	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Zhucheng Real Estate Development Co., Ltd.	63	3	2,793	16
Xi'an Zhongyuan Real Estate Development Co., Ltd.	50	3	1,573	9
Yi County Shengji Real Estate Development Co., Ltd.	50	-	-	-
Hebei Guangsha Property Management Co., Ltd.	9	-	-	-
Qianbao Investment Co., Ltd.	5	-	-	-
Sanhe Jinshibang Real Estate Development Co., Ltd.	2	-	-	-
Hebei Zitan Real Estate Development Co., Ltd.	-	-	50,000	295
	<b>112,217</b>	<b>2,750</b>	<b>67,255</b>	<b>401</b>

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties** (Continued)**(4) Accounts payable**

	2021	2020
Baoding Tianli Labor Service Co., Ltd.	1,397,840	1,108,736
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	6,500	-
Hebei Tianbo Construction Technology Co., Ltd.	2,654	1,772
Fuping County Ruifu Building Material Co., Ltd.	2,306	-
Hebei Construction Group Qianqiu Management Co., Ltd.	350	480
Hebei Baoyu Surveying Service Co., Ltd.	142	84
	<b>1,409,792</b>	<b>1,111,072</b>

**(5) Other payables**

	2021	2020
Baoding Zhucheng Real Estate Development Co., Ltd.	61,038	221,238
Key management personnel	15,674	24,580
Hebei Qianyuan Red Agricultural Group Co., Ltd.	10,500	10,000
Qianbao Investment Co., Ltd.	8,600	8,600
Zhongming Zhiye Co., Ltd.	2,082	2,714
Hebei Construction Group Qianqiu Management Co., Ltd.	1,863	1,863
Hebei Guangsha Property Management Co., Ltd.	100	-
	<b>99,857</b>	<b>268,995</b>

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

(Continued)

**5. Balances of amounts due from related parties** (Continued)**(6) Contract liabilities**

	2021	2020
Baoding Zhucheng Real Estate Development Co., Ltd.	17,069	22,960
Xi'an Zhongyuan Real Estate Development Co., Ltd.	9,026	-
Zhongcheng Real Estate Development Co., Ltd.	8,620	20,768
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	4,605	17,140
Huailai Shengcheng Real Estate Development Co., Ltd.	3,590	-
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	2,619	-
Datang Baoding Heat Supply Co., Ltd.	1,797	1,955
Hebei Zitan Real Estate Development Co., Ltd.	-	30,235
	<b>47,326</b>	<b>93,058</b>

Accounts receivable from and payable to related parties are non-interest bearing, unsecured and do not have a fixed term of repayment.

## NOTES TO FINANCIAL STATEMENTS

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### XI. CONTINGENCIES

	2021	2020	Notes
Contingent liabilities arising from providing external guarantees	740,778	153,294	Note 1
Contingent liabilities arising from unresolved litigation or arbitration	14,403	4,060	Note 2
	<b>755,181</b>	<b>157,354</b>	

*Note 1:* As at 31 December 2021, the principal and interest of the banking facilities granted to third parties subject to guarantees given to the banks by the Group amounted to RMB740,778,000 (31 December 2020: RMB153,294,000), and other current liabilities related to financial guarantee contracts amounted to RMB23,778,000 (31 December 2020: RMB23,311,000). The Group assessed overdue status of relevant borrowings, financial position of relevant debtors, and economic condition in the debtor's industry as at each balance sheet date, and was of view that the relevant credit risk of such part of financial guarantee contracts has not increased significantly since initial recognition. Therefore, the loss allowance for the Group's financial guarantee contracts is not determined based on the amount of lifetime expected credit losses, but measured at the amount of the future 12-month expected credit losses of the above financial guarantee contracts. In 2021, there was no change in the Group's assessment method and major assumptions. Based on the assessment of the management of the Group, there was no significant expected impairment provision made for the relevant financial guarantees.

*Note 2:* The Group is involved in disputes, litigations or claims with customers, subcontractors, suppliers and other parties in the course of its operations. After consultation with the relevant legal advisers and after management's careful estimation of the outcome of such outstanding disputes, litigations or claims, the Group has no disputes, litigations or claims that are likely to result in losses. No provision will be made for the abovementioned outstanding disputes, litigations and claims for which the ultimate outcome cannot be reasonably estimated or for which, in the opinion of management, it is not probable that such disputes, litigations or claims will have a material adverse effect on the Group's results of operations or financial position.

## XII. LEASES

### 1. As lessor

The Group leases out certain buildings for a term of 20 years which constitutes operating leases. Pursuant to the lease contracts, rents are adjusted annually based on prevailing market rates. In 2021, the Group's income derived from leases of buildings was RMB2,552,000 (2020: RMB2,680,000). Leased buildings are presented as investment property, please refer to Note VI-13 for details.

The Group also leases out certain idle machinery equipment for a term within 1 year, which constitutes an operating lease. In 2021, the Group's income derived from the lease of machinery equipment was RMB28,793,000 (2020: RMB28,665,000).

#### *Operating leases*

Profit or loss related to operating leases are as follows:

	2021	2020
Lease income	<u>31,345</u>	<u>31,345</u>

Pursuant to the lease contracts entered into with the lessees, the minimum lease payments of non-cancellable leases are as follows:

	2021	2020
Within 1 year (including 1 year)	<u>4,146</u>	4,914
1 to 2 years (including 2 years)	<u>1,273</u>	<u>1,563</u>
	<u>5,419</u>	<u>6,477</u>

As at 31 December 2021, the carrying amount of investment property under operating leases was RMB137,000,000 (31 December 2020: RMB136,700,000).

## NOTES TO FINANCIAL STATEMENTS

2021

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### XII. LEASES (Continued)

#### 2. As lessee

	2021	2020
Interest expense on lease liabilities	1,625	2,656
Short-term lease expense under the simplified approach through profit or loss	7,166	16,315
Revenue from subleasing the right-of-use assets	18,569	19,717
Total cash outflow in relation to leases	<u>24,461</u>	<u>28,362</u>

Assets leased by the Group include buildings and machinery equipment for operation which generally have a lease term of 1 year to 10 years.

#### *Other lease information*

For details of right-of-use assets, please refer to Note VI-16; for the simplified approach regarding short-term leases and leases of low-value asset, please refer to Note III-23; and for details of lease liabilities, please refer to Note VI-27.

### XIII. COMMITMENTS

As at 31 December 2021, the Group had no material capital commitment (31 December 2020: RMB1,297,000).

### XIV. POST BALANCE SHEET DATE EVENTS

As of the date of approval for publication of these financial statements, the Group has not had any non-adjusting events in material post balance sheet date events that would significantly affect the reading and understanding of these financial statements.

## XV. OTHER IMPORTANT EVENTS

### 1. Other financial information

Directors' and supervisors' remuneration is disclosed as follows:

	2021	2020
Fees	597	936
Others emoluments:		
Salaries, allowances and benefits in kind	1,660	1,606
Performance-related bonuses	5,056	4,904
Pension scheme contributions	410	320
	<b>7,723</b>	<b>7,766</b>

#### (1) Independent non-executive directors

		2021	2020
Xiao Xuwen	<i>Note 1</i>	-	102
Shen Lifeng		199	278
Chen Xin		199	278
Chan Ngai Sang Kenny		199	278
		<b>597</b>	<b>936</b>

*Note 1:* Mr. Xiao Xuwen has ceased to serve as an independent non-executive director of the Company since 23 June 2020.

As at 31 December 2021, there was no other remuneration payable to the independent non-executive directors during the year (31 December 2020: Nil).

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**XV. OTHER IMPORTANT EVENTS** (Continued)

**1. Other financial information** (Continued)

**(2) Executive directors, non-executive directors and supervisors**

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
2021					
<i>Executive directors:</i>					
Li Baozhong	-	204	884	41	1,129
Shang Jinfeng	-	174	631	41	846
Zhao Wensheng	-	150	455	41	646
Liu Yongjian	-	156	455	41	652
<i>Non-executive directors:</i>					
Li Baoyuan	-	170	884	-	1,054
Cao Qingshe	-	174	631	41	846
<i>Supervisors:</i>					
Yu Xuefeng	-	150	455	41	646
Liu Jingqiao	-	117	172	41	330
Feng Xiujian	-	122	171	41	334
Yue Jianming	-	119	159	41	319
Wang Feng	-	124	159	41	324
	-	1,660	5,056	410	7,126

**XV. OTHER IMPORTANT EVENTS** (Continued)**1. Other financial information** (Continued)**(2) Executive directors, non-executive directors and supervisors**  
(Continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
2020					
<i>Executive directors:</i>					
Li Baozhong	-	199	806	32	1,037
Shang Jinfeng	-	169	631	32	832
Zhao Wensheng	-	145	451	32	628
Liu Yongjian	-	151	451	32	634
<i>Non-executive directors:</i>					
Li Baoyuan	-	170	806	-	976
Cao Qingshe	-	169	631	32	832
<i>Supervisors:</i>					
Yu Xuefeng	-	145	451	32	628
Liu Jingqiao	-	111	182	32	325
Feng Xiujian	-	116	171	32	319
Yue Jianming	-	113	167	32	312
Wang Feng	-	118	157	32	307
	-	1,606	4,904	320	6,830

During the year, there was no agreement under which a director or chief executive officer waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included five directors (2020: five employees including five directors), details of whose remuneration are set out in Note XV-1.

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Cash and cash equivalents

	2021	2020
Cash on hand	6,491	8,968
Bank deposits	4,945,174	5,558,174
Other cash and cash equivalents	1,669,164	1,097,755
	<b>6,620,829</b>	6,664,897

As at 31 December 2021, the Group's cash and cash equivalents with restricted ownership amounted to RMB401,842,000 (31 December 2020: RMB264,904,000).

### 2. Accounts receivable

The accounts receivable of the Company are mainly receivables for construction contracting business. The credit period of accounts receivable is usually one to three months. All accounts receivable are non-interest-bearing.

The ageing analysis of accounts receivable is as follows:

	2021	2020
Within 1 year	5,450,222	3,476,258
1 to 2 years	746,529	752,955
2 to 3 years	410,095	138,039
Over 3 years	335,318	368,822
	<b>6,942,164</b>	4,736,074
Less: Bad debt allowance on accounts receivable	813,151	380,349
	<b>6,129,013</b>	4,355,725

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 2. Accounts receivable (Continued)

Movements in bad debt allowance on accounts receivable are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2021	<u>380,349</u>	<u>694,447</u>	<u>(261,645)</u>	<u>813,151</u>
2020	<u>479,801</u>	<u>178,257</u>	<u>(277,709)</u>	<u>380,349</u>

Accounts receivable and bad debt allowance are disclosed by types as follows:

	Book balance		2021 Impairment provision	
	Amount	Percentage (%)	Amount	Proportion (%)
Receivables for which impairment is provided individually	<u>2,417,282</u>	<u>35</u>	<u>625,786</u>	<u>26</u>
Receivables for which impairment is provided by portfolio of credit risk characteristics	<u>4,524,882</u>	<u>65</u>	<u>187,365</u>	<u>4</u>
	<u>6,942,164</u>	<u>100</u>	<u>813,151</u>	

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**XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY** (Continued)

**2. Accounts receivable** (Continued)

	2021		2020	
	Book balance Amount	Percentage (%)	Impairment provision Amount	Proportion (%)
Receivables for which impairment is provided individually	444,392	9	257,254	58
Receivables for which impairment is provided by portfolio of credit risk characteristics	<u>4,291,682</u>	<u>91</u>	<u>123,095</u>	<u>3</u>
	<u>4,736,074</u>	<u>100</u>	<u>380,349</u>	

The expected credit losses on accounts receivable of the Company by ageing are as follows:

	2021			2020		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	<b>3,535,889</b>	<b>0.90</b>	<b>31,823</b>	3,351,296	0.59	19,836
1 to 2 years	<b>613,183</b>	<b>4.64</b>	<b>28,480</b>	745,645	3.18	23,705
2 to 3 years	<b>247,879</b>	<b>17.88</b>	<b>44,310</b>	88,206	15.53	13,697
3 to 4 years	<b>62,302</b>	<b>40.52</b>	<b>25,246</b>	50,264	39.68	19,946
4 to 5 years	<b>22,252</b>	<b>63.50</b>	<b>14,129</b>	23,345	55.62	12,985
Over 5 years	<b>43,377</b>	<b>100.00</b>	<b>43,377</b>	32,926	100.00	32,926
	<u><b>4,524,882</b></u>		<u><b>187,365</b></u>	<u>4,291,682</u>		<u>123,095</u>

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 3. Contract assets

Contract assets are mainly generated by the construction contracting business of the Company. The Company 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 Company make progress billings with the Company 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.

	2021			2020		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	<b>33,111,478</b>	<b>(1,477,766)</b>	<b>31,633,712</b>	31,597,131	(394,783)	31,202,348

Changes in impairment provision for contract assets are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2021	<b>394,783</b>	<b>1,190,178</b>	<b>(107,195)</b>	<b>1,477,766</b>
2020	156,520	315,290	(77,027)	394,783

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 3. Contract assets (Continued)

	2021		2021	
	Book balance Amount	Percentage (%)	Impairment provision Amount	Proportion (%)
Contract assets for which impairment is provided individually	4,665,810	14.09	1,221,755	26.19
Contract assets for which impairment is provided by portfolio of credit risk characteristics	28,445,668	85.91	256,011	0.90
	<b>33,111,478</b>	<b>100.00</b>	<b>1,477,766</b>	

	2020		2020	
	Book balance Amount	Percentage (%)	Impairment provision Amount	Proportion (%)
Contract assets for which impairment is provided individually	805,408	2.55	214,799	26.67
Contract assets for which impairment is provided by portfolio of credit risk characteristics	30,791,723	97.45	179,984	0.58
	<b>31,597,131</b>	<b>100.00</b>	<b>394,783</b>	

As at 31 December 2021, there was an increase in the Group's progress in the performance of relevant construction contracts, some of which had not yet billed, resulting in an increase in the carrying value of the contract assets.

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 4. Long-term equity investments

	2021	2020
Joint venture		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	<b>376,165</b>	407,617
Inner Mongolia Construction Investment Group Co., Ltd.	<b>4,000</b>	-
Financial guarantee for joint venture		
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	<b>15,742</b>	15,742
Associates		
Yizongliangheng	<b>56,779</b>	56,788
Rongcheng County Hengda Construction Investment Co., Ltd.	<b>29,135</b>	29,141
Bozhou Xiangju	<b>20,470</b>	18,538
Investment in subsidiaries		
HCG Tianchen Construction Engineering Co., Ltd.	<b>400,000</b>	347,832
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	<b>270,000</b>	270,000
Hebei Construction Group Garden Engineering Co., Ltd.	<b>205,041</b>	205,041
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	<b>205,000</b>	205,000
Bozhou Qihang Transportation Construction Co., Ltd.	<b>205,000</b>	155,000
Tibet Jiming Construction Co., Ltd.	<b>200,000</b>	200,000
HCG Installment Engineering Co., Ltd.	<b>180,000</b>	110,000
Baoding Zhongze Water Supply Co., Ltd.	<b>140,152</b>	139,152
Hebei Construction Group Decoration Engineering Co., Ltd.	<b>101,000</b>	101,000
Dangshan Soaring General Aviation Industry Development Co., Ltd.	<b>80,000</b>	80,000
Baoding Zhongcheng Investment Management Co., Ltd.	<b>69,000</b>	69,000
Hebei Green Construction Investment Co., Ltd.	<b>58,171</b>	58,171
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	<b>54,000</b>	54,000
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	<b>50,000</b>	50,000
Shandong Juhe Agricultural Service Development Co., Ltd.	<b>29,370</b>	29,370

NOTES TO FINANCIAL STATEMENTS

2021

Unit: RMB'000

**XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY** (Continued)

**4. Long-term equity investments** (Continued)

	2021	2020
Investment in subsidiaries (Continued)		
Rongcheng County Xinrong City Development Co., Ltd.	24,240	24,240
Hebei Construction Group Steel Structure Engineering Co., Ltd.	24,000	9,000
Hebei Shenning Construction Engineering Co., Ltd.	20,000	20,000
Dacheng County Zhongzhou Water Supply Co., Ltd.	17,696	-
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	16,060	16,060
Huainan Fengrui Infrastructure Construction Co., Ltd.	10,000	10,000
Yunca Network Technology Co., Ltd.	8,000	8,000
Hebei Zhongru Software Technology Co., Ltd.	3,328	3,328
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	1,000	1,000
Hebei Zhongbao New Building Material Manufacturing Co., Ltd.	1,000	1,000
Hebei Zhuocheng Engineering Inspection Co., Ltd.	333	333
Sichuan Tianchuan Construction Engineering Co., Ltd.	-	20
Financial guarantee for subsidiaries		
Financial guarantee for Baoding Zhongze Water Supply Co., Ltd.	60,849	60,849
Financial guarantee for HCG Installment Engineering Co., Ltd.	35,771	24,918
Financial guarantee for HCG Tianchen Construction Engineering Co., Ltd.	17,257	7,121
Financial guarantee for Hebei Construction Group Decoration Engineering Co., Ltd.	16,419	3,516
Financial guarantee for HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	11,810	10,880
Financial guarantee for Hebei Tongchuang Liantai Hospital Management Co., Ltd.	9,255	9,255
Financial guarantee for Hebei Lvjian Investment Company	1,648	1,648
Financial guarantee for Dingzhou Tiande Environmental Science and Technology Co., Ltd.	1,066	1,066
Financial guarantee for Hebei Construction Group Garden Engineering Co., Ltd.	1,030	1,030
	<b>3,029,787</b>	<b>2,814,656</b>

## XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

### 5. Revenue

Revenue is presented as follows:

	2021	2020
Revenue from primary business	<b>37,875,514</b>	32,698,929
Revenue from other business	<b>469,573</b>	406,831
	<b><u>38,345,087</u></b>	<u>33,105,760</u>

*Note:* The principal operating revenue of the Company is engineering construction revenue, and the Company considers that it is a performance obligation to be performed within a certain period of time and recognises revenue according to the completion progress.

## XVII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Company's board of directors on 31 March 2022.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000 (Restated)	2017 RMB'000 (Restated)
RESULTS					
Revenue	47,828,266	40,149,925	41,077,029	47,858,714	42,139,150
Less: Cost of sales	45,341,436	38,010,238	39,023,724	45,108,878	39,733,951
Taxes and surcharges	137,598	113,346	109,276	111,721	183,131
Selling and distribution expenses	1,061	1,193	10,237	28,370	39,300
Administrative expenses	535,823	501,124	505,448	411,462	400,756
Research and development costs	76,417	94,476	92,895	34,805	29,600
Finance costs	308,076	263,207	212,878	161,612	9,774
Including: Interest expenses	326,851	304,527	366,221	290,628	185,593
Interest income	40,926	39,167	158,720	158,022	178,140
Add: Other income	4,982	10,759	310	12,889	3,003
Investment income/(loss)	3,679	27,754	50,992	(136,782)	191,823
Including: Share of (losses)/profits of associates and joint ventures	(1,274)	3,225	8,572	(164,626)	(3,559)
Losses on derecognition of financial assets at amortised cost	(64,795)	(59,197)	(50,764)	-	-
Gains/(losses) on fair value changes	66	1,950	(2,721)	1,963	2,069
Impairment (losses)/gains of credit losses	(623,156)	55,392	51,364	(253,371)	-
Impairment (losses)/gains on assets	(1,301,616)	(325,197)	(11,159)	-	372,090
(Losses)/gains from disposal of assets	(1,624)	214	304	2,377	39,980
Operating (loss)/profit	(489,814)	937,213	1,211,661	1,628,942	1,607,423
Add: Non-operating income	8,039	2,444	1,490	14,369	9,725
Less: Non-operating expenses	13,522	3,523	4,402	7,989	29,677
Total (loss)/profit	(495,297)	936,134	1,208,749	1,635,322	1,587,471
Less: Income tax expenses	(137,131)	183,903	445,626	465,901	457,492
Net (loss)/profit	(358,166)	752,231	763,123	1,169,421	1,129,979

## FIVE YEAR FINANCIAL SUMMARY

	<b>2021</b> <i>RMB'000</i>	Year ended 31 December			
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)	2017 <i>RMB'000</i> (Restated)
Classified by the continuity of operation					
Net (loss)/profit from continuing operations	<b>(358,166)</b>	752,231	725,232	1,335,806	1,103,257
Net profit/(loss) from discontinued operations	<b>-</b>	-	37,891	(166,385)	26,722
Classified by the ownership					
Net (loss)/profit attributable to owners of the Company	<b>(345,975)</b>	759,856	770,415	1,154,039	1,089,086
Net (loss)/profit attributable to non-controlling interests	<b>(12,191)</b>	(7,625)	(7,292)	15,382	40,893
Other comprehensive income, net of tax	<b>39,488</b>	12,072	58,657	60,900	-
Total comprehensive (loss)/income	<b>(318,678)</b>	764,303	821,780	1,230,321	1,129,979
Including:					
Total comprehensive (loss)/income attributable to owners of the Company	<b>(306,487)</b>	771,928	829,072	1,214,939	1,089,086
Total comprehensive (loss)/income attributable to non-controlling interests	<b>(12,191)</b>	(7,625)	(7,292)	15,382	40,893

### Assets, liabilities and non-controlling interests:

	<b>2021</b> <i>RMB'000</i>	As at 31 December			
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)	2017 <i>RMB'000</i> (Restated)
Total assets	<b>66,947,253</b>	62,793,882	60,926,571	62,440,389	51,792,886
Total liabilities	<b>(61,074,661)</b>	(56,353,803)	(55,022,999)	(56,508,044)	(47,273,992)
Non-controlling interests	<b>(178,899)</b>	(194,136)	(182,962)	(525,854)	(429,022)
	<b>5,693,693</b>	6,245,943	5,720,610	5,406,491	4,089,872

# DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

## DEFINITIONS

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

“Articles of Association” or “Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the Audit Committee of the Board
“Baoding Tianli”	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a limited liability company incorporated in the PRC on 27 November 2001, which is a company indirectly owned as to 100% by a Controlling Shareholder of the Company as of the Latest Practicable Date, thus a connected person of the Company
“Baoding Zhongcheng”	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date
“Beijing-Tianjin-Hebei Region”	an economic region in China comprising Beijing, Tianjin, and Hebei Province
“Board” or “Board of Directors”	the board of Directors of the Company
“Board Committee(s)”	collectively, the Remuneration and Appraisal Committee, the Audit Committee, the Strategic Committee and the Nomination Committee
“Board of Supervisors”	the board of Supervisors of the Company
“CASBE”	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Company”	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on 29 September 1997)
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 and became effective on 1 March 2014, and lastly amended on 26 October 2018 and became effective on the same day
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and as of the Latest Practicable Date, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
“Corporate Governance Code”	the corporate governance code set out in Appendix 14 Corporate Governance Code and Corporate Governance Report of the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“EIT”	PRC Enterprise Income Tax

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Engineering Construction Service Framework Agreement”	the Engineering Construction Service Framework Agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“Global Offering”	Hong Kong Public Offering and International Offering and listing on the Main Board of the Stock Exchange of H shares of the Company, details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time
“H Share(s)”	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“HCG Garden Engineering”	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 December 2006, which is a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“HCG Installment Engineering”	Hebei Construction Group Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), a limited liability company incorporated in the PRC on 10 August 2004, which was wholly owned by the Company as of the Latest Practicable Date
“HCG Zhuocheng Road and Bridge Engineering”	Hebei Construction Group Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), a limited liability company incorporated in the PRC on 6 January 1998, and wholly owned by the Company as of the Latest Practicable Date
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Third Party(ies)”	party(ies) not connected with the Company within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“Initial Public Offering” or “IPO”	the initial public offering of the Company, the details of which are stated in the Prospectus
“Latest Practicable Date”	21 April 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	15 December 2017, the date on which the Company’s overseas listed foreign Shares (H Shares) were listed on the Main Board of the Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Lu Ban Award”	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“MOHURD”	the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the Nomination Committee of the Board
“New Construction Auxiliary Service Framework Agreement”	the new construction auxiliary service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“New Engineering Construction Service Framework Agreement”	the new engineering construction service framework agreement entered into between the Company and Zhongming Zhiye on 22 November 2021
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Prospectus”	the prospectus of the Company dated 5 December 2017
“province”	a province in PRC or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“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 of the date of this report, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a Controlling Shareholder of the Company
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board
“Reporting Period” or “2021” or “the Year”	the year beginning from 1 January 2021 and ending on 31 December 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“senior management”	senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	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)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders(s)”	holder(s) of the Share(s) of the Company
“State”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Strategic Committee”	the Strategic Committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“substantial Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Supervisor(s)”	supervisors of the Company
“Xiong’an New Area”	established in Hebei Province in April 2017, as part of PRC government’s measures to advance the coordinated development of the Beijing-Tianjin-Hebei Region. This new area currently spans the three counties of Xiongxian, Rongcheng and Anxin

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Zhongcheng Real Estate”	Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), a joint stock company incorporated in the PRC with limited liability on 4 August 1992, and a wholly-owned subsidiary held as to 100% by Zhongming Zhiye as of the Latest Practicable Date. Unless the context otherwise requires, its subsidiary(ies) is included
“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 of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Hence, Zhongming Zhiye is a connected person of the Company
“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 of the Latest Practicable Date, Zhongru Investment directly held 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
“%”	per cent.

## GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this report in connection with the Group and its business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“BOT”	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and maintenance of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the service supplied to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
“curtain wall”	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
“electrical and mechanical installation”	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
“EPC”	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor’s own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
“m <sup>2</sup> ” or “sq.m.”	square meters

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“PPP”	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
“prefabricated construction”	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
“steel structure”	structural supporting elements comprising steel columns, girders and beams of a construction project



河北建設集團股份有限公司  
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

