



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



2022
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!

In 2022, as we celebrated the 70th anniversary of the founding of the Company, we upheld the general keynote of “Improving Quality and Efficiency, and Achieving Stability for Sustainable Development”. Despite the challenging and complex external environment as well as the numerous risks and challenges we have faced, we have remained focused on our objectives with concerted efforts and achieved outstanding results.

We were committed to exploring new opportunities and achieved greater success in market development. In 2022, we secured 583 new projects with a total contract value of RMB43,732 million. While maintaining a stable overall scale, we continued to improve our market structure, with state-owned investment projects accounting for 73.4% of the total. We have also experienced significant success in county-level markets and made continued efforts in specialty sectors such as science, education, culture, healthcare, infrastructure and urban renewal.

We adhered to our safety bottom line and ensured stable, orderly and safe production. During the year, we recorded revenue of RMB40,006 million, established four national standardized production safety construction sites and 34 provincial standardized construction sites.

We strived to improve quality and efficiency and steadily enhanced our profitability. We gradually mitigated the risks related to the projects of certain real estate developers, recorded net profit of RMB315 million for the year, continued to improve our production output and profitability and steadily decreased our gearing ratio.

We pursued excellence and won various awards related to quality and technology. In particular, one project won the Lu Ban Award, two projects won the national high-quality project awards, one project won the Steel Structure Gold Award and three projects won the China Construction Project Decoration Awards. We also received two Provincial Government Scientific and Technological Progress Awards, 37 Scientific and Technological Progress Awards for Construction Provincial Industry and 207 new patents (including seven invention patents).



We upheld the value of benefiting others and ourselves, and garnered a highly regarded corporate image. The Company actively fulfilled its social responsibility and paid RMB1,102 million in taxes. During the year, we donated over RMB10 million of cash and goods to the local communities and created 150,000 jobs for the society, which earned us widespread recognition and praise from various government departments and different parties in the society.

Over the past three years of the COVID-19 pandemic, despite the unprecedented challenges, we were determined to pursue ambitious goals, remained steadfast in our efforts to strengthen management, address weaknesses, adjust our structure, and prevent risks, thereby responding to the economic cycle in a prudent manner. As the overall COVID-19 situation in China enters a low prevalence phase, various regions across the country have begun to focus on boosting their economies with renewed enthusiasm and tireless and creative efforts to promote comprehensive economic recovery. In the new year, the Company will continue to adhere to the strategy of “consolidating our strength, upgrading our standards, pioneering and innovating to achieve sustainable development”, seize opportunities to capitalize on positive public sentiment and industry revitalization, and strive to accelerate our development with unprecedented energy and dedication in a flexible manner, thereby delivering excellent performance to serve the society, reward our shareholders and benefit our employees.

Li Baozhong

Chairman

27 March 2023

CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY SUPERVISORS

河北建設集團股份有限公司

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

ENGLISH NAME OF THE COMPANY

Mr. Liu Jingqiao
Ms. Feng Xiujian
Mr. Yue Jianming
Mr. Wang Feng

Hebei Construction Group Corporation Limited

DIRECTORS

JOINT COMPANY SECRETARIES

Executive Directors

Mr. Li Wutie
Ms. Wong Wai Ling (ACG, HKACG)

Mr. Li Baozhong (Chairman of the Board)

Mr. Shang Jinfeng (President)

Mr. Liu Yongjian

Mr. Zhao Wensheng

AUTHORIZED REPRESENTATIVES

Non-executive Director¹

Ms. Shen Lifeng
Ms. Wong Wai Ling (ACG, HKACG)

Mr. Li Baoyuan (Honorary Chairman)

BOARD COMMITTEES

Independent Non-executive Directors

Audit Committee

Ms. Shen Lifeng

Ms. Shen Lifeng
(Chairwoman of the committee)

Ms. Chen Xin

Mr. Li Baoyuan

Mr. Chan Ngai Sang Kenny

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

- Notes:
1. During the Reporting Period, Mr. Cao Qingshe, the vice chairman, a non-executive Director, a member of the Audit Committee and a member of the Strategic Committee under the Board of the Company, passed away due to illness in December 2022.
 2. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company, Mr. Li Baoyuan as a candidate for the non-executive Director of the third session of the Board of Directors of the Company and Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny as candidates for the independent non-executive Directors of the third session of the Board of Directors of the Company. Such proposal is subject to the approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.
 3. At the meeting of the Board of Supervisors held on 27 March 2023, subject to the Shareholders' approval of the resolution on the proposed amendments to the Articles of Association at the general meeting, the Board of Supervisors proposed to nominate Mr. Yue Jianming and Mr. Wang Feng as the candidates for non-employee representative supervisors of the third session of the Board of Supervisors of the Company, together with Mr. Chen Qinghan, an employee Supervisor democratically elected by the employees, a total of three Supervisors to form the third session of the Board of Supervisors of the Company. Such proposal is subject to the approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.



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. 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

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STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPANY WEBSITE

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LEGAL ADVISORS

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AUDITOR

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



FINANCIAL HIGHLIGHTS

In 2022, our revenue amounted to RMB40,006 million, representing a decrease of 16% as compared with that of 2021.

In 2022, our net profits amounted to RMB315 million, as compared to net losses of RMB358 million in 2021.

In 2022, our earnings per share amounted to RMB0.19, as compared to losses per share of RMB0.2 in 2021.

BUSINESS OVERVIEW

PART I: BUSINESS REVIEW

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

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

A substantial majority of the Group'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 2022, the Group's new contract value amounted to RMB43,732 million, as compared with RMB48,183 million for the corresponding period of last year. Our outstanding contract value was RMB69,722 million, as compared with RMB73,274 million for the corresponding period of last year.

New contract value (by region):

Year	2022		2021	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	437.32	100%	481.83	100%
Beijing-Tianjin-Hebei	332.90	76.12%	293.66	60.95%
Other	104.42	23.88%	188.17	39.05%

New contract value (by segment):

Year	2022		2021	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	437.32	100%	481.83	100%
Building construction	282.95	64.70%	306.64	63.64%
Infrastructure construction	116.93	26.74%	125.95	26.14%
Specialized and other construction	37.44	8.56%	49.24	10.22%



Building Construction Business

The Group provides construction contracting services for residential, public works, industrial and commercial construction projects. The Group undertakes most of such construction projects as a general contractor. As a general contractor, the Group undertakes all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. The Group 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 2022, the new contract value from the building construction business was RMB28,295 million, compared with RMB30,664 million for the corresponding period of last year.

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

Year	2022		2021	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	282.95	100%	306.64	100%
Residential construction	90.80	32.09%	120.81	39.40%
Public building construction	141.98	50.18%	118.17	39.53%
Industrial building construction	43.24	15.28%	54.52	17.78%
Commercial building construction	6.93	2.45%	13.15	4.29%

Infrastructure Construction Business

The Group 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 Group undertakes most of such construction projects as general contractor. The Group's infrastructure construction customers are primarily local governments. In 2022, the new contract value from the infrastructure construction business was RMB11,693 million, compared with RMB12,595 million for the corresponding period of last year.

BUSINESS OVERVIEW

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

Year	2022		2021	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	116.93	100%	125.95	100%
Municipal infrastructure construction	105.54	90.26%	78.40	62.25%
Transportation infrastructure construction	11.39	9.74%	47.55	37.75%

Specialized and Other Construction Contracting Business

The Group 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 Group'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 2022, new contracts from the specialized and other construction contracting business were valued at RMB3,744 million, compared with RMB4,924 million for the corresponding period of the last year.

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

Year	2022		2021	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	37.44	100%	49.24	100%
Electrical and mechanical installation	3.39	9.06%	14.60	29.66%
Steel structures	1.37	3.66%	2.24	4.54%
Decoration	7.90	21.10%	10.30	20.92%
Other construction business	24.78	66.18%	22.10	44.88%



Representative projects of the building construction business are as follows:

Representative projects of new contracts

Business segment	Name of project	Contract value (RMB100 million)	Region
Residential building	Phase II Project of Renovation of Urban Villages in Longtun New Town of Botou (泊頭市龍屯新城城中村改造二期項目)	9.54	Hebei
Residential building	EPC General Contracting of the Project of Renovation and Improvement of Second Batch of Old Communities in Jingxiu District in 2022 (競秀區2022年第二批老舊小區改造和提升項目 EPC總承包)	6.41	Hebei
Residential building	Landun Shangpin Garden Project (Residential Buildings 1#-19#, Ancillary Buildings 1#-4#, Kindergarten and Underground Parking Lot) (蘭頓尚品雅園項目(1#-19#住宅樓、配套用房1#-4#、幼兒園、地下車庫))	4.51	Hebei
Residential building	Gaoke Luwan International Community Land Lot No. DK4 (BQ3-9-8) Phase II Section C Construction and Installation Project (高科麓灣國際社區 DK4 號(BQ3-9-8)地塊二期 C 標段建安工程)	3.39	Shaanxi
Residential building	Tingcheng Guanlanli Area Construction Project (亭城觀瀾裏大區施工項目)	9.82	Anhui
Residential building	General Contracting (EPC) of Surveying, Design and Construction of the Huangpu District Land Lot CPPQ-A4-5 Project (黃埔區CPPQ-A4-5地塊項目勘察設計施工總承包(EPC))	8.64	Guangdong
Public building	General Contracting of Construction of Baoding Hospital under China Academy of Chinese Medical Sciences Guang'anmen Hospital (中國中醫科學院廣安門醫院保定醫院工程總承包)	19.42	Hebei
Public building	Building A3# - Building A6# and Zone 2 of Underground Parking Lot of 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)A3#樓-A6#樓及地下車庫二區)	3.92	Hebei
Public building	General Contracting (EPC) of Design and Construction of the Construction Project of the New Campus of Shunping County Hospital (順平縣醫院新院區建設項目設計、施工總承包 (EPC))	6.06	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(RMB100 million)</i>	Region
Public building	Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital (保定市清苑區人民醫院新院區二期建設項目)	5.18	Hebei
Public building	Project of Overall Relocation of Wen'an County Hospital (文安縣醫院整體遷建工程)	6.57	Hebei
Public building	Civil Air Defense Project at the Southwest Side of Zhengding New Area Exhibition Center (正定新區會展中心西南側人防工程)	3.22	Hebei
Public building	Nuowen Company Hotel Project (諾文公司酒店項目)	6.00	Guangdong
Public building	Project of New Engineering Complex of Minhang Campus of Shanghai Jiao Tong University (上海交通大學閔行校區新工程館項目)	3.69	Shanghai
Public building	General Contracting of Construction of the Project of Inpatient Complex of the Affiliated Hospital of Hebei University (河北大學附屬醫院住院綜合樓項目施工總承包)	4.30	Hebei
Public building	General Contracting of Construction of Design and Construction of Dacheng County Hospital Relocation Project (大城縣醫院遷建項目設計施工總承包)	6.37	Hebei
Industrial building	Construction of the Project of Hebei Laiyuan Economic Development Zone Standardized Technology Innovation Park (河北涞源經濟開發區標準化科創園項目施工)	4.36	Hebei
Industrial building	EPC General Contracting of Section One of Phase II of the Hebei Mancheng Economic Development Zone Infrastructure Transformation and Upgrade Project (河北滿城經濟開發區基礎設施改造提升項目二期一標段EPC總承包)	7.82	Hebei



Representative projects of the infrastructure construction business are as follows:

Representative projects of new contracts

Business segment	Name of project	Contract value (RMB100 million)	Region
Municipal infrastructure construction	Comprehensive Treatment of Baoding Fu River Water System (Phase II) – Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting) (保定市府河水系綜合治理(二期)–黃花溝生態設施綜合提升工程(工程總承包))	7.24	Hebei
Municipal infrastructure construction	Construction of Phase II of River Water Replacement for Rural Domestic Water Sources in Baoding Qingyuan District, in 2021-2022 (保定市清苑區 2021-2022年度農村生活水源江水置換二期施工)	3.13	Hebei
Municipal infrastructure construction	EPC General Contracting of the Innovative Manufacturing Industrial Park Infrastructure Construction Project (創新製造產業園基礎設施建設項目 EPC 總承包)	13.62	Hebei
Municipal infrastructure construction	General Contracting (EPC) of Design and Construction of the Leiting Cogeneration Centralized Heat Supply and Reclaimed Water Reuse Integrated Pipeline Network Construction Project (樂亭熱電聯產集中供熱和中水回用綜合管網建設項目設計、施工總承包(EPC))	7.78	Hebei
Municipal infrastructure construction	General Contracting of Ecological and Greenery Engineering of the Baoding Shenzhen High-Tech Innovation Industrial Park Infrastructure Construction Project (保定深圳高新技術科技創新產業園基礎設施建設項目生態綠化工程工程總承包)	4.31	Hebei
Municipal infrastructure construction	Section Two of General Contracting of Road Construction (Phase I) of the Baoding Culture and Sports New City and Supporting Infrastructure Construction Project (保定市文體新城及配套基礎設施工程建設項目道路(一期)工程施工總承包二標段)	3.49	Hebei
Transportation infrastructure construction	Section Four of Construction of Runway and Underpass of Harbin Taiping International Airport Expansion Project (Phase II) (哈爾濱太平國際機場二期擴建工程場道及下穿通道工程施工四標段)	4.45	Heilongjiang

BUSINESS OVERVIEW

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

Representative projects of new contracts

Business segment	Name of project	Contract value (RMB100 million)	Region
Electrical and mechanical installation	Construction Project of Upgrade of Ancillary Facilities of Standard Plant with Annual Output of 100,000 Pieces of Silicon Carbide Single Crystal Substrate at a Diameter of 4-6 Inches (年產10萬片直徑4-6英寸碳化矽單晶襯底標準廠房配套提升建設項目)	1.56	Hebei

Representative projects of construction in progress

Business segment	Name of project	Executive contract value (RMB100 million)	Region
Public building	General Contracting (EPC) of Design and Construction of Guangzhou Barcelona International Hospital Project (廣州巴塞羅那國際醫院項目設計施工總承包(EPC))	12.60	Guangdong
	General Contracting (EPC) of Design and Construction of the Construction Project of the New Campus of Shunping County Hospital (順平縣醫院新院區建設項目設計、施工總承包(EPC))	6.07	Hebei
	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
	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
	Project of Overall Relocation of Wen'an County Hospital (文安縣醫院整體遷建工程)	6.57	Hebei
	Construction Project of Shengzhou Culture and Media Center (嵯州市文化傳媒中心建設工程)	5.64	Zhejiang



Business segment	Name of project	Executive contract value (RMB100 million)	Region
	Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital (保定市清苑區人民醫院新院區二期建設項目)	5.18	Hebei
	General Contracting of Construction of Design and Construction of Dacheng County Hospital Relocation Project (大城縣醫院遷建項目設計施工總承包)	6.37	Hebei
	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	Hebei
	General Contracting of Construction of Baoding Hospital under China Academy of Chinese Medical Sciences Guang'anmen Hospital (中國中醫科學院廣安門醫院保定醫院工程總承包)	19.43	Hebei
	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)	7.10	Inner Mongolia Autonomous Region
Residential building	Economic Development Zone Ruixiang Neighborhood (Land Lot 3#) (經開區瑞祥小區(3#地塊))	10.41	Henan
	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
	Landun Shangpin Garden Project (Residential Buildings 1#-19#, Ancillary Buildings 1#-4#, Kindergarten and Underground Parking Lot) (蘭頓尚品雅園項目(1#-19#住宅樓、配套用房1#-4#、幼兒園、地下車庫))	4.52	Hebei
	EPC General Contracting of the Construction Project of Riverside Relocation Housing in Xishui County (浞水縣一河兩岸回遷房建設項目EPC總承包)	10.10	Hubei
	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 II Project of Renovation of Urban Villages in Longtun New Town of Botou (泊頭市龍屯新城城中村改造二期項目)	9.54	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Executive contract value (RMB100 million)	Region	
Commercial building	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	
	EPC General Contracting Project of Xianyang Blue Light Future City (咸陽藍光未來城項目總包工程)	3.28	Shaanxi	
	Gaoke Luwan International Community Land Lot No. DK4 (BQ3-9-8) Phase II Section C Construction and Installation Project (高科麓灣國際社區 DK4 號(BQ3-9-8)地塊二期 C 標段建安工程)	3.40	Shaanxi	
	Resettlement Housing Construction Project In Sifeng District, Pingshui (平水四豐區塊安置房建設工程)	3.75	Zhejiang	
	Construction Contract of Linzhi Red Star Macalline International Furniture Shopping Plaza Construction Project (林芝紅星美凱龍國際家居購物廣場建設項目施工合同)	1.41	Tibet Autonomous Region	
	Hengbai International Plaza Construction Project (衡百國際廣場建設項目)	2.35	Hebei	
	ZXZ-010 Plot F3 Other Mixed-Use Land Project under the Zhuxinzhuang New Area (Phase II) Tier 1 Land Development Project in Changping District, Beijing (5 projects including Huicong Building) (北京市昌平區朱辛莊新區(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	
	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	
	Industrial building	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)	5.30	Shandong
		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



Business segment	Name of project	Executive contract value (RMB100 million)	Region
Transportation infrastructure construction	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
	Soybean Protein Concentrate Production Project with a Capacity of 180,000 Tonnes Per Year (18 萬噸/年大豆濃縮蛋白生產項目)	1.24	Tianjin
	General Contracting of Construction of Tianjin Intelligent Chemical Plant Construction Project (Phase I) (天津智能化工廠建設項目(一期)施工總承包工程)	1.55	Tianjin
	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	Chongqing
	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	Inner Mongolia Autonomous Region
	Section Four of Construction of Runway and Underpass of Harbin Taiping International Airport Expansion Project (Phase II) (哈爾濱太平國際機場二期擴建工程場道及下穿通道工程施工四標段)	4.46	Heilongjiang
	Construction of Earthwork and Foundation Treatment Works in the Airfield of the Expansion Project of Xining Caojiabao Airport (Phase III) (Section One) (西寧曹家堡機場三期擴建工程飛行區土方及地基處理工程施工(一標段))	3.46	Qinghai
Municipal infrastructure construction	National Highway G205 Yanshan County Round-town Section Renovation Project (國道G205鹽山縣繞城段改建工程)	2.47	Hebei
	EPC General Contracting of the Innovative Manufacturing Park Infrastructure Construction Project (創新製造產業園基礎設施建設項目EPC總承包)	13.62	Hebei
	Road Construction (North of Shenbao Avenue) of the Baoding Shenzhen High-Tech Innovation Industrial Park Infrastructure Construction Project (保定深圳高新技術科技創新產業園基礎設施建設項目道路工程(深保大道以北))	2.05	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Executive contract value (RMB100 million)	Region
	General Contracting of Gaoyang County Comprehensive Ecological Management of Urban Water System and Urban Ancillary Infrastructure Construction Project (Project of Comprehensive Ecological Management of Urban Water System) (高陽縣環城水系生態綜合治理及城區配套基礎設施建設項目(環城水系生態綜合治理工程)工程總承包)	2.83	Hebei
	Gaoyang County Comprehensive Ecological Management of Urban Water System and Urban Ancillary Infrastructure Construction Project (Road Condition Improvement and Construction of Ancillary Facilities) (高陽縣環城水系生態綜合治理及城區配套基礎設施建設項目(道路環境整治及配套設施建設))	2.62	Hebei
	Shaxi Town Area (Including Management Area) of Section Four of Taicang Drainage Pipeline Network Leakage Repair Project (EPC General Contracting) (太倉市排水管網查漏補缺工程(EPC總承包)4標沙溪鎮片區(含管理區))	2.61	Jiangsu
Electrical and mechanical installation	Installation of Four Major Pipelines for the Coke and Electricity co-generation Project of Hebei Taihang Steel Group Co. Ltd. (河北太行鋼鐵集團有限公司焦電聯產項目餘熱發電工程四大管道安裝工程)	0.24	Hebei
	Commercial Fire Services Subcontracting Project of Section Five of Aegean International Plaza Project - S1 Commercial MALL, Office Building and Underground Parking Lot Project (愛琴海國際廣場項目五標段商業消防分包工程-S1商業MALL、辦公樓及地下車庫工程)	0.25	Hebei
Steel structures	Inner Mongolia Jinlian Aluminum Co., Ltd. Power Plant Coal Yard Closed Transformation Project (EPC General Contracting) (內蒙古錦聯鋁材有限公司電廠煤場封閉改造項目(EPC總承包))	1.26	Inner Mongolia Autonomous Region
Decoration	Beijing New Airport Education and Scientific Research Station Decoration Project (北京新機場教育科研基地裝修工程)	0.81	Beijing
	Curtain Wall for Shenzhen Park Digital Industrial Base Project (深圳園數字產業基地項目幕牆工程)	0.57	Hebei



Business segment	Name of project	Executive contract value (RMB100 million)	Region
Specialized and Other Construction	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
	Jin'an Lake Project Section Two (Construction) (晉安湖項目第2標段(施工))	2.59	Fujian
	Comprehensive Treatment of Baoding Fu River Water System (Phase II) - Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting) (保定市府河水系綜合治理(二期)-黃花溝生態設施綜合提升工程(工程總承包))	9.06	Hebei
	General Contracting of Ecological and Greenery Engineering of the Baoding Shenzhen High-Tech Innovation Industrial Park Infrastructure Construction Project (保定深圳高新技術科技創新產業園基礎設施建設項目生態綠化工程工程總承包)	4.31	Hebei

PART II: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

Science and Technology Research and Development

- For plan project at provincial level or above in 2022, the project of "Research and Demonstration of Wetland Buffer Zone Technology for Ecological Purification of Water Inflow of Baiyang Lake (20373601D)", a key research and development plan project of Hebei Province jointly completed by the Installation Company and Tongji University, passed the specialist on-site inspection organized by the Hebei Provincial Department of Science and Technology.
- In 2022, we received one second prize in the Jianhua Construction Awards, 22 "Scientific and Technological Progress Awards for Construction Systems in Hebei Province (河北省建設系統科技進步獎)" and 15 "Science and Technology Awards of Construction Industry in Hebei Province (河北省建築業科學技術獎)".

BUSINESS OVERVIEW

3. In 2022, we led or participated in the formulation of 12 sets of regulations, standards and rules, and were accredited for 23 provincial process methodologies in Hebei Province.
4. In 2022, the Company submitted 206 patent applications in China, including 27 applications for invention patents, and was granted 252 patents (including 7 invention patents).

In 2022, one project was admitted as a central guidance for local science and technology development fund project by the Hebei Provincial Department of Science and Technology with government grant of RMB800,000, five projects were admitted as construction science and technology research projects of Hebei Province, two projects were admitted as construction science and technology demonstration projects of Hebei Province, and nine projects were admitted as science and technology projects by Hebei Construction Industry Association. During the year, we assessed and initiated over 300 projects and carried out nearly 50 demonstration projects and achievement assessments. We had 321 ongoing research projects and 78 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 Office Building and Section Three of Underground Parking Lot of the Hebei Construction Business Centre Project constructed by the Group won the 2022 Lu Ban Award. We also participated in the construction of two projects that won the Lu Ban Award.
2. Two projects were recognized as national quality projects, and we participated in the construction of one project that won the “National Quality Project Golden Award (國家優質工程金獎)” and one project that was recognized as national quality project.
3. We garnered one “China Steel Structure Golden Award (中國鋼結構金獎)” and three “China Construction Project Decoration Awards (中國建築工程裝飾獎)”.
4. 94 projects were recognized as provincial-level quality projects.



PART III: OUTLOOK

In 2023, after crossing an important historical milestone of the 70th anniversary of the founding of the Company, the Company will vigorously embark on a new journey of high-quality development towards a century-old company during such a critical year. In the new year, we will continue to adhere to the strategy of “consolidating our strength, upgrading our standards, pioneering and innovating to achieve sustainable development”, hold ourselves to the standards of a listed company, with exceptional performance as our primary goal, prioritize profitability, facilitate talent development, and adopt a digital and innovation driven approach. By encouraging innovation among companies, we will facilitate project implementation through joint inspection and supervision, promote quality and efficiency enhancement through in-depth operation, fully support the national strategies of supply-side structural reform and domestic demand expansion, create demand and empower partners by providing high-quality services, maintain stable operation while seeking progress, and strive to complete all planned targets.

The construction industry is the bedrock of the Company and the cornerstone of our business. Without a solid foundation, we cannot achieve lasting success. We are committed to weathering any challenges that come our way and adhering to our strategic policy of “building a large-scale corporation, consolidating our workforce, operating effective systems, and expanding our brand”. We will leverage the advantages of the Group in large-scale operation and continuously improve our core competitiveness in the construction industry.

For market development, we will seize the strategic opportunities brought about by the coordinated development of the Beijing-Tianjin-Hebei region, make full use of the Company’s excellent reputation and comprehensive management capabilities in this region, continue to optimize our organization and pursue meticulous project development, thereby demonstrating our good reputation by developing high-quality projects. We will maintain our presence in provincial capitals and municipalities outside of the Beijing-Tianjin-Hebei region and use this as a foundation to radiate to surrounding areas. We will also steadily expand into international markets while ensuring effective risk control.

For technological innovation, we will focus on the development direction of green building and intelligent construction, keep abreast of the cutting-edge technology in the industry, enhance our knowledge and technology reserves, and explore and nurture new economic growth drivers.

At the front line of project production, we will firmly hold the bottom line of safety, continuously enhance project quality, persistently improve our standardized management capabilities and capture market shares through implementation of high-quality projects.

BUSINESS OVERVIEW

For internal control and management, we will continue to deepen our operational management and continuously improve the profitability of our output value. We will continue to strengthen the three lines of defense of internal control, enhance the accountability mechanism, and prevent various risks in a more effective manner.

In 2023, the Company will stay true to its original mission of “ensuring the well-being of employees, promoting development of enterprises and making contribution to the society”, work diligently and persistently, remain true to our core value while embracing innovation, march forward with perseverance, determination and courage, and strive to become “a happy enterprise that accomplishes the purposes of its own and others and 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 2022 amounted to RMB40,006 million, representing a decrease of approximately RMB7,822 million as compared with last year, which was mainly due to the decrease in revenue from construction contracting segment of RMB7,871 million.

In particular:

(1) Operating Results of Construction Contracting Business By Product

	As at 31 December 2022				As at 31 December 2021			
	Revenue <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %	Revenue <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %
Building construction business	262.04	253.76	3.2	67.0	304.83	291.82	4.3	64.8
Infrastructure construction business	100.29	94.71	5.6	25.6	120.08	112.05	6.7	25.5
Specialized and other construction business	29.02	28.08	3.2	7.4	45.15	42.68	5.5	9.7
Total	391.35	376.55	3.8		470.06	446.55	5.0	

The revenue from construction contracting segment for 2022 decreased by RMB7,871 million, which was mainly due to (i) the completion of certain large-scale projects of the Group during the year as compared to last year; and (ii) the decrease in contract value and number of contracts for new projects undertaken by the Group in 2022 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, completed certain large-scale projects such as the construction contract of Sichuan Tourism Investment Group - Jinjiang Mansion and the project of General Contracting of Design and Construction of Songshan Lake (Ecological Park) Robot Intelligent Equipment Manufacturing Industry Accelerator during the Reporting Period, which resulted in a decrease in revenue from building construction business of RMB4,279 million as compared to last year. During the Reporting Period, many projects were suspended due to the pandemic during the year, which resulted in increase in fixed costs and thus the decrease in gross profit rate of the building construction business as compared to last year.
- (2) The revenue from infrastructure construction business decreased by RMB1,979 million as compared to last year. During the Reporting Period, certain large infrastructure construction projects with high gross profit, such as the project of In-depth Treatment for Yindingzhuang Wastewater Treatment Plant in Baoding, were completed during the year, resulting in lower revenue and gross profit rate of the infrastructure business for the year as compared to last year.
- (3) The revenue from specialized and other construction business decreased by RMB1,613 million in 2022 as compared to last year. Such business mainly comprises other construction businesses such as electrical and mechanical installation and steel structures, which have shorter construction periods. During the Reporting Period, the number of new projects of specialized and other construction business undertaken decreased as compared to last year, resulting in decreased revenue as compared to the same period of last year. Meanwhile, during the Reporting Period, labor costs, raw material costs, and indirect expenses such as machinery costs increased accordingly due to the impact of the pandemic during the year, resulting in a decrease in the gross profit rate of specialized and other construction business as compared to last year.

Administrative Expenses

Administrative expenses amounted to RMB571 million in 2022, representing an increase of RMB35 million as compared with that of 2021, which remained stable with a relatively small change from last year.

Research and Development Costs

Research and development costs amounted to RMB150 million in 2022, representing an increase of RMB74 million as compared with that of 2021. The research and development costs mainly include the Group's costs incurred for research of special projects or production process. During the year, the Group increased its investment in research and development, resulting in an increase in research and development costs.



Credit Impairment Gains/(Losses)

Credit impairment gains amounted to RMB131 million in 2022, representing a reversal of RMB754 million as compared to the credit impairment losses of RMB623 million of 2021, which was mainly due to the decrease in individual bad debt provision for customers with significant risk of default based on the Group's assessment on customer's operating conditions and payment collection.

Asset Impairment Losses

Asset impairment losses amounted to RMB179 million in 2022, representing a decrease of RMB1,122 million as compared with that of 2021, which was mainly due to the decrease in number of new defaulting customers during the year as compared to last year, resulting in a decrease in the provision for bad debts on contract assets during the year as compared to last year.

Investment Income

Investment income amounted to RMB25 million in 2022, representing an increase of RMB21 million as compared with that of 2021, which was mainly due to the decrease in number of non-recourse factoring during the year, resulting in a decrease in the loss on derecognition of financial assets measured at amortized cost.

Income Tax Expenses/(Gains)

Income tax expenses amounted to RMB113 million in 2022, representing an increase of RMB251 million from 2021, which was mainly due to the increase in net profit generated during the year.

Net Profit

Based on the above factors, net profit amounted to RMB315 million in 2022, representing an increase of approximately RMB674 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 at 31 December 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB8,488 million and approximately RMB8,307 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

As at 31 December 2022, the Group's currency funds of the Group were RMB9,123 million, representing an increase of RMB313 million as compared to that of 2021, which was mainly due to the net cash inflows from operating activities and financing 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

As at 31 December 2022, the long-term equity investment was RMB516 million, representing a decrease of RMB6 million compared with that of 2021, which was mainly due to the change in profit or loss of the Group's investments under the equity method.

Receivables Financing

As at 31 December 2022, the receivables financing of the Group were RMB349 million, representing a decrease of RMB155 million compared with the end of 2021, which was mainly due to decrease in bank acceptance bills accepted by the Group during the year.

Accounts Receivable and Long-term Receivables

As at 31 December 2022, the net value of accounts receivable was RMB7,816 million, representing an increase of approximately RMB75 million as compared with that of 2021 without significant overall change.

The net value of long-term receivables (including the portion due within one year) was RMB213 million, representing a decrease of RMB0.36 million as compared with that of 2021 without significant change.

Other Receivables

As at 31 December 2022, balance of other receivables of the Group was RMB2,360 million, representing a decrease of approximately RMB257 million as compared with that of last year, which was mainly due to the decrease in the number of new projects during the year as compared to last year.



Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as at 31 December 2022 was RMB42,917 million, representing an increase of approximately RMB754 million as compared with that of 2021, which was mainly due to the increase in completed but unsettled long-term contract assets of project companies. Contract liabilities as at 31 December 2022 were RMB6,940 million, representing an increase of approximately RMB933 million as compared with that of 2021, which was mainly because the Group received prepayment for certain new projects started during the year, resulting in an increase in contract liabilities.

Other Equity Instrument Investment

The carrying value of other equity instrument investment as at 31 December 2022 was RMB744 million, representing a decrease of approximately RMB35 million as compared with that of 2021, which was mainly due to the decrease 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 2022, the Group's interest-bearing borrowings were approximately RMB5,989 million (31 December 2021: approximately RMB5,479 million).

Bills and Accounts Payable

The balance of accounts payable as at 31 December 2022 was RMB36,587 million, representing a decrease of RMB1,350 million or 4% compared with that of 2021, which was mainly due to the decrease in project volume during the year, resulting in lower procurement volume. The balance of bills payable decreased by RMB88 million compared with that of last year, which was mainly due to the decreased proportion of bill payments during the year.

Capital Expenditures

Capital expenditures in 2022 were approximately RMB81 million, representing a decrease of RMB173 million as compared to that of 2021, which was mainly because there was no significant expenditure for purchase of fixed assets during the Reporting Period.

Capital Commitment

As at 31 December 2022, the Group did not have any material capital commitment.

Financial Ratios

	31 December 2022	31 December 2021
Current ratio (times) ⁽¹⁾	1.0	1.0
Quick ratio (times) ⁽²⁾	1.0	1.0
Gearing ratio ⁽³⁾	97.1%	93.3%
Return on assets ⁽⁴⁾	0.5%	-0.6%
Return on equity ⁽⁵⁾	5.2%	-5.8%

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

On 5 May 2022, the Company (as purchaser) entered into the equity transfer agreement with Baoding Qiande Trading Company Limited (保定乾德商貿有限責任公司) (“**Baoding Qiande**”) and Baoding Qian Yao Trading Company Limited (保定乾耀商貿有限責任公司) (“**Baoding Qian Yao**”) (as sellers), pursuant to which Baoding Qiande and Baoding Qian Yao agreed to sell and the Company agreed to purchase an aggregate of 100% equity interests in Zhongwei Construction Engineering Co., Ltd. (中為建築工程有限公司) (“**Zhongwei Construction**”). The acquisition was completed on 29 June 2022. Thereafter, the Company introduced a government investment platform and transferred its 51% equity interests in Zhongwei Construction to the government platform company on 29 June 2022, and the results of Zhongwei Construction will not be consolidated in the Group’s financial statements.

For details of the acquisition, please refer to the Company’s announcements dated 5 May 2022 and 12 May 2022.



Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities arising from external guarantees amounting to RMB719 million and contingent liabilities arising from pending litigation or arbitration amounting to RMB21.36 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 at 31 December 2022, the Group had a total of 9,104 full-time employees (31 December 2021: 9,064).

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 at 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 2022, 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 6 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 71 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 8 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 30 to page 54 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 88 to page 187.

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 Anti-Unfair Competition Law of the People's Republic of China, Certain Opinions of the State Council on Promoting Fair Competition in the Market and Maintaining the Normal Order of the Market, the Construction Law of the People's Republic of China, the Regulations on the Quality Management of Construction Projects, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Appraising of Environment Impacts, the Regulations on the Administration of Construction Project Environmental Protection, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Labor 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, the Provisions on the Prohibition of Using Child Labor, the Safety Law of the People's Republic of China, the Fire Services Law of the People's Republic of China, the Measures for the Administration of Contingency Plans for Work Safety Accidents, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Administrative Measures for Occupational Health Inspection and the Work-related Injury Insurance Regulations.

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 2022 are set out in the audited Consolidated Income Statement on page 215 to page 216 of this report. The financial condition of the Group as of 31 December 2022 is set out in the audited Consolidated Balance Sheet on page 213 to page 214 of this report.

According to the Profit Distribution Proposal of the Company for 2021 considered and approved by the Shareholders at the 2021 annual general meeting on 28 June 2022, in order to ensure the continuous and stable operation of the Company and to safeguard the long-term interests of all Shareholders, and taking into account the Company's business plan and capital requirements for 2022, the Company did not pay a final dividend to Shareholders for the year ended 31 December 2021. For details, please refer to the circular of 2021 annual general meeting dated 9 June 2022 and the announcement dated 28 June 2022 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 2022.

For the year ended 31 December 2022, 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 2022, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2022 are set out in Note VI-14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, total sales to the five largest customers of the Company accounted for approximately 7% of the total revenue for the year.

For the year ended 31 December 2022, 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 state-owned property development companies. 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.

REPORT OF THE BOARD OF DIRECTORS

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 188 to page 203.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2022 are set out in Notes VI-20 and VI-26 to the financial statements.

EXTERNAL DONATION

In 2022, the Company donated a total of RMB10.5466 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 2022 and as of the Latest Practicable Date:

Name	Position in the Company	Date of Appointment
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Directors, Supervisors and senior management currently in office

Directors

Executive Directors

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



REPORT OF THE BOARD OF DIRECTORS

Name	Position in the Company	Date of Appointment
<i>Non-executive Director</i>		
Mr. Li Baoyuan	Honorary chairman and non-executive Director	26 October 1997
<i>Independent Non-executive Directors</i>		
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
Supervisors		
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
Senior Management		
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. Lü Qian	Vice president	30 December 2020
Mr. Liu Xingyue	Vice president	29 August 2022
Mr. Chen Liewei	Vice president and chief economist	26 December 2022
Departed Directors, Supervisors and Senior Management		
Mr. Cao Qingshe	Former vice chairman and non-executive Director	26 October 1997 to December 2022
Mr. Li Zhongyi	Former vice president and chief economic officer	30 December 2020 to 26 December 2022

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Mr. Cao Qingshe, the vice chairman and a non-executive Director of the Company, passed away due to illness in December 2022.
2. Mr. Liu Xingyue was appointed as a vice president of the Company on 29 August 2022.
3. Mr. Chen Liewei was appointed as a vice president and chief economist of the Company on 26 December 2022, and at the same time, Mr. Li Zhongyi was removed from the position of executive vice president and chief economic officer.
4. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company, Mr. Li Baoyuan as a candidate for the non-executive Director of the third session of the Board of Directors of the Company and Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny as candidates for the independent non-executive Directors of the third session of the Board of Directors of the Company. Such proposal is subject to the approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.
5. At the meeting of the Board of Supervisors held on 27 March 2023, subject to the Shareholders' approval of the resolution on the proposed amendments to the Articles of Association at the general meeting, the Board of Supervisors proposed to nominate Mr. Yue Jianming and Mr. Wang Feng as the candidates for non-employee representative supervisors of the third session of the Board of Supervisors of the Company, together with Mr. Chen Qinghan, an employee Supervisor democratically elected by the employees, a total of three Supervisors to form the third session of the Board of Supervisors of the Company. Such proposal is subject to the approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.

Save as disclosed above, there was no change of Directors, Supervisors and senior management during the Reporting Period.

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Company are set out on page 188 to page 202 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 2022, 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 2022, 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 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2022.

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 60 to 64.



PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During the year ended 31 December 2022, 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 in relation to pre-emptive rights.

PERMITTED INDEMNITY PROVISIONS

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. Save as the above, as of 31 December 2022, none of the Directors of the Company were benefited from any effective permitted indemnity provisions.

DISTRIBUTABLE RESERVES

As at 31 December 2022, 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 2022, 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 is valid from 1 January 2020 to 31 December 2022, which may be renewed for another three years upon expiry by agreement of the relevant parties.

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 our business needs and operational requirements through its long-term cooperation with us and thus can provide us with a sufficient number of laborers who have the requisite expertise and experience for our 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 2022. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB2,825 million for 2022.

For details of the transaction above, please refer to the Company's announcements dated 31 December 2019 and 30 March 2020 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 22 November 2021, 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 2022, 2023 and 2024. 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) relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Engineering Construction Service Framework Agreement; and
- (3) the term of the Engineering Construction Service Framework Agreement starts from 1 January 2022 until 31 December 2024 (inclusive), and can be renewed for another three years upon its expiry as agreed by the relevant parties.

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 impacts of the project 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 reporting, annual review, announcement 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 2022. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB550 million for 2022.

For details of the transaction above, please refer to the Company's announcements dated 22 November 2021 and 28 December 2021 and the circular dated 8 December 2021.

Construction Auxiliary Service Framework Agreement

Parties

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

Principal Terms

On 22 November 2021, the Company and Zhongming Zhiye entered into a construction auxiliary service framework agreement ("**Construction Auxiliary Service Framework Agreement**"), pursuant to which 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. Principal terms of the Construction Auxiliary Service Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Construction Auxiliary Service Framework Agreement; and
- (3) the term of the Construction Auxiliary Service Framework Agreement shall commence from 1 January 2022 up to and including 31 December 2024, and may be renewed for another three years upon its expiry as agreed by the relevant parties.



Pricing Policy

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

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

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. According to the Listing Rules, the transactions contemplated under the Construction Auxiliary Service Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Construction Auxiliary Service Framework Agreement was capped at RMB7 million for 2022. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB46 million for 2022.

For details of the transaction above, please refer to the Company's announcement dated 22 November 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 Labor Subcontract Framework Agreement

As the Labor Subcontract Framework Agreement has expired on 31 December 2022, the Company entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 26 May 2022, and proposed the annual caps thereunder for 2023, 2024 and 2025 to renew such continuing connected transactions. The annual caps on the total subcontracting fees payable by the Group to Baoding Tianli and its associates for the three years ending 31 December 2023, 2024 and 2025 are RMB4,000.00 million. For the purpose of the New Labor Subcontract 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. The New Labor Subcontract Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcements of the Company dated 26 May 2022 and 28 June 2022 and the circular dated 9 June 2022.

Renewal of the New Property Leasing Framework Agreement

The Company entered into the Property Leasing Framework Agreement with Zhongming Zhiye on 31 December 2019, and set annual caps for the continuing connected transactions thereunder for 2020, 2021 and 2022. The transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as all the applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%. According to the Property Leasing Framework Agreement, Zhongming Zhiye and its associates may lease properties as offices, workshops, warehouses and/or other work places to the Group, for which Zhongming Zhiye and its associates will charge the Group rental and other charges.

As the Property Leasing Framework Agreement has expired on 31 December 2022, the Company has entered into the New Property Leasing Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. For the three years ending 31 December 2023, 2024 and 2025, the annual caps of the rental and other charges to be paid by the Group to Zhongming Zhiye and its associates for use of relevant properties are RMB9.00 million. For the purpose of the New Property Leasing 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 Property Leasing Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcement of the Company dated 26 May 2022.

Renewal of the New Leased Property Framework Agreement

The Company entered into the Leased Property Framework Agreement with Zhongming Zhiye on 31 December 2019, and set annual caps for the continuing connected transactions thereunder for 2020, 2021 and 2022. The transactions contemplated under the Leased Property Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as all the applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%. According to the Leased Property Framework Agreement, the Group may lease properties as offices, workshops, warehouses and/or other work places to Zhongming Zhiye and its associates, for which the Group will charge Zhongming Zhiye and its associates rental and other charges.

As the Leased Property Framework Agreement has expired on 31 December 2022, the Company has entered into the New Leased Property Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. For the three years ending 31 December 2023, 2024 and 2025, the annual caps of rental and other charges to be paid by Zhongming Zhiye and its associates to the Group for use of relevant properties are RMB5.00 million. For the purpose of the New Leased Property 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 Leased Property Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcement of the Company dated 26 May 2022.

Renewal of the New Comprehensive Services Framework Agreement

The Company entered into the Comprehensive Services Framework Agreement with Zhongming Zhiye on 31 December 2019, and set annual caps for the continuing connected transactions thereunder for 2020, 2021 and 2022. The transactions contemplated under the Comprehensive Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as all the applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%. Pursuant to the Comprehensive Services Framework Agreement, Zhongming Zhiye and its associates may provide certain ancillary services, such as quality inspections for building constructions and surveying and mapping services, for the Group's engineering construction, for which the Group will pay service fees to Zhongming Zhiye and its associates.



As the Comprehensive Services Framework Agreement has expired on 31 December 2022, the Company has entered into the New Comprehensive Services Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. For the three years ending 31 December 2023, 2024 and 2025, the annual caps of the total service fees payable by the Group for the comprehensive services provided by Zhongming Zhiye and its associates are RMB32.00 million, RMB42.00 million and RMB54.00 million, respectively. For the purpose of the New Comprehensive Services 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 Comprehensive Services Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcement of the Company dated 26 May 2022.

Renewal of the New Goods Procurement Framework Agreement

The Company entered into the Goods Procurement Framework Agreement with Zhongming Zhiye on 31 December 2019, and set annual caps for the continuing connected transactions thereunder for 2020, 2021 and 2022. The transactions contemplated under the Goods Procurement Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as all the applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%. Pursuant to the Goods Procurement Framework Agreement, Zhongming Zhiye and its associates may sell goods to the Group, which include but are not limited to steel and processed products, cement and related products, concrete and mortar, timber and processed products, flooring materials, brick and tile, insulation materials, waterproofing materials, fittings and equipment for water heating and gas, hardware and electrical materials, doors and windows, paints and coatings, garden seedlings, lifts and road materials, and the Group will make relevant payment to Zhongming Zhiye and its associates for procurement of relevant goods.

As the Goods Procurement Framework Agreement has expired on 31 December 2022, the Company has entered into the New Goods Procurement Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. For the three years ending 31 December 2023, 2024 and 2025, the annual caps of total payment made by the Group to Zhongming Zhiye and its associates for the goods purchased are RMB5.00 million. For the purpose of the New Goods Procurement 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 Goods Procurement Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcement of the Company dated 26 May 2022.

Renewal of the New Property Services Framework Agreement

The Company entered into the Property Services Framework Agreement with Zhongming Zhiye on 16 September 2020, and set annual caps for the continuing connected transactions thereunder for 2021 and 2022. The transactions contemplated under the Property Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules and are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as all the applicable percentage ratios (as defined under the Listing Rules) are less than 0.1%. Pursuant to the Property Services Framework Agreement, Zhongming Zhiye and its associates may provide property services to the Group, which include but are not limited to management and maintenance services for property facilities and equipment, public place order and security services, public hygiene and cleaning services, maintenance and management services for public landscaping and gardening, management services for archives such as relevant engineering drawings and completion acceptance materials, public area maintenance and other property management related services, and the Group will pay total service fees to Zhongming Zhiye and its associates.

As the Property Services Framework Agreement has expired on 31 December 2022, the Company has entered into the New Property Services Framework Agreement with Zhongming Zhiye on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions. For the three years ending 31 December 2023, 2024 and 2025, the annual caps of the total service fees paid by the Group for the property services provided by Zhongming Zhiye and its associates are RMB8.50 million, RMB9.30 million and RMB10.50 million. For the purpose of the New Property Services 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 Property Services Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of renewal of connected transactions, please refer to the announcement of the Company dated 26 May 2022.

Save as disclosed above, the Company and its connected persons 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 - 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, annual review, 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 2022 annual financial report of the Company and issued a standard unqualified audit report, indicating that the 2022 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 2022 and the audited consolidated financial statements for the year ended 31 December 2022 prepared under the CASBE.

ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for 2022 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2021.

AUDITOR

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.

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 June 2022, upon consideration and approval at the 2021 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 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.

REPORT OF THE BOARD OF DIRECTORS

In March 2023, 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 2023 under the CASBE for a term commencing from the date of conclusion of the 2022 annual general meeting of the Company to the date of conclusion of the 2023 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 complete the detailed procedures of appointment and engagement. The above proposals are subject to consideration and approval of the Shareholders at the 2022 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 2022, 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

- (1) On 31 March 2022, the sixth 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. At the meeting, five proposals, including the Proposal on the 2021 Annual Report and Results Announcement, the Proposal on the 2021 Financial Report, the Proposal on the 2021 Working Report of the Board of Supervisors, the Proposal on the 2021 Profit Distribution Plan and the Proposal on the Salary of Supervisors in 2021, were considered and approved.
- (2) On 29 August 2022, the seventh 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. At the meeting, the Proposal on the 2022 Interim Results Announcement and Interim Report of Hebei Construction Group Corporation Limited was considered and approved.

2. ATTENDANCE OF IMPORTANT MEETINGS

In 2022, the Supervisors attended 1 general meeting as required and were present at seven 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 2022, 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.

- (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 2022. Ernst & Young Hua Ming LLP has audited the 2022 annual financial report of the Group and issued a standard unqualified audit report. It was of the view that the 2022 annual financial report prepared by the Group has given a fair view of the financial position and operating results of the Group.



REPORT OF BOARD OF SUPERVISORS

- (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 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 2022, 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 2022 ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company will be convened at 8:30 a.m. on Monday, 26 June 2023 at Meeting Room, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding, Hebei Province, the PRC. The notice and circular of convening the 2022 annual general meeting will be dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

THE 2022 ANNUAL GENERAL MEETING

In order to ascertain the entitlements of the Shareholders to attend the 2022 annual general meeting, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (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 Monday, 26 June 2023 will be eligible to attend the 2022 annual general meeting. To be eligible to attend and vote at the 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Monday, 19 June 2023.

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 2023 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 2022, 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 2022, 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 2022	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2022
			Class of Shares			
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

Note:

- As at 31 December 2022, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.89% of the equity interests in Zhongru Investment. In addition, each of the 151 individuals holding in aggregate the remaining 65.11% 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 2022, 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 289,500,000 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 2022
Directors					
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	289,500,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	5,000,000 shares	Long position	1.73%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	3,000,000 shares	Long position	1.04%
Mr. Liu Yongjian	Zhongru Investment ³	Beneficial owner	2,000,000 shares	Long position	0.69%
Supervisors					
Ms. Feng Xiujian	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.35%
Mr. Wang Feng	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.35%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner	1,000,000 shares	Long position	0.35%

Notes:

- As at 31 December 2022, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 34.89% of the equity interests in Zhongru Investment. In addition, each of the 151 individuals holding in aggregate the remaining 65.11% 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 289,500,000 shares, in Zhongru Investment.
- As at 31 December 2022, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 31 December 2022, the total share capital of Zhongru Investment is 289,500,000 shares.



CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 31 December 2022, 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 2022, 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 2022, 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 2022	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2022
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
Qianbao Investment ¹	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%

Note:

- As at 31 December 2022, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.89% of the equity interests in Zhongru Investment. In addition, each of the 151 individuals holding in aggregate the remaining 65.11% 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 2022.

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 2022.

For the year ended 31 December 2022, 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 2022, 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), review and/or approval of share schemes; 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 Company has established relevant mechanisms to ensure that independent views and opinions are available to the Board, including but not limited to:

1. Where appropriate, the Company shall provide proper and sufficient resources and purchase appropriate insurance to cover any matter relating to obtaining independent opinions by the Board, including but not limited to engaging a legal team or any other professionals for such purpose. Such expenses shall be borne by the Company.
2. The Board shall review its structure, size, composition (including skills, knowledge and experience) and diversity policy at least once a year in order to maintain a balanced mix of executive and non-executive Directors (including independent non-executive Directors) so that the Board has a strong element of independence and is able to make independent judgements effectively.
3. If all the independent non-executive Directors have served on the Board for more than nine years, the Company is required to appoint new independent non-executive Directors at the forthcoming annual general meeting.
4. If the Board is entirely of one gender, it shall appoint at least one Director of the other gender as soon as possible so that the Board may have a more diverse perspective.

The Board has reviewed the implementation and effectiveness of the relevant mechanisms to ensure that independent views and opinions are available to the Board and considered it to be effective during the Reporting Period. The Board will continue to review the implementation and effectiveness of such mechanism on an annual basis.

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 2022 and up to the Latest Practicable Date, the Directors were as follows:

Executive Directors

Mr. Li Baozhong¹ (*Chairman*)

Mr. Shang Jinfeng

Mr. Liu Yongjian

Mr. Zhao Wensheng

Non-executive Director

Mr. Li Baoyuan²

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.
3. Mr. Cao Qingshe, the vice chairman and a non-executive Director of the Company, passed away due to illness in December 2022.
4. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company, Mr. Li Baoyuan as a candidate for the non-executive Director of the third session of the Board of Directors of the Company and Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny as candidates for the independent non-executive Directors of the third session of the Board of Directors of the Company. Such proposal is subject to the approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.



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 2022, 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.

Each of the independent non-executive Directors has provided an 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the key methods of attaining continuous professional development by each of the Directors are summarised as follows:

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

Note: During the Reporting Period, Mr. Cao Qingshe, the vice chairman and a non-executive Director of the Company, passed away due to illness in December 2022.

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;

CORPORATE GOVERNANCE REPORT

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 four 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, 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 2022, the Audit Committee convened 3 meetings to review the annual results announcement and annual report for the year ended 31 December 2021, the Financial Report for Year 2021 and the Financial Budget for Year 2022, 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 2022 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 2022, the Nomination Committee convened 1 meeting, to 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 eight 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 gender, skills, experience and perspectives, the measurable objectives have been achieved and the Board diversity policy has been effective.

CORPORATE GOVERNANCE REPORT

The composition of the Board of the Company is in compliance with the gender diversity requirement of the Board under the Listing Rules and the Company's Board diversity policy. The Company's existing Board diversity policy and nomination policy ensure that the Board will have potential successors available to support the existing diversity of the Board.

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.



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.

CORPORATE GOVERNANCE REPORT

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 2022, 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 2021.

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; and
7. to accomplish other duties given by the Board.

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



During the year ended 31 December 2022, the Strategic Committee convened 1 meeting, to review the investment budget plan for 2022; the financing plan for 2022; issuance of debt financing instruments in 2022; to propose to the general meeting to grant the general mandate to the Board to issue additional domestic Shares and H Shares, and review the annual environmental, social and governance report of the Company.

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 2022, 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Company convened seven Board meetings and one general meeting.

During the year ended 31 December 2022, 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
Executive Directors						
Mr. Li Baozhong	7/7	-	1/1	1/1	1/1	1/1
Mr. Shang Jinfeng	7/7	-	1/1	1/1	1/1	1/1
Mr. Liu Yongjian	7/7	-	-	-	-	1/1
Mr. Zhao Wensheng	7/7	-	-	-	-	1/1
Non-executive Directors						
Mr. Li Baoyuan	7/7	3/3	-	-	-	1/1
Mr. Cao Qingshe	5/7	3/3	-	-	-	1/1
Independent non-executive Directors						
Ms. Shen Lifeng	7/7	3/3	1/1	1/1	-	1/1
Ms. Chen Xin	7/7	3/3	1/1	1/1	-	1/1
Mr. Chan Ngai Sang Kenny	7/7	3/3	1/1	1/1	-	1/1

Note: During the Reporting Period, Mr. Cao Qingshe, the vice chairman and a non-executive Director of the Company, passed away due to illness in December 2022.

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 2022. 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 2022.



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 7 senior management (excluding the Directors) by bands for the year ended 31 December 2022 are set out below:

Remuneration band	Number of individuals
RMB200,001 to RMB500,000	4
RMB500,001 to RMB1,000,000	3

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 2022.

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 2022, 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 2022, 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 2022 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 2022, 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 2022 in accordance with statutory requirements and applicable accounting standards.

CORPORATE GOVERNANCE REPORT

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 2022. 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 204 to page 212.

AUDITORS

Ernst & Young Hua Ming LLP was the auditor of the Company for the year ended 31 December 2022, and shall retire at the 2022 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 2022 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 2022 was RMB6.0 million. Ernst & Young Hua Ming LLP did not provide any non-audit services to the Company for the year ended 31 December 2022.

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.

The Company has a Shareholders' communication policy in place and has reviewed the above Shareholders' communication policy and its implementation during the year and considered it sufficient and effective in terms of investor protection.



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

SHAREHOLDERS' RIGHTS

Requisition of 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.

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.

CORPORATE GOVERNANCE REPORT

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 at No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC, 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

On 27 March 2023, the Board proposed to amend the Articles of Association with details of the amendments as follows:

Existing Article	Proposed Amendments
<p>Article 63 The general meeting shall exercise the following functions and powers:</p> <p>.....</p> <p>(XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;</p> <p>.....</p>	<p>Article 63 The general meeting shall exercise the following functions and powers:</p> <p>.....</p> <p>(XI) to <u>consider and approve the appointment, removal and remuneration</u> pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;</p> <p>.....</p>
<p>Article 102 Decisions of the general meeting on any of the following matters shall be adopted by ordinary resolution:</p> <p>.....</p> <p>(VI) the Company's annual reports;</p> <p>(VII) matters other than those which the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the Company are listed, or these Articles of Association require to be adopted by special resolution.</p>	<p>Article 102 Decisions of the general meeting on any of the following matters shall be adopted by ordinary resolution:</p> <p>.....</p> <p>(VI) the Company's annual reports;</p> <p><u>(VII) appointment, removal and remuneration of the accounting firms;</u></p> <p>(VIII) matters other than those which the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the Company are listed, or these Articles of Association require to be adopted by special resolution.</p>

<p>Article 122 The Company shall have a board of directors which shall be accountable to the general meetings. The board of directors shall consist of 7 to 11 directors, including one honorary chairman, one chairman, one vice chairman and no less than 3 independent non-executive directors, which should represent at least a third of the Board.</p>	<p>Article 122 The Company shall have a board of directors which shall be accountable to the general meetings. The board of directors shall consist of 7 to 11 directors, including one honorary chairman, one chairman, one vice chairman (optional) and no less than 3 independent non-executive directors, which should represent at least a third of the Board.</p>
<p>Article 134 The board of directors shall be accountable to the general meetings and exercise the following functions and powers:</p> <p>.....</p> <p>(XIV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit service of annual financial statement to the Company and decide the audit fee;</p> <p>.....</p>	<p>Article 134 The board of directors shall be accountable to the general meetings and exercise the following functions and powers:</p> <p>.....</p> <p>(XIV) to propose to the general meeting the appointment or replacement of appointment, removal of an accounting firm that provides audit service of annual financial statement to the Company and decide the audit fee and its remuneration;</p> <p>.....</p>
<p>Article 171 The Company shall have a Supervisory Committee, which shall consist of five supervisors. The Supervisory Committee shall have one chairman, whose appointment and dismissal shall be subject to the affirmative vote of at least two-thirds of the members of the Supervisory Committee.</p> <p>The supervisors who are not representatives of employees shall be elected or removed by the general meeting, and the supervisors who represent the employees shall be democratically elected or removed by the Company's employees. The supervisors who represent the employees shall not be less than one-third of the supervisors.</p>	<p>Article 171 The Company shall have a Supervisory Committee, which shall consist of five three supervisors. The Supervisory Committee shall have one chairman, whose appointment and dismissal shall be subject to the affirmative vote of at least two-thirds of the members of the Supervisory Committee.</p> <p>The supervisors who are not representatives of employees shall be elected or removed by the general meeting, and the supervisors who represent the employees shall be democratically elected or removed by the Company's employees. The supervisors who represent the employees shall not be less than one-third of the supervisors.</p>



Article 221 The remuneration or method of determining the remuneration of an accounting firm shall be decided upon by the general meeting. The remuneration of an accounting firm engaged by the board of directors shall be determined by the board of directors.

Article 221 The remuneration ~~or method of determining the remuneration~~ of an accounting firm shall be decided upon by the general meeting. ~~The remuneration of an accounting firm engaged by the board of directors shall be determined by the board of directors.~~

The proposal is subject to consideration and approval at the general meeting of the Company. For details, please refer to the Company's announcement dated 27 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

OVERVIEW

This is the sixth 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 2022 to 31 December 2022 (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**”, the “**Group**” or “**Hebei Construction 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 27 March 2023.



1 STRENGTHENED CORPORATE GOVERNANCE

In response to the national “14th Five-Year” Plan, Hebei Construction Group has always upheld the concept of sustainable development, adhered to the management of enterprises by the rule of law and system, and promoted the long-term development of the industry by continuously improving the level of ESG governance.

We have incorporated the ESG concept into our corporate culture with the theme of “A Creating a harmonious family, and becoming a responsible person”. We are committed to building a responsible corporate image, creating value for our customers, working for the welfare of our employees and sharing the fruits of our economic achievements with our social partners, and striving to achieve our vision of becoming a “People - oriented happy enterprise”.

Cultural Theme	Corporate Mission	Corporate Vision	Corporate Value
Creating a harmonious family, and becoming a responsible person.	Creating a space full of love	People-oriented happy enterprise with vibrant and long-lasting business	Commitment to excellent, dedication, boundless organization, co-creating value

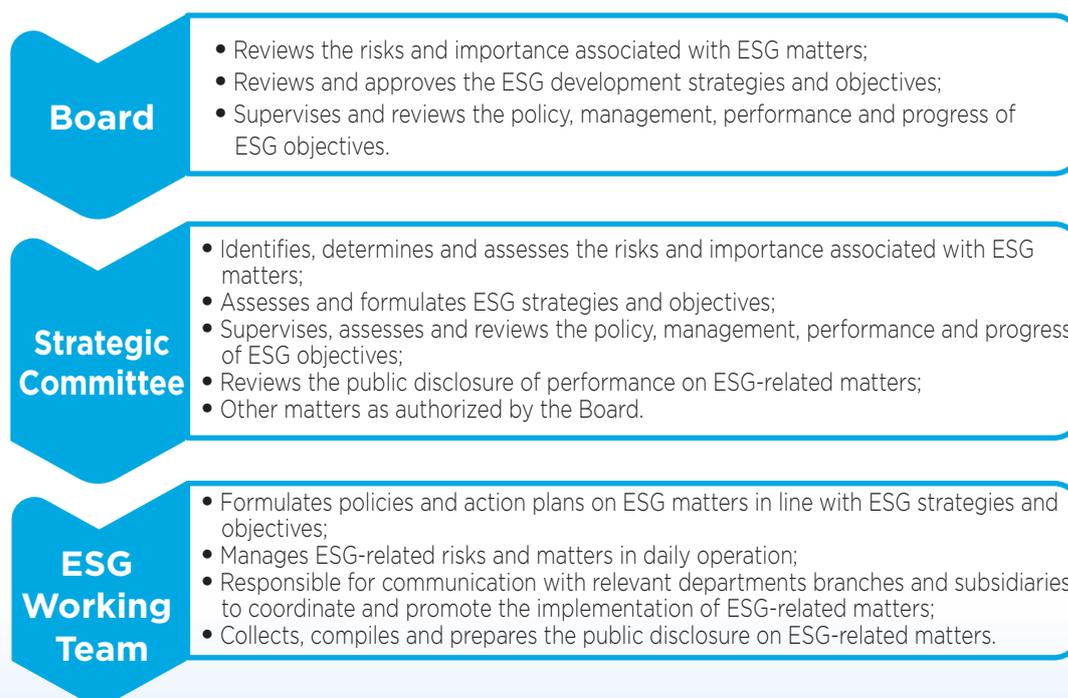
Corporate Culture

1.1 ESG Governance

In the course of the daily operation of the Company, we attach great importance to the construction and improvement of the ESG structure, continuously improve the level of ESG governance and continue to promote the active cooperation and proper practice of the ESG working group and specific functional departments to ensure the effective implementation of the ESG-related work of the Group.

ESG Governance Structure

The ESG governance structure of the Group can be divided into three levels, forming an orderly management model from top to bottom. The Board is the first level, responsible for macro issues such as target control, proposal approval and result supervision; the strategic committee is the second level, with overall responsibility for all ESG matters of the Group, including identification of potential business-related ESG risks, reviewing of specific ESG proposals and regular disclosure of ESG results; the third level is the ESG working team, responsible for the implementation and execution of ESG work.



ESG Governance Structure



STATEMENT OF THE BOARD

The Board is the highest governing body of the Group which assumes overall leadership responsibility for Group affairs including ESG governance, and is also the ultimate responsible body for ESG performance. In terms of ESG matters, the Board has primary responsibility for approving, supervising and reviewing ESG-related work, and receives regular reports from the strategic committee and the ESG working group.

In the course of its involvement in ESG issues, the Board is required to regularly review and manage the identified ESG risks, discuss and identify the potential ESG risks submitted by the strategic committee and the ESG working group, and conduct materiality analysis taking into account the level of concern of various stakeholders about the relevant risks to make appropriate decisions on the future direction of the Group's ESG development. At the same time, the Board, in response to feedback from the strategic committee and the ESG working group on other ESG-related issues identified in the course of other operational processes, will comprehensively consider the overall development strategy of the Group and propose revised guidance on management plans and measures for the relevant issues as appropriate.

During the Reporting Period, the Group actively carried out work in six areas, namely strengthening corporate governance, quality delivery assurance, empowering the industry to win together, building a low-carbon future, helping employees to develop and contributing to the community, in an effort to demonstrate our comprehensive value to our customers, partners, employees, communities and other stakeholders.

1.2 Risk Prevention and Control

The Group attaches great importance to the prevention and control of corporate risks, with the main idea of focusing on risk prevention and control being precautionary and supplemented by post-event processing. During the Reporting Period, we continued to use the “three lines of defence” as the main strategy for risk prevention and control, continuously strengthened special risk control work, and strict management from multiple perspectives, in order to effectively avoid major risks.

INTERNAL CONTROL SYSTEM

In order to establish a sound internal prevention and control implementation system, the Group has formulated the “Internal Control Manual”(《內部控制手冊》) and the “Implementation Plan for the Construction of the “Three Lines of Defence” of Internal Control”(《內部控制「三道防線」建設實施方案》). Through the establishment of the “Three Lines of Defence” internal control management system, which effectively integrate the strengths of the supervision and audit department, the legal department, the inspection office, the discipline inspection committee and the corporate equity department, it enhances information sharing between the second and third lines of defence to improve the efficiency of collaboration, jointly supervise the internal control practices of various departments within the Group and improve the control of risks in specific projects.

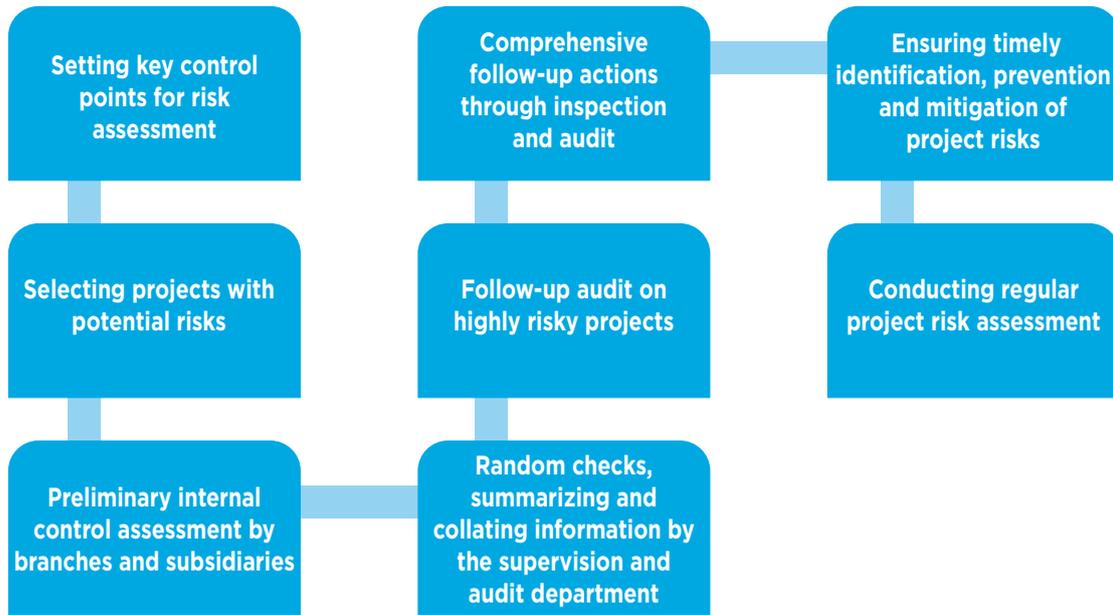


Hebei Construction of Internal Control of Three Lines of Defense



RISK CONTROL

In addition to the “Three Lines of Defence” internal control management system, which provides real-time control of risks in daily operations, we also strengthened the Group’s risk control capability during the Reporting Period through both regular project internal control evaluations and overall internal audits.



Daily Risk Control and Management Procedures

During the Reporting Period, we carried out special enhancement and improvement work on two dimensions, namely project operating loss risk and contractual risk, to ensure that corporate risks are controlled at source and that corporate compliance and smooth operation are ensured.

Project operating loss risk

- During the Reporting Period, the supervision and audit department optimized and issued the "Measures for the Prevention and Control of Project Operating Loss Risks" (《項目經營虧損風險防控管理辦法》) and the "Guidance Document for Investigation of Every Loss" (《逢虧必查指導文件》), and clarified through the new system documents the response mechanism and process for different degrees of losses in the operation links of the Group and its branches (subsidiaries) companies and construction projects, such as bidding, internal contracting, construction process, project settlement and payment recovery, the process and standards for holding the responsible personnel of the operating loss organizations accountable and the prevention and control means for subsequent special response. A complete loss subsequent management system is formed from three perspectives, namely loss response, responsibility investigation and prevention and control.

Contractual risk

- During the Reporting Period, the operation and management department issued a risk prevention solution called "Ten Don'ts" (《十不接》) for contract signing, which mainly focuses on the risk of payment collection by listing ten common high-risk contracts and directly showing the risk points to the project managers and contract officers.
- Risk assessment checkpoints are set up at two stages: first, risk pre-assessment of the projects undertaken at the pre-tender assessment stage, and second, risk finalization of the projects undertaken at the contract assessment stage. If "Ten Don'ts" items are identified in the assessment process, the corresponding projects should be undertaken with caution, and if it is necessary to be undertaken, a special response assessment report on the relevant risks should be issued and an application for special approval should be made to the supervisor.

Specific Risk Improvement

Risk knowledge training

During the Reporting Period, the Group correspondingly organised a number of training sessions on risk management knowledge so that staff at all levels could better understand the Group's policies and improve the efficiency and precision of risk prevention and control work.



External online training

During the Reporting Period, the Group conducted online training, inviting external training experts to serve as lecturers. Through seven recorded classes and two live classes, the Group helped employees to develop a standardised and systematic understanding of the risks that may be encountered in the course of project operation through the perspectives of project planning, direct-sales project management and information management.

The training covered 17 branches (subsidiaries) companies within the Group and the participants mainly included managers and employees of the operation department.

Internal training

According to its own situation, the Group recorded seven internal contract-specific training videos, including topics such as common pitfalls in bidding projects, and refined management ideas for responsibility-based projects which were uploaded on the internal training website for all employees to watch. At the same time, the Group actively carried out contract-themed special training for all internal contract specialists. The training content included topics closely related to the daily work of contract specialists, such as the operation of the contract management system methods and the implementation of the contract validation work notice, to strengthen the guidance work.

1.3 Business Ethics

Business ethics is one of the bottom lines of the Group's daily operations. We strictly comply with the "Law of the People's Republic of China for Countering Unfair Competition" (《中華人民共和國反不正當競爭法》), "Interim Provisions on Prohibition of Commercial Bribery"(《關於禁止商業賄賂行為的暫行規定》), "Opinions on Several Issues Concerning the Application of Law in Handling Criminal Cases of Commercial Bribery" (《關於辦理商業賄賂刑事案件適用法律若干問題的意見》) and other relevant laws and regulations, and have accordingly formulated "Internal Audit Management Regulations" (《內部審計管理規定》), "Code of Business Ethics and Code of Conduct" (《商業道德規範與行為準則》), "Code of Conduct for Organ Staff" (《機關工作人員行為守則》) and other internal codes of conduct, strictly requiring staff to uphold the concept of honest management, conduct the Company's business professionally and with integrity, prohibit all acts of corruption and embezzlement, strive to maintain a benign competitive market environment and contribute to the steady development of the industry. During the Reporting Period, the Group was not involved in any litigation cases of corruption.

Reporting channels

The Group has a variety of reporting channels such as a dedicated reporting line, email, mailbox and online feedback. Upon receipt of the reported content, the Group's supervision and audit department will take the lead to organise relevant handling teams to conduct investigations in a timely manner and take serious actions against confirmed corruption and malpractice. Meanwhile, in order to ensure normal operation of the reporting channel, the Group continues to improve the whistleblower protection mechanism and adopts a strict confidentiality policy for whistleblowers' information to prevent malicious retaliation against whistleblowers for their righteous acts.

Special telephone line for reporting	<ul style="list-style-type: none">• 0312-3311119
E-mail for reporting	<ul style="list-style-type: none">• hbjsjtygzs@hebjs.com.cn
Mailbox for reporting	<ul style="list-style-type: none">• By courier or in-person delivery to the Discipline Inspection Department or Inspection Office
Online Feedback	<ul style="list-style-type: none">• The Supervision Office has set up an online information feedback channel, which is valid for a long period of time. Scan the QR code to feedback, appeal or report.

Reporting Channels



Anti-corruption culture construction

In order to build a business operating environment of “integrity and ethics”, the Group regularly publicizes the spirit of clean office to the management and employees, and seriously informed them of the serious consequences of corruption, bribery and fraud, so as to continuously strengthen the awareness of red lines. During the Reporting Period, the Group conducted special training sessions in which professional lecturers explained the definition of commercial bribery and fraudulent behavior, introduced the civil, administrative and criminal responsibilities incurred after committing relevant acts, and provided participating employees in the training with a deeper understanding of the risk points they face in relation to corruption, bribery and fraud through vivid examples of contracting projects.



2022 Anti-Corruption Training Participation

1.4 Analysis of Materiality issues

We attach importance to sincere communication and exchange with stakeholders. Through the establishment and strengthening of various normalized communication mechanisms, we understand the demands of stakeholders in a timely manner so as to determine the focus of our work and disclosure priorities in the field of sustainable development and work with stakeholders to seek common development.

Stakeholder communication

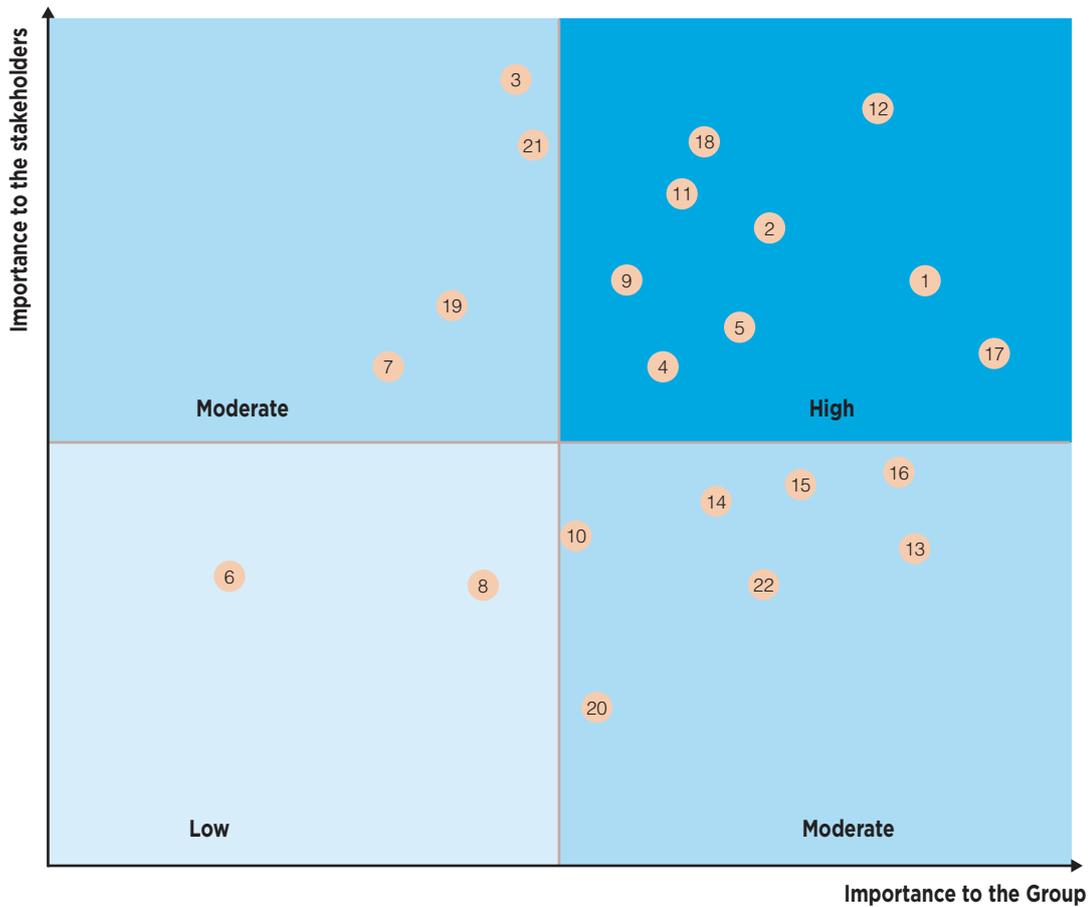
We maintain close contact with stakeholders such as customers, employees, and investors, and have established a regular communication mechanism. By understanding their expectations and feedback on the Group's ESG performance, we can make targeted responses and implement strategically to improve the ability of sustainable development of enterprises and contribute to high-quality development. The following table sets out the key issues of concern to different stakeholder groups during the Reporting Period.

Stakeholder categories	Issues that stakeholders are particularly concerned about	Communication or response methods
Employees	Health and safety Remuneration and benefits	Young employees symposium Annual meeting 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
Clients/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

During the Reporting Period, the Group reviewed and identified ESG-related issues in 2022 based on the results of the 2021 materiality assessment, combined with the Stock Exchange’s ESG Guidelines, peer benchmarking and the actual development of the Company during the year. A total of 9 issues of high importance, 11 issues of medium importance and 2 issues of low importance were identified.



Hebei Construction Group’s ESG Materiality Matrix of 2022

List of Material Topics of Hebei Construction Group in 2022					
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		Charity
6		The utilization of water resources	17	Promote industry and local economic and social development	
7		Emissions and waste disposal	18	Business operations	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 DELIVERY ASSURANCE

Hebei Construction Group always carries the corporate vision of becoming a “People-oriented happy enterprise with vibrant and long-lasting business”, adheres to the theme of the era of high-quality development, insists on the value orientation of quality first, constantly improves and reviews the project quality management mode, comprehensively optimises the customer service system, and makes every effort to build a high-quality and strong enterprise.

2.1 Quality Enhancement

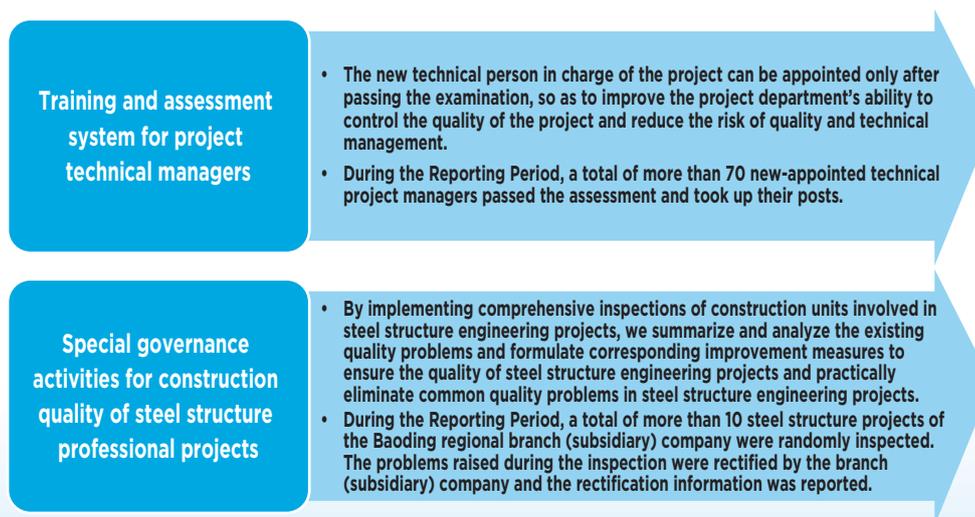
The Group insists on providing high-quality product delivery, we have established a perfect project quality management supervision system and strict quality control methods in order to continuously promote the construction of quality standards, improve the quality management model and ensure the level of high-quality development of the Group.



Quality Management

The Group strictly complied with the “Quality Law of the People’s Republic of China” (《中華人民共和國質量法》), the “Regulations on the Quality Management of Construction Projects” (《建設工程質量管理條例》) and other relevant laws, regulations and industry standards, and formulated the “Standardized Manual for Engineering Project Management” (《工程項目管理標準化手冊》) to regulate quality management. During the Reporting Period, we added the “Management Measures for Assessment of Quality and Technical Personnel (Trial)” (《質量技術人員考核管理辦法(試行)》) and the “Notice on Upgrading the Control of Market ‘Entrance’” (《關於市場「入口」管控升級的通知》), revised the “Enterprise Management Manual 2022 Edition” (《企業管理手冊2022版》), “Quality Management Measures for Steel Structure Engineering” (《鋼結構工程質量管理辦法》) and the “Special Plan for Implementation of Key Work” (《重點工作落地執行專項方案》) and was committed to continuously standardise the quality management system of the Group through a standardised quality management system, taking into account the actual situation of the Company’s operations.

In order to continuously improve the quality of the Group’s projects, enhance market competitiveness and increase the Group’s reputation, we have established and continuously improved the quality improvement mechanism. Through establishing a training and assessment system for project technical officers and carrying out special project management campaigns for the construction quality of steel structure professional projects, the quality management system of key engineering projects of the Group has been further strengthened.



Quality Enhancement Mechanisms

Quality Inspections

Quality inspection is an important starting point to enhance the Group's quality management level and accelerate the construction of a high-quality and strong enterprise, which is also one of the Group's key tasks. During the Reporting Period, we continuously optimised the quality control system, carried out in-depth quality supervision and inspection work, comprehensively carried out supervision and inspection work in accordance with the working guidelines of "objectivity and impartiality, focus and professionalism, seriousness and rigour, and sustained excellence", integrated and formulated the "Management Manual of Supervision and Inspection Office" (《督查辦公室管理手冊》), established special supervision and inspection processes, clarified the excellent performance inspection management model, and implemented the joint inspection model between cities and branches (subsidiaries) companies. In this way, we optimize the project inspection mechanism and the structure of the inspection team and strictly control the Group's various engineering projects to ensure high-quality delivery.



Quality Supervision and Inspection Process

In 2022, the acceptance rate of Hebei Construction Group's engineering projects was 100%, and the excellent rate of the main structure ¹ was 59.8%

Quality culture construction

The Group believes that the construction of quality culture can effectively contribute to quality improvement. We actively carry out various quality culture promotions and training by organising quality month activities, conducting special training on construction quality, holding quality exchange seminars and observing high-quality projects, etc., so that importance and requirements of quality management are deeply rooted in the minds of employees.

¹ The rate of excellent products of project quality is the rate of excellent products in the completed unit projects of acceptance appraisal, which is also known as the rate of excellent products in unit projects and referred to as the rate of excellent products.



Quality Month Theme Activities

The Group fully implemented the “Notice on the Launching of the National ‘Quality Month’ Activities in 2022” (《關於開展2022年全國「質量月」活動的通知》) issued by 21 departments, including the General Administration of Market Regulation and the Ministry of Housing and Construction, and the requirements of various local authorities on launching “Quality Month” activities. In September 2022, the Group organised “Quality Month” activities. Through activities such as publicity on the theme of quality in the construction project, training on quality improvement actions and dissemination of project quality and safety manuals, we enhanced the quality awareness of all employees, improved the quality of works and services, and actively promoted the standardisation of quality management.



Publicity on the theme of project construction quality



On-site training

Excellent project observation

In order to promote advanced experience and practices and facilitate the Group's high-quality and balanced development, the Group organised observation and training on infrastructure construction projects, steel structure projects and other high-quality projects.

- **Infrastructure construction projects**

In June 2022, the Group organized the chief engineer of the Baoding regional branch (subsidiary) company and manager of the quality and technology department to observe on-site the infrastructure construction project of Shenzhen High-tech Innovation Industrial Park in Baoding, observing the common problems governance of its underground waterproofing project quality and underground comprehensive pipe corridor construction, which achieved better results.

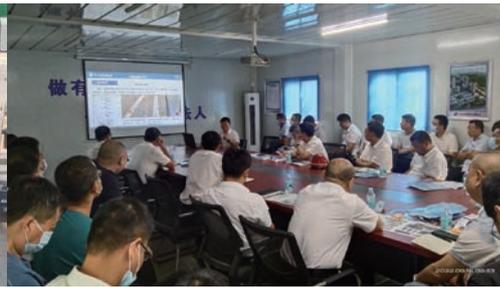


- **Steel structure projects**

In September 2022, the Group organised the chief engineers of each branch (subsidiary) company, quality and technology department managers and the quality and technical management personnel of steel structure projects to participate in the observation and training of steel structure projects. Through observation training, the relevant personnel of the Group's quality management department were given an in-depth understanding of the standardisation of quality management of steel structure projects and the management of common quality problems, so as to improve the overall quality governance level of steel structure projects. A total of 228 people participated in the observation training, of which 63 people participated in offline observation training and 165 people participated online.



On-site observation training



Online observation training

Quality Awards

With excellent project quality management level, the Group has gained a good brand reputation and unanimous recognition from the industry and customers. During the Reporting Period, we successfully achieved various targets for excellence and received a number of industry awards. The details are as follows:

Award Categories	Award name and quantity
National Awards	1 Lu Ban Award 2 National High-Quality Projects 1 China Steel Structure Gold Award 3 China Construction Engineering Decoration Awards 1 National Quality Engineering Gold Award (Participation) 2 Lu Ban Awards (Participation) 1 National High-Quality Project (Construction Participation)
Provincial Quality Project	30 Anji Cups 3 Inner Mongolia Autonomous Region Quality Projects Awards
Provincial Structural Quality Project	36 High-Quality Structural Projects in Hebei Province 1 Golden Award of Beijing Structural Great Wall Cup 2 Silver Awards of Beijing Structural Great Wall Cup 1 High-Quality Structure Of Construction Projects In Shandong Province 3 Golden Awards of High-Quality Building Structure in Inner Mongolia Autonomous Region 8 Silver Awards of Construction Quality Structures in Inner Mongolia Autonomous Region 1 High-Quality Structure Evaluation of Construction Projects in Tianjin
Professional Provincial High-Quality Project	1 Zhejiang Provincial Steel Structure King Kong Award 1 Municipal Gold Cup Demonstration Project in Inner Mongolia Autonomous Region 2 "Ecological Cup" Demonstration Projects in Inner Mongolia Autonomous Region 5 Decoration Awards for Construction Projects in Hebei Province 1 Tianjin Construction Project Decoration Haihe Cup
Demonstration Site in Henan Province	1 Demonstration Site of Quality Standardization In Henan Province
Survey and Design Project of Hebei Province	5 Excellent Achievements of Engineering Survey And Design Projects in Hebei Province
QC Team Activities²	14 National Industry-Level Achievements 150 Achievements at Provincial Level

² QC team activities, also known as quality control team's activities and quality control circle activities.





The Business Office Building of Hebei Construction Group's Business Center Project and the third area of the underground garage won the 2022 Lu Ban Award



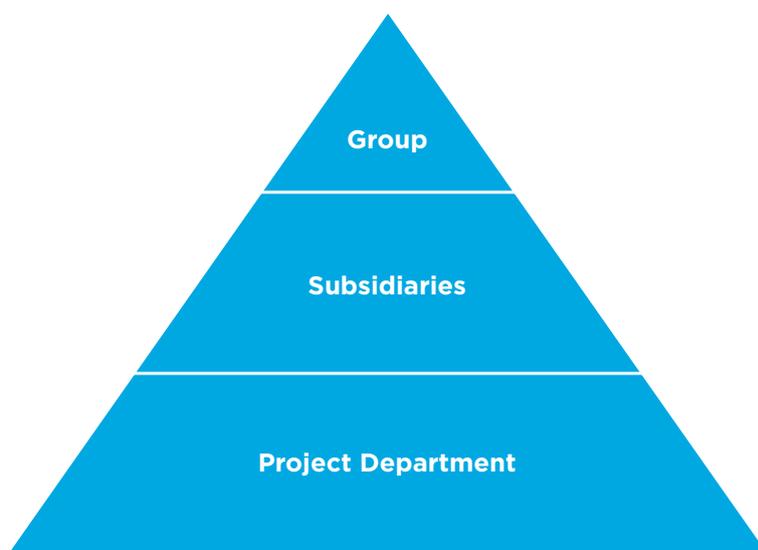
The Comprehensive Laboratory Building of Hebei University won the 2022 National High-Quality Project



Xingtai Museum won the 2022 National High-Quality Project

2.2 Satisfactory service

The Group insists on being customer-centric and customer demand-oriented. Through formulation of the “Implementation Rules for Key Account Management” (《大客戶管理實施細則》), we have established a comprehensive three-tier service management organisation system in order to continuously optimise customer service mechanism, improve the quality of customer service and enhance customer experience and satisfaction.

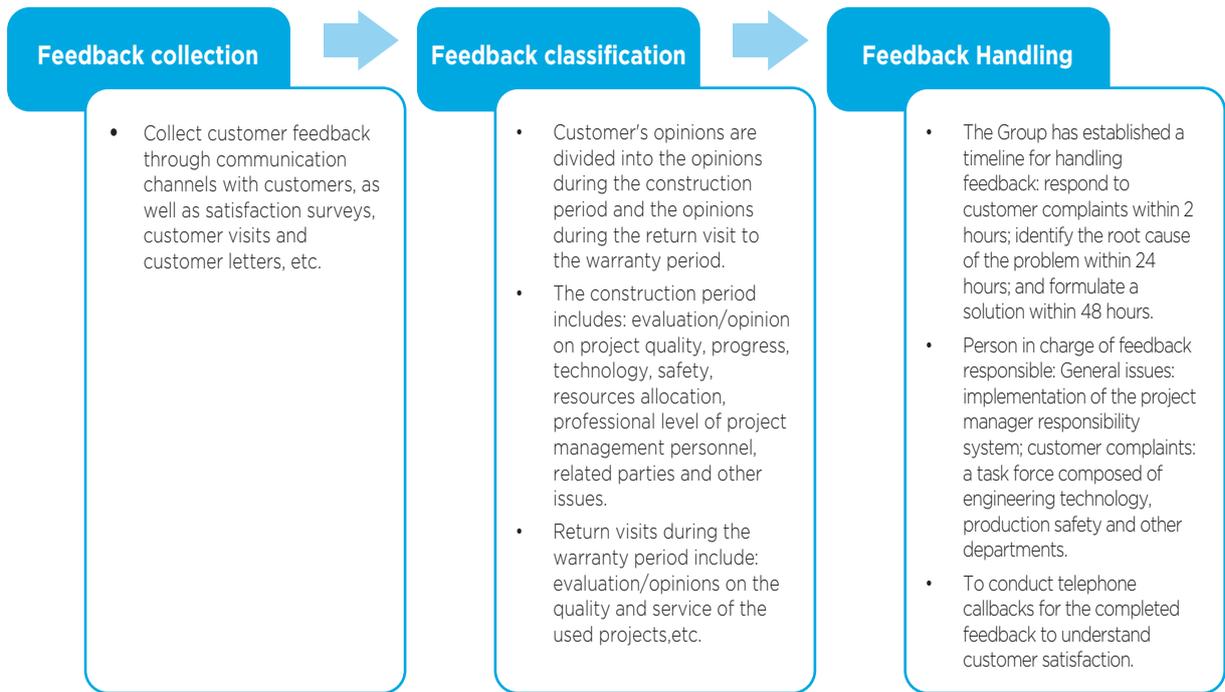


Three-tier service management organisation system



Customer Communication

We always adhere to the quality of service. According to the “Customer Complaint Management Process” (《顧客投訴管理流程》) internal system, we continue to establish and improve the long-term communication mechanism with customers. Through the complaint hotline, corporate e-mail, office telephone, a specialist to receive letters from people and other multiple channels, we listen to the voices and suggestions of customers, solve and provide feedback on the problems raised by customers in a timely manner and strive to bring customers a satisfactory service experience.



Customer Feedback Processing Process

In 2022, we constantly focused on customer satisfaction by conducting satisfaction surveys for all customers in construction projects in progress and projects during the warranty period. During the Reporting Period, the Group’s customer satisfaction rate was 93.2 points.

Customer privacy protection

While continuously improving customer service levels, we are concerned about customer privacy and information protection. The Group strictly abides by laws and regulations such as the “Law of the People’s Republic of China on the Protection of Rights and Interests of Consumers” (《中華人民共和國消費者權益保護法》), the “Law of the People’s Republic of China on Data Security” (《中華人民共和國數據安全法》) and the “Law of the People’s Republic of China on Network Security” (《中華人民共和國網絡安全法》), and has formulated and implemented the “Code of Business Ethics and Code of Conduct of Hebei Construction Group Corporation Limited” (《河北建設集團股份有限公司商業道德規範及行為準則》) to clarify the authority and management responsibilities of employees in various positions in relation to customer information. We will continue to strengthen the protection mechanism for customer information security and make every effort to ensure the security of customer data and privacy.

Responsible Marketing

Any marketing and promotional activities conducted by the Group shall strictly comply with laws and regulations, such as the “Advertisement Law of the People’s Republic of China” (《中華人民共和國廣告法》), the “Law of the People’s Republic of China on the Protection of Rights and Interests of Consumers” (《中華人民共和國消費者權益保護法》), and industry regulations. We ensure that all content and forms are compliant and appropriate, avoiding any exaggeration or the existence of false propaganda. During the Reporting Period, we did not involve any incidents that we were penalised by regulatory authorities due to marketing violations of relevant laws and regulations.

3 EMPOWER THE INDUSTRY TO WIN TOGETHER

As a promoter of sustainable concepts in the construction industry, Hebei Construction Group is committed to continuously promoting progress in the industry. We continue to carry out scientific and technological innovation, improve responsible supply systems and work hand in hand with value chain partners to build a high-quality industry ecosystem.

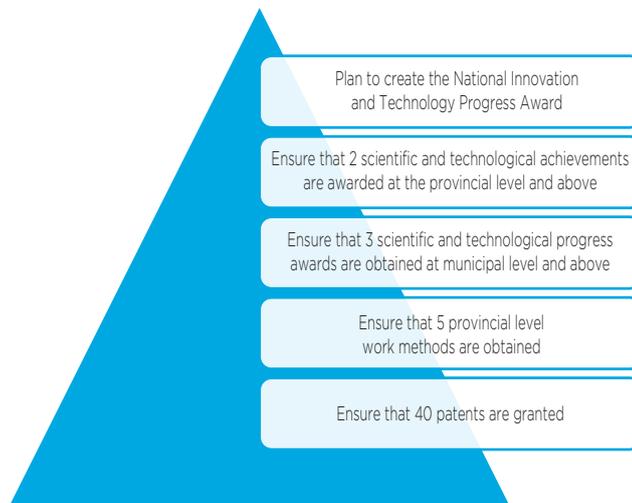


3.1 Technological leadership

The Group attaches great importance to the construction of a technological innovation system and insists on driving technological development with innovation. We have formulated internal system documents such as “Science and Technology Innovation Management System” (《科技創新管理制度》), “Science and Technology and Research and Development Project Management Workflow” (《科技研發項目管理工作流程》), “Project Innovation Management” (《項目創新管理》), “Project Management Measures for Enterprise’s Science and Technology Research Plan” (《企業科技研究計劃項目管理辦法》) and “Science and Technology Progress Management System” (《科技進步管理制度》), focusing on continuous optimisation of technology process construction, research and development organisation construction and project innovation capacity construction to promote high-quality and perfect technology solutions and help transform scientific and technological achievements.

In order to encourage scientific and technological innovation, the Group issued notices such as “Highlights of Science and Technology Management Work in 2022” (《2022年度科技管理工作要點》), “Enterprise Science and Technology Research Plan Projects in 2022” (《2022年度企業科技研究計劃項目》) and “Enterprise Science and Technology Research Plan Projects in 2022” (《2022年度企業科技研究計劃項目》) to lay out the overall annual scientific and technological work priorities and to set out 29 science and technology plan projects above the provincial level, 59 new technology demonstration projects, 19 science and technology demonstration projects and 292 requirements for the research and development activities proposed by the enterprises’ science and technology research plan projects.

Based on the above management requirements, the Group set targets for technological innovation work in 2022, which were all successfully achieved during the Reporting Period.



Targets for scientific and technological innovation work in 2022

Green and Zero Carbon Construction

Against the backdrop of the dual carbon target, the Group has been actively carrying out green construction projects in response to the national call for the in-depth implementation of the green development concept. During the Reporting Period, the Group established 2 technology demonstration projects, namely Green Construction Technology Demonstration Project and Zero-Carbon Construction.



An Yue Jia Yuan Green Construction Science and Technology Demonstration Project

As a green and low-carbon science and technology demonstration project (Green Construction Technology Demonstration Project), the main construction content of affordable housing (Phase II) Project in An Yue Jia Yuan District of the Group is currently the installation of autoclaved lightweight concrete (ALC) wall panels which meet assembly rate requirements; all ALC wall panels are used for internal and external walls, with the internal walls fixed with U-shaped cards and the external walls fixed with hook head bolts.



ALC wall panel installation

Zhongxiang Lanxi Jiuzhang Zero-Carbon Community

The Group's Zhongxiang Lanxi Jiuzhang Project adopts an innovative zero-carbon design concept to minimise greenhouse gas emissions which forms a healthy, frugal and low-carbon lifestyle with optimised structure, recycling, energy conservation and high efficiency. In addition to adopting ultra-low energy consumption architectural design, this project is designed with solar lighting, rain gardens, rainwater recycling, air source heat pumps, external sun shading of buildings, smart homes, smart elevator, smart gardens, habitat for humanity communities, water-saving materials, etc. to ultimately achieve zero emissions in the residential community.



Zhongxiang Lanxi Jiuzhang Intelligent Garden



Zhongxiang Lanxi Jiuzhang will create an extremely representative “zero-carbon community”, which will become an important achievement for Hebei and even Xiong’an to integrate into the development of “carbon peak and carbon neutrality”. At present, Zhongxiang Lanxi Jiuzhang Zero-Carbon Community Project is taking zero-carbon energy as the starting point, gradually building a new type of community that includes zero carbon buildings, zero carbon transportation, zero carbon humanities and zero carbon economy, which provides a Chinese model for realisation of green recovery of urban construction and contributes low-carbon solutions and core technologies with Chinese characteristics.

According to preliminary estimates, upon completion of the project, the project will be able to save 2.1 million kWh of electricity directly, 16,000 giga of heat, 3,700 standard cubic metres of gas and 5,837 tonnes of carbon emissions every year.



Zhongxiang Lanxi Jiuzhang Zero-Carbon Community

Prefabricated Construction

As a green and environmental protection technology vigorously promoted by the national construction industry, prefabricated construction is an important way to transform and upgrade the industry in a green manner. During the Reporting Period, the Group actively deployed planning and business development of prefabricated construction projects.

Prefabricated residential projects and research and application of prefabricated construction technology in relation to ultra-low energy consumption

During the Reporting Period, the Group carried out research, development and application on the subject of ultra-low energy consumption key technology for steel structure residential buildings of the Provincial Science and Technology Department. The main research contents were: experimental comparison and theoretical research on air tightness, thermal bridge blocking, envelope structures, prefabricated equipment installation and component connection structures of prefabricated steel structure residential buildings; conducting simulation analysis and research on construction body shape, spatial layout, energy consumption influence mechanism and renewable energy utilisation. The key technologies of prefabricated steel structure construction and ultra-low energy consumption construction were integrated. The key ultra-low energy consumption technologies applicable to prefabricated steel structure residential buildings and their scope of application were studied and summarised.

Research results: The project has accepted 8 utility model patents, published 7 papers, submitted 2 articles under review and 1 software publication.

In 2022, the Group undertook 14 prefabricated construction projects across the country with a construction area of 1.49 million m² which obtained a total of 20 national patents in relation to prefabricated construction and completed 25 corporate construction methods.



Innovation incentives

The Group regards innovation and development as the source of power for enterprise development, actively promoting the construction of scientific and technological innovation platforms and building a strong technical research and development team. We comply with the “Management System for Scientific and Technological Progress” (《科技進步管理制度》) and vigorously promote innovation incentive work. The Group coordinates and manages the results of internal and external projects, recommends and declares scientific and technological progress award projects to national, provincial and municipal science and technology departments. Meanwhile, we reward and subsidise innovation results and scientific research projects internally every year, effectively encouraging the Group’s technical research and development team to be brave and innovative.

During the Reporting Period, the Group organised various scientific and technological innovation competitions and activities for employees and gave generous rewards to the award-winning employees to enhance their enthusiasm for innovation in order to create a strong scientific and technological innovation atmosphere and give full play to and reflect the strength in scientific and technological innovation of the Group.



Scientific and technological innovation competition theme activities



“Yanzhao Cup” Construction Craftsmanship Skills Demonstration Competition



Preliminary evaluation of case application materials of the “Innovation and Efficiency Creation” competition

Scientific and technological innovation competition activities of employees

Intellectual property protection

As a leader in the construction industry, intellectual property rights and patents are core requirements for us to maintain a high level of competitiveness. We attach great importance to the protection of intellectual property rights and strictly abide by laws and regulations such as the “Patent Law of the People’s Republic of China” (《中華人民共和國專利法》), the “Trademark Law of the People’s Republic of China” (《中華人民共和國商標法》) and the “Enterprise intellectual property management (《企業知識產權管理規範》)”, etc. We have formulated a number of internal management systems to effectively protect our own innovation and research and development achievements, constantly improving intellectual property management system, from creation, application and protection to the attribution of property rights and results at all stages to implement standardised management and control.

In order to implement the intellectual property protection system thoroughly and enhance the awareness of intellectual property protection among all employees, the Group carried out a number of intellectual property exchange and training activities during the Reporting Period.

No.	Training content	Date	Training Units
1	Website Filing Training of Provincial Intellectual Property Protection Centre	7 December 2022	Baoding Municipal Market Supervision Administration
2	Training of Patent-Intensive Product Filing	20 November 2022	Baoding Municipal Market Supervision Administration
3	Intellectual Property Training of Baoding Company	13 October 2022	Baoding Municipal Market Supervision Administration
4	Financial Realisation Training of Intellectual Property	26 September 2022	Hebei Biaozheng Information Technology Co., Ltd.* (河北標證信息科技有限公司)
5	Lectures on Open Licensing of Patents	19 September 2022	Shengxun Technology Group* (盛詢科技集團)
6	Legal Literacy Training of Intellectual Property Rights	16 September 2022	Baoding Municipal Market Supervision Administration
7	Public Welfare Training of High-Value Patents and Patent Mining Essentials	31 August 2022	Capital Intellectual Property Services Industry Association



In addition, the Group actively organised video conferences for various provincial-level construction methods reporting units to explain and answer questions on the evaluation of key technologies of provincial-level construction methods and reporting materials of construction methods, so as to achieve knowledge sharing and ensure smooth completion of the reporting work of provincial-level construction methods; and, on the other hand, the Group organised video training for various branches (subsidiaries) companies to hold seminars on papers of enterprise-level construction methods to further improve the compilation level of enterprise-level scientific and technological achievements by explaining the format and content of construction methods. During the Reporting Period, the Group obtained 23 provincial-level construction methods and 173 enterprise-level construction methods in 2022.

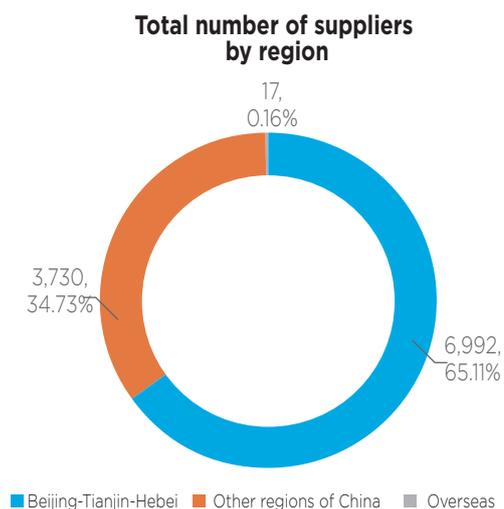
As at the end of the Reporting Period, the Group had 1,087 valid patents (including 42 patents for inventions), 206 newly accepted patents (including 27 patents for inventions) and 252 newly authorised patents (including 7 patents for inventions) in 2022.

3.2 Responsible Supply

The Group values the cooperative relationship with suppliers and actively builds a responsible supply system to maintain the stability and sustainable development of the supply chain link. We have established and abided by a series of supplier management systems and procurement standards, such as the “Management Measures of Centralized Procurement Suppliers” (《集採供應商管理辦法》), “Guiding Opinions of Centralized Procurement Management” (《集採管理指導意見》), “Material Management System” (《物資管理制度》) and “Subcontractor Management System” (《分包商管理制度》), to achieve full process control and standardised guidelines in the supply chain, and effectively ensure the stability and sustainability of the supply chain.

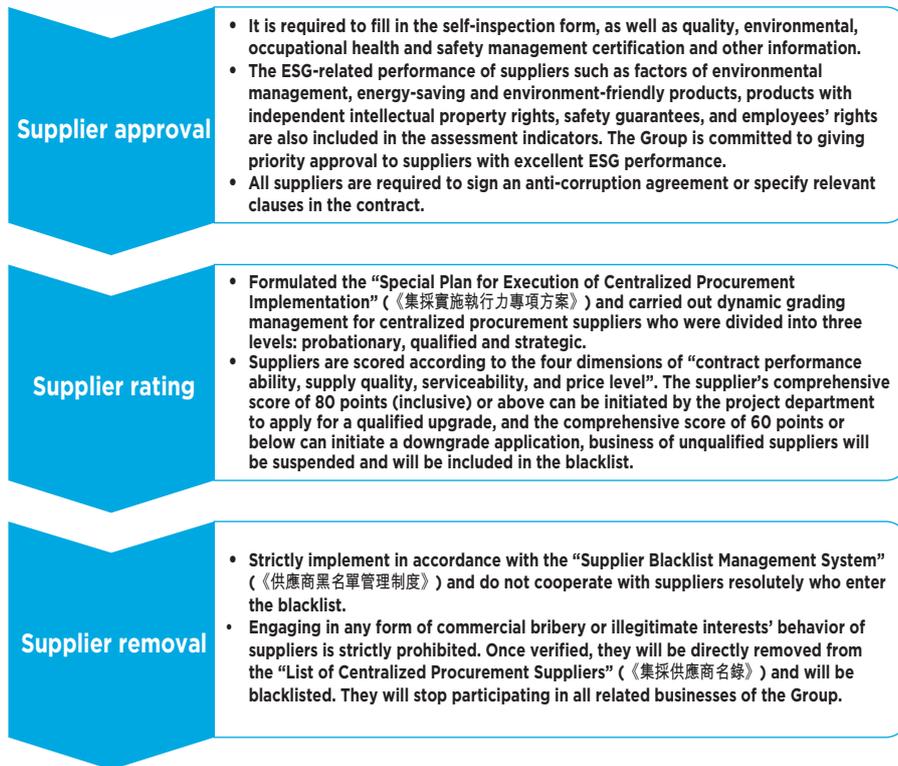
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at the end of the Reporting Period, our major cooperative suppliers, including engineering subcontractors, material suppliers and service providers, totalled 10,739. The distribution of each supplier by region is as follows:



In order to further standardise supplier management, the Group complies with the “Management Measures for Centralized Procurement Suppliers” (《集採供應商管理辦法》), “Implementation Rules for Centralised Procurement Management” (《集中採購管理實施細則》), “Special Plan for Execution of Centralized Procurement Implementation” (《集採實施執行力專項方案》) and “Implementation Plan for Material Procurement for Key Projects” (《重點項目物資採購執行方案》) and establishes the “List of Centralized Procurement Suppliers” (《集採供應商名錄》). By adopting a combination of daily and regular assessment, the Group carries out supplier management work in three dimensions: supplier approval, supplier rating and supplier removal and implements dynamic management to effectively eliminate supply chain risks.





Supplier Management Process

Supplier communication

The Group actively maintains close communication with suppliers. Through on-site inspections, symposiums and supplier conferences, etc., the Group is committed to promoting synergistic development between the Group and suppliers through mutual exchanges and jointly promoting the long-term progress of the industry.

Supplier visits and exchanges

During the Reporting Period, the Group conducted visits and exchanges with a number of suppliers to discuss their experiences in terms of products, labour, sites, environment and technological innovation, etc. to gain a comprehensive understanding of their processes, production capacity, quality management, environmental management, occupational health, safety management and new process technologies, etc. in order to identify possible problems in the supply chain, collect suggestions for improvement, enhance mutual understanding, consolidate the foundation of cooperation and to further reduce supply chain risks.



Supplier Communications

3.3 Win-win cooperation

The Group takes industry development as its own responsibility and actively deepens cooperation with industry partners. We support the implementation of local, industry and national strategies in the spirit of mutual benefit and common development, and contribute to sustainable urban development.

Formulation of Industry standard

Leveraging on the Group's extensive experience and technology accumulated in construction projects of various construction types, we conducted in-depth research and exchanges with local management governments and industry associations on high-quality requirements and construction standards summarised in project practices, formulating a series of local and industry standards. During the Reporting Period, the Group edited/participated in 12 industry standards, of which one was a national standard and seven were local standards.



Standard name	No.	Standard type
Technical Specifications of Safety in Prefabricated Construction	DB11/T 2004-2022	Local standard
Technical specification for high performance concrete	GB/T 41054-2021	National Standard
Technical Specification of the Application of Air Source Heat Pump Systems	DB11/T 1382-2022	Local standard
Specification for insulation constructional quality acceptance of residential building	DB11/T 1340-2022	Local standard
Technical specification for external thermal insulation composite system	DB11/T 584-2022	Local standard
Management standard for construction safety documentation	DB13(J)/T8446-2021	Local standard
Evaluation standard for green construction of building and municipal engineering	DB61/T 5003-2021	Local standard
Technical Regulations for Green Medical Laboratory Decoration	T/CBDA 60-2022	Industry standard
Prefabricated High-Strength Composite Resin Inspection Wells	T/CI049-2022	Industry standard
Specification for roadbed intelligent compaction technology based on Beidou	DB13/T 5579-2022	Local standard
Technical Regulations for Maintenance of Urban Bridges	T/HMEA 0013-2021	Industry standard
Safety Management Standards for Urban Under-Bridge Spaces and Protected Areas	T/HMEA 0012-2021	Industry standard

Industry-academia-research cooperation

The scientific and technological innovation concept of “technology leads development, innovation wins the future” has always been a part of the Group’s development. With the strategic policy of “integration of industry and education, school-enterprise cooperation”, we actively carried out research projects and exchange activities with external institutions and associations, and made positive progress in scientific research achievements, innovation and entrepreneurship, and skills exhibitions.

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During the Reporting Period, the Group's Science and Technology Innovation Center actively engaged in post-doctoral research workstation cooperation projects with high-ranking domestic institutions. Through in-depth involvement in scientific research projects, we have effectively enhanced our ability to master emerging technologies in the industry and explored new areas in the construction industry.

Research on the Mesoscopic Damage Mechanism of Concrete and the Key Technology of Detection and Repair

- The Group carried out a wealth of collaborations and research topics with Tianjin Chengjian University and Hebei Agricultural University. Dr. Liu Jinghong's project "Research on the Mesoscopic Damage Mechanism of Concrete and the Key Technology of Detection and Repair" has been evaluated by the Science and Technology Department of Hebei Province, and the results have reached the advanced international level (part of the achievements are internationally leading) and was awarded the third prize of Science and Technology Progress Award of the Hebei Provincial Government.

Performance and Mechanism of Wood Sponge-Based Catalysts of Activation of Persulfate for Antibiotic Removal

- The Group launched a school-enterprise cooperation project with the post-doctoral workstation of Tianjin University. During the Reporting Period, Dr. Li Ning led a research project on "Performance and Mechanism of Wood Sponge-Based Catalysts of Activation of Persulfate for Antibiotic Removal", which was carried out at the post-doctoral workstation of the Group's innovation platform, where in-depth experiments, characterisation analysis and theoretical research were conducted. During his stay at the workstation, Dr. Li Ning successfully designed a CWS catalyst with high activity and recyclability, published 5 academic papers (including 3 SCI papers in Zone 1), applied for 3 patents for inventions and obtained 2 patent authorization for utility models.

Industry-Academia-Research Cooperation



Association participation

Having been deeply involved in the industry for decades, the Group is acutely aware of the importance of multi-party collaboration and concerted efforts in the construction industry. We uphold the spirit of promoting high-quality development of the construction industry, actively participate in various industry associations and strive to promote common progress of the construction industry with our profound technical accumulation in the future.

- China Association for Quality**
- China Civil Engineering Society**
- China Construction Industry Association**
- China Association of Construction Enterprise Manage**
- Quality Association of Hebei Province**
- Hebei Provincial Society of Civil Engineering and Architecture**
- Hebei Construction Industry Association**
- Hebei Tender Association**

Active Participation in External Associations

* Each Association is ranked in no particular order and priority

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During the Reporting Period, the Group actively participated in technology and innovation exchange activities among industry associations. We continue to conduct collaborative projects and regular communication with outstanding peers to promote the sharing and intercommunication of technical knowledge in the industry.

Construction Quality Exchange Conference

On 25 November 2022, the Group organised more than 80 people, including the chief engineers of all branches (subsidiaries) companies, the person in charge of the quality department, the creativity and excellence project manager and the technical person in charge, to attend a video training session on construction quality and quality experts held by the Hebei Provincial Construction Industry Association to jointly learn the management of technical information of creativity and excellence projects and participate in the on-site review and selection of provincial level projects.

During the same period, the Group also organised various branches (subsidiaries) companies to participate in the exchange activities of achievements of engineering construction quality management team held by the Hebei Provincial Quality Association, Hebei Provincial Construction Industry Association, Shaanxi Provincial Construction Industry Association, China Construction Industry Association and China Construction Enterprises Management Association. In this activity, the Group obtained 150 provincial excellent quality management (QC) achievements, 10 achievements of China Construction Industry Association and 4 excellent achievements of China Construction Enterprises Association.

During the two construction exchange conferences, while continuously learning professional construction quality management knowledge, the conferences also shared and demonstrated the Group's construction quality effectiveness, calling on fellow companies to pay attention to quality management improvement and learn from each other for mutual development.



Site of construction quality exchange conferences



“Yanzhao (Construction) Cup” Construction Craftsmanship Skills Demonstration Speech Competition of Hebei Construction Industry

On 17 June 2022, the finals of the first session of Hebei Province Construction Industry “Yanzhao (Construction) Cup” Construction Craftsmanship Skills Demonstration Speech Competition, hosted by the Hebei Province Construction Industry Association and Hebei Province Construction and Building Materials Labor Union and co-organized by Hebei Construction Group, was held in Shijiazhuang. With the aim of promoting the “craftsman spirit” and building a platform for the exchange and enhancement of technical and management innovation experience, nearly 50 contestants competed fiercely in the fields of construction, transportation, municipal gardening, covering management, plumbing installation, electrical, municipal, building information modeling (BIM) technology, bricklayers, steel reinforcement and other professional knowledge. Four of the Group’s employees won the Grand Prize, seven employees won the Second Prize and two employees won the Merit Prize. This activity has effectively promoted the technical and business level of the Group’s construction talents.



**Convening “Yanzhao (Construction) Cup”
Construction Craftsmanship Skills Demonstration Speech Competition**

Co-organised the “Innovation and Creation of Efficiency” competition with the General Labor Union Committee of Provincial Construction Association

The Group actively co-organised the Hebei Province Innovation and Creation of Efficiency Competition with the General Labor Union Committee of Provincial Construction Association. Relying on solid technical strength, we were deeply involved in the preliminary evaluation of the case application materials of the Hebei Province Innovation and Creation of Efficiency Competition and the preparation work before the competition. In the Innovation and Creation of Efficiency Competition, a total of 35 cases were selected by the Group to participate in the competition. On 13 December 2022, the Innovation and Creation of Efficiency Competition, with the theme of “Design Deepening, Solution Optimization and Result Transformation”, was successfully held. A total of 4 first prizes, 6 second prizes, 10 third prizes and 16 merit awards were selected.

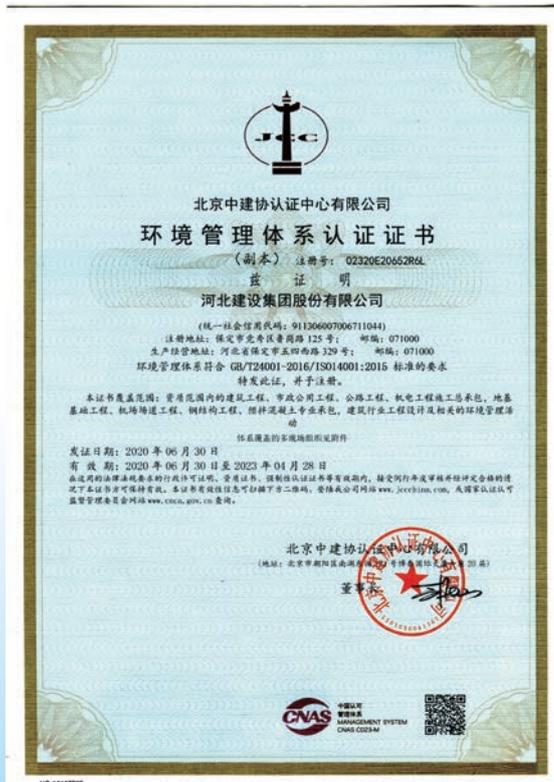
4 BUILD A LOW-CARBON FUTURE TOGETHER

Hebei Construction Group actively responds to the national call for low-carbon development, has always been committed to green operation model, comprehensively advocates green construction, takes multiple measures to carry out energy saving and emission reduction, continuously improves the carbon emission management system to jointly construct a sustainable green future.

4.1 Environmental Management

Environmental Management System

We strictly abide by the laws and regulations such as the “Law of the People’s Republic of China on Environmental Protection”(《中華人民共和國環境保護法》), the “Law of the People’s Republic of China on the Assessment of Environmental Affects”(《中華人民共和國環境影響評價法》) and the “Environmental Protection Tax Law of the People’s Republic of China”(《中華人民共和國環境保護稅法》), and have formulated internal environmental management policies, such as the “Environmental Protection Management Policy”(《環境保護管理制度》) and the “Green Construction Implementation Rules (Trial)”(《綠色施工實施細則(試行)》). At present, we have passed the ISO 14001 Environmental Management System Certificate, covering construction engineering, municipal public construction, electromechanical engineering, foundation, airport track, steel structure, ready-mixed concrete, and construction industry engineering design related disciplines within the scope of qualification.



ISO 14001 Environmental Management System Certificate



Environmental Management Objectives

The Group regards green development as a guideline to formulate an environmental management philosophy of resources conservation and environmental protection. In addition, we have established environmental targets (carbon emission, energy use, waste discharge and water efficiency targets) to promote closed-loop management of environmental protection. For the identification of important environmental impact factors and target management plan, the Group has specifically formulated the “List of Important Environmental Factors” (《重要環境因素清單》) and “Environmental Target Indicators and Management Plan” (《環境目標指標及管理方案》) to further assign responsibility of environmental management to individuals in order to enhance the control of environmental factors.

During the Reporting Period, we reviewed and summarised environmental management targets in stages and promoted the achievement of targets by actively promoting green construction-related work.

<p>Carbon Emission Targets</p> <ul style="list-style-type: none"> Progressively establish a carbon emissions management system and strive to achieve year-on-year reductions in carbon emissions. 	<p>Emission Reduction Action</p> <ul style="list-style-type: none"> Carry out targeted refinement of carbon emissions management in various operational sectors. Increase the proportion of renewable energy.
<p>Energy Use Targets</p> <ul style="list-style-type: none"> Promote refined energy management and gradually control the use of natural gas, electricity and other energy consumption. Vigorously develop green construction technologies and increase the proportion of clean energy. 	<p>Energy Efficiency Improvement</p> <ul style="list-style-type: none"> Expand the proportion of new energy sources such as photovoltaics. Increase the proportion of energy-saving equipment and investment in clean technologies. Energy saving technology renovation.
<p>Waste Emission Targets</p> <ul style="list-style-type: none"> Commitment to a 30% reduction in hazardous waste intensity by 2025, with a 2020 baseline. Commitment to a 20% reduction in the intensity of non-hazardous waste use by 2025, based on 2020. 	<p>Waste Reduction Action</p> <ul style="list-style-type: none"> Improve technological processes to reduce waste generation. Increase research on recycling technologies.
<p>Water Use Efficiency Targets</p> <ul style="list-style-type: none"> The Group is committed to reducing water resources use intensity by 18% by 2025, based on 2020. 	<p>Improvement of Water Use Efficiency</p> <ul style="list-style-type: none"> Upgrade water treatment process technology. Expand the proportion of use of water-saving devices. Actively promote water conservation.
<p>Environmental Objectives of Hebei Construction Group</p>	<p>Progress on environmental targets</p>

4.2 Climate change

With low carbon development becoming a consensus in the industry gradually, the Group has identified “carbon emissions” as an important environmental factor in response to the national call for “carbon peaking and carbon neutrality” and included “carbon emission targets” in its environmental objectives. We actively fulfill our corporate social responsibility and take the initiative to participate in the actions to deal with climate change to help the country transform into a low-carbon economy by saving energy and reducing consumption.

Climate change risk identification and response

The Group has established a complete climate change risk governance structure, with the strategic committee as the overall coordinator and planner of the overall strategy and target formulation of climate change risk. The ESG working team under the strategy committee is responsible for implementing and executing various climate change risk response measures, as well as identifying and managing the Group’s climate change risks.

Based on the characteristics of the construction industry, combined with a comprehensive analysis of the Group’s operational strategies, markets, policies and other factors, we identify and assess the climate change risks that may affect the Group’s operations in terms of two dimensions, namely physical risks and transition risks, with reference to the framework of TCFD (Task Force on Climate-related Financial Disclosures). We formulate targeted responses to reduce climate change risks and continue to explore opportunities for a low-carbon transition.

Through further investigation and analysis, the Group mainly identifies the impact of transitional risks on the Group under strong management and control scenario of RCP 2.6; under the high-emission scenario of RCP 8.5, it is the physical risks that pose a higher risk to the Group’s operations.



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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.	<ol style="list-style-type: none"> 1. Pay close attention to weather forecasting monitoring in order to be adequately prepared for extreme weather events; 2. Formulate 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.	

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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"> 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; 2. Enhance the accounting of carbon emissions in the building construction process and provide comprehensive and continuous disclosure of greenhouse gas emissions.
	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 market attention and policy support. As a result, the Group 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"> 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; 2. Continuously promote ultra-low energy buildings and promote the implementation and application of green building concepts in the construction process.



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Risk type		Risk factors	Risk description	Responses
	Market	Customer preference for green construction	As customers become more aware of and inclined towards green buildings, the Group 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"> 1. Closely monitor and pay more attention to changes in customer demand for green buildings and disclosure requirements for sustainable development; 2. Actively carry out green building and prefabricated construction projects.
		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"> 1. Strictly implement resource-saving measures in the use of raw materials and recycle construction waste; 2. Collaborate with industry partners to promote green supply chain development and reduce procurement costs.
	Reputation	Growing concern from stakeholders about negative feedback	As a general contractor, the Group 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"> 1. Increase attention to the disclosure requirements related to sustainable development and climate change to ensure compliance; 2. Incorporate environmental impact and climate change risk reduction into the Group's strategic level and formulation of corresponding measures; 3. Continuous focus on and active participation in green certifications and initiatives (e.g. green building) to enhance the competitiveness in the industry.

For identified climate change risks, we are committed to applying countermeasures to actual production and operations. For extreme weather risks such as flooding and heavy rainstorms, we conduct special emergency drills to enhance the emergency response capabilities and risk awareness of our employees.

Flood control emergency drill and dual control construction observation conference in Baoding

On 27 June 2022, Baoding Municipal Bureau of Housing and Urban-Rural Development organised the “ Flood control emergency drill and dual control construction observation conference in Baoding “ in the first phase of the construction project of the new hospital of Qingyuan District People’s Hospital in Baoding City.

The flood control emergency drill simulates the emergency rescue drill of rainwater pouring into the foundation pit during the sudden heavy rainfall in the flood season. Through the overall deployment of the command department and the co-ordination of rescue team, logistic team support team, safety and security team, medical rescue team, communication and liaison team and technical support team, drills were carried out in various aspects from rainfall to rainwater pouring into the foundation pit, from the discovery of danger to emergency rescue, and from medical care to rescue to relief of danger during the drill.



Through the emergency drill, the employees’ ability to deal with the sudden heavy rainstorm during the flood season caused by the water accumulation in the foundation pit was enhanced, and the operability of the Group’s emergency plan implementation was further examined to enhance the employees’ risk awareness of dealing with emergencies.



Energy use

The Group strictly complies with the “Law of the People’s Republic of China on the Conservation of Energy Resources” (《中華人民共和國節約能源法》) and other laws and regulations and is committed to improving the efficiency of energy use. The Group also encourages projects to use renewable resources such as solar energy and implements energy conservation and consumption reduction in the Group’s production and operations to contribute to low-carbon development.

The resettlement housing project adopts air energy heat pump hot water system

The Group’s Beijing Branch adopted the air energy heat pump hot water system for the fourth phase of the resettlement housing project in Huangqu New Village, Pingfang Town. The air energy heat pump hot water unit is a mature energy-saving hot water equipment. The unit uses refrigerant as the medium and the compressor as the power. Through the process of evaporation and vaporisation of refrigerant, it absorbs a large amount of low-energy heat from the surrounding air and transfers this heat to water through pipeline circulation, heating water to a suitable water temperature of about 55° C. Its comprehensive heating efficiency exceeds 350%, with the advantages of energy saving, environmental protection, stability and reliability, large volume of hot water and no safety hazards which further improves the quality of life of workers while reducing energy use.



Photovoltaic street lighting

Since the official commencement of the construction of the Jinlin Tiandian Yard project of the Group's Xi'an branch, we have actively responded to the national call for green lighting and have successively built photovoltaic streetlights to support the project, installing a total of nearly 20 sets of various solar streetlights. Solar photovoltaic technology is the use of photoelectric conversion principle, through the silicon cell plate to absorb sunlight into electricity, to achieve photoelectric conversion, that is, photovoltaic technology. Solar street lighting fixtures also have many advantages and can solve the problem of road lighting in locations not easily covered by the project grid. At the same time, the lamps have a smaller self-loss, higher efficiency and do not require excavation of pipelines for laying cables.

One photovoltaic streetlamp can save 330 kWh of electricity a year and 20 sets of lamps in this project can save 6,600 kWh of electricity. Since completion of the project, the project has been operating steadily, meeting lighting needs while being environmentally friendly and energy efficient.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's greenhouse gas and energy consumption was as follows:

Type		Unit	2020	2021	2022
Direct energy consumption	Gasoline	Litre	5,825,152	4,474,265	4,291,165
	Diesel	Litre	19,818,965	20,254,735	18,677,386
	LPG	Tonne	8,552	5,125	4,567
	LNG	m ³	411,959	376,597	741,043
Indirect energy consumption	Purchased electricity	kWh	130,979,950	144,648,787	116,013,412
	Purchased thermal power	Million kJ	7,805	10,489	16,864
Total energy consumption ³	Tonne standard coal		62,047	56,986	51,087
Total energy consumption intensity	Tonne standard coal/ RMB10,000 total revenue		0.02	0.01	0.01
GHG emission ⁴	Scope 1 GHG emissions	tCO ₂ -eq	91,385	80,569	75,042
	Scope 2 GHG emissions ⁵	tCO ₂ -eq	104,701	116,273	68,018
	Total GHG emissions	tCO ₂ -eq	196,086	196,842	143,060
	GHG emissions intensity	tCO ₂ -eq/ RMB10,000 total revenue	0.05	0.04	0.04

³ Total energy consumption was calculated according to the General Rules for Total Energy Consumption Calculation (GB/T 2589-2020).

⁴ During the Reporting Period, the Group's Scope 1 GHG emissions mainly generated from direct energy consumption – mainly including natural gas, diesel and gasoline; Scope 2 GHG generated from indirect energy consumption – mainly including purchased electricity and purchased steam; GHG emissions were calculated with reference to the “Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Enterprises” (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China.

⁵ During the Reporting Period, the electricity emission factor was calculated with reference to the “Notice on the Management of Greenhouse Gas Emission Reports for Enterprises in the Power Generation Industry for 2023-2025” (《關於做好2023-2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) issued by the Ministry of Ecology and Environment of the People's Republic of China, in which the grid emission factor was adjusted to 0.5703 tCO₂/MWh.

4.3 Resources Management

The Group is committed to practicing sustainable resources management, constantly improving its resources management system and continuously optimising water resources management practices as well as building materials resources conservation practices.

Water Resources Management

The Group is aware of the importance of water resources and strictly complies with the requirements of the “Water Law of the People’s Republic of China” (《中華人民共和國水法》) and other relevant laws and regulations as well as internal water management system, and is committed to regulating the use of water resources and effectively managing water risks, so as to alleviate the impact of water shortage on the environment and the Group’s operations at source.

Our water sources are mainly municipal water. During the Reporting Period, we have established a system for collecting and utilising rainwater, reclaimed water and other available water resources, so that water resources can be recycled as far as possible through measures such as reclaimed water reuse and rainwater recycling. At the same time, water recycling devices have also been set up for the washing water of on-site machinery, equipment and vehicles, enabling rainwater and tested non-tap water sources to be used again for scenarios such as spraying road surfaces, greenery watering, concrete and block maintenance at construction sites, maximising the utilisation of water resources. In addition, we have taken measures to actively protect the construction site and surrounding water environment in order to reduce groundwater abstraction, avoid soil and water pollution at the construction site and further reduce water resources risks.

During the Reporting Period, the Group’s water consumption was as follows.

Type		Unit	2020	2021	2022
Water consumption	Total volume	Tonne	9,821,292	8,927,548	7,805,411
	Intensity	Tonne/ RMB10,000 total revenue	2.45	1.87	1.95



Construction Materials Management

As a member of the construction industry, the Group uses a wide range of construction materials, including concrete, mortar and steel bars, in the construction process. In order to further implement the concept of green development, the Group implements conservation management of construction materials in three aspects, namely material selection, connection technology and material conservation, so as to achieve cost reduction and efficiency enhancement while effectively reducing waste of resources.

Material selection

- **Use of high-performance concrete**
- **Use of waterproof material**
- **New energy-saving rebar application technology**

Connection technology

- **Mechanical connection technology for large diameter rebars**
- **Heat shrink cable connection**
- **Common plate flange connection for galvanized air ducts**

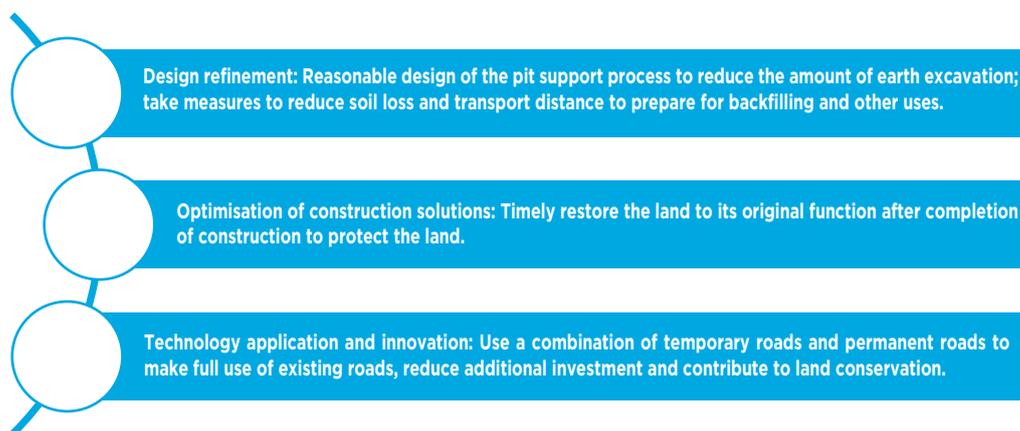
Material conservation

- **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**
- **Strict control of formwork and scrap woods, recycling of waste formwork and hole protection**

Measures of Construction Material Conservation

Conservation of Land

The Group values every inch of land and strives to maximise land utilisation. By analysing the type of construction project and the characteristics of the region, we carry out reasonable land resources conservation measures from three aspects: design refinement, optimisation of construction solutions and technology application and innovation, under the condition of fulfilling local policy requirements.



Measures of Land Conservation

4.4 Emissions Management

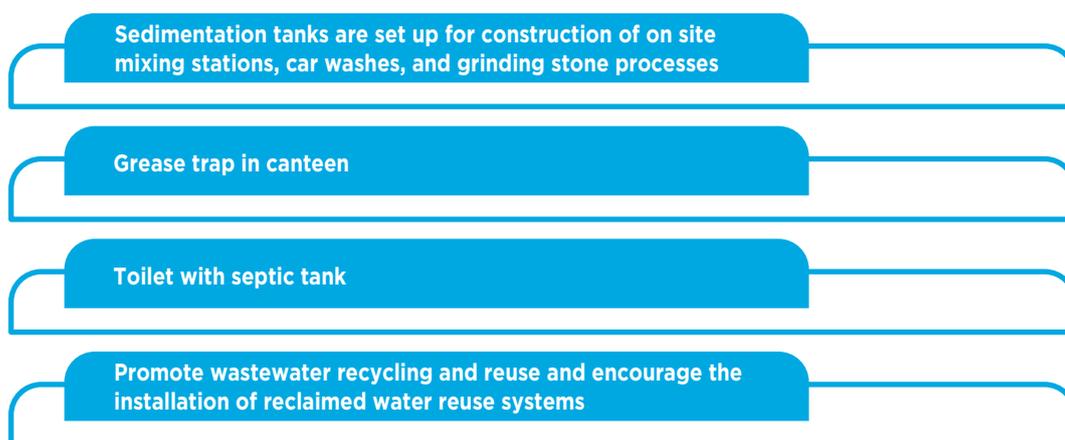
The Group has applied the concept of green construction throughout the entire production and operation process, resolutely implemented the national laws and regulations relating to pollutant emissions and formulated the Group's "Environmental Protection Management Policy" (《環境保護管理制度》), "Green Construction Implementation Rules (Trial)" (《綠色施工實施細則(試行)》) and other management systems to continuously improve internal emission management system.

By actively taking measures to standardise the management of wastewater, waste, exhausted gas, dust and noise, we minimise the impact of emissions during production and operation and achieve a harmonious coexistence between the Group and the natural environment.



Wastewater management

The Group strictly complies with wastewater laws and regulations such as the “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》) as well as the requirements of our internal wastewater management system, and strictly controls the generation and discharge of wastewater, limiting the discharge of wastewater to meet the national standards of chemical oxygen demand (COD), suspended solids (SS) and hydrogen ion concentration index (PH). We further recycle the wastewater by setting up treatment areas such as sedimentation tanks, grease traps and septic tanks on site to treat the wastewater generated during operation with sedimentation treatment, backfilling of precipitation wells and anti-leakage treatment, etc. The treated wastewater can be used for vehicle washing, road spraying and dust reduction, etc.



Wastewater Management Initiatives

Waste management

The Group strictly complies with the “Law of the People’s Republic of China on the Prevention and Control of Solid Waste Pollution” (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations, and has formulated the “Environmental Objectives, Indicators and Management Plan of the Group Company” (《集團公司環境目標、指標及管理方案》) to standardise management of all aspects of waste generated during construction and operation, including classification, collection, storage, transfer and disposal.

For recyclable waste, we give priority to adopting reusable treatment methods by setting up waste classification and collection boxes at construction sites, with special personnel responsible for collection and cleaning. For non-recyclable hazardous waste, the Group encourages classified management to improve recycling rates and, meanwhile, requires sealed storage of fuels used on site to prevent polluting emissions caused by escaping energy and fuel.



Hazardous Waste Management Measures

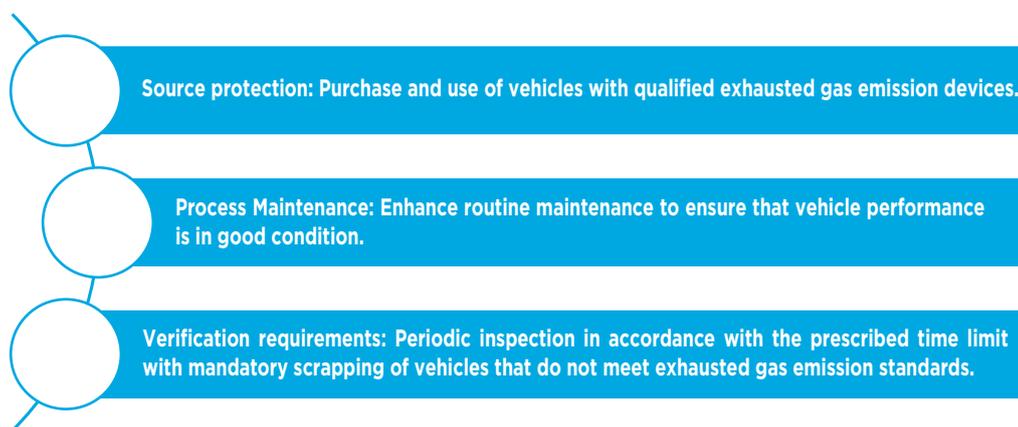
During the Reporting Period, the Group’s waste generation was as follows:

Type		Unit	2020	2021	2022
Waste generated	Non-hazardous waste	Tonne	338,318	709,779	585,381
	Hazardous waste	Tonne	37	40	20
	Total volume	Tonne	338,355	709,819	585,401
Waste intensity		Tonne/ RMB10,000 total revenue	0.08	0.15	0.15



Exhaust gas and dust control

The Group strictly complies with relevant laws and regulations such as the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution” (《中華人民共和國大氣污染防治法》) and has established internal systems and standardised requirements. By strengthening source protection, process maintenance and inspection requirements, the Group strictly controls exhausted gas and dust pollution generated during the construction process.



Vehicle Exhausted Gas Emission Management

In respect of harmful exhausted gas emissions from decorative materials, the Group requires that the emission concentrations of toxic and hazardous substances such as formaldehyde, vinyl chloride, benzene and ammonia contained in various types of decorative materials do not exceed the emission limits stipulated in the corresponding national standards.

Exhausted gas emissions from decorative materials	Try to purchase and select non-toxic, non-hazardous or less harmful environmentally friendly materials as much as possible
	Change the ratio of raw materials or reduce their use
	Improve operations, strengthen management and prioritise the use of clean production processes to reduce the production of atmospheric pollutants

Measures for Exhausted gas emissions from decorative materials

Noise Management

The Group strictly implements noise control. In accordance with the requirements of national standards, we resolutely implement the requirement that noise emissions from construction sites shall not exceed the “Environmental Noise Emission Standards for Construction Site Boundaries” (《建築施工場界環境噪聲排放標準》) and specify the Group’s management requirements in respect of operating hours and environmental noise monitoring in the “Environmental Protection Management System” (《環境保護管理制度》).

We give priority to adoption of low-noise construction facilities and process methods, set up noise detection points at sound sources and conduct real-time dynamic monitoring. Once the noise limit specified by the local government is found to be exceeded, the construction will be suspended immediately. At the same time, we strictly prohibit construction at night and prohibit construction vehicles from sounding their horns when entering and leaving the site, so as not to affect the residential rights and interests of the surrounding residents resolutely.

4.5 Green Office

The Group attaches great importance to the creation of a green office environment and is committed to promoting the concept of energy conservation and environmental protection in daily office work, advocating standardisation of electricity consumption and paperless office, calling on employees to travel with low carbon emissions and creating a green and environmentally friendly corporate atmosphere.



Save electricity

- Use nationally certified energy-saving products and energy-efficient appliances.
- Develop a habit of saving electricity. For example, turn off the power at any time to avoid phenomena such as "eternal lights" and "daylights". The temperature of the air conditioner is not lower than 26°C in summer and not higher than 20°C in winter. When the air conditioner is turned on, the doors and windows should not be opened. Do not turn on the air conditioner when the air conditioner is not in use.
- Turn off all electrical equipment after work.
- Advocate green travel and provide employees with charging piles for new energy vehicles.

Save paper

- Advocate paperless office, print after finalizing the document.
- Single-sided printed paper should be reused.
- Refuse excessive packaging items.
- Do not use or reduce the use of non-reusable paper products such as disposable water cups and laminated paper.
- Centralized recycling and reuse of waste paper, waste books and newspapers.

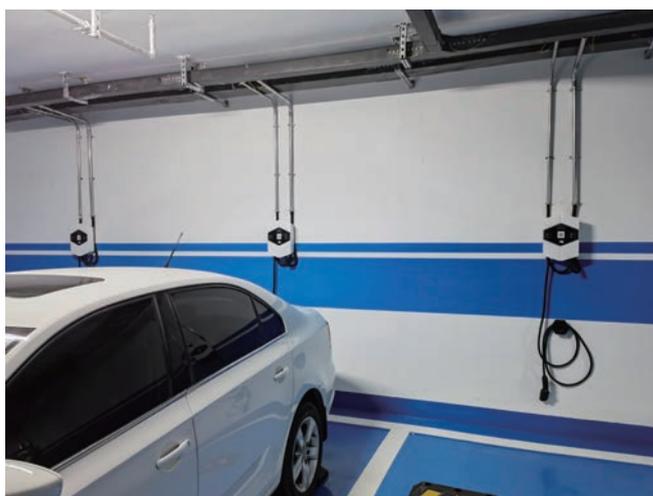
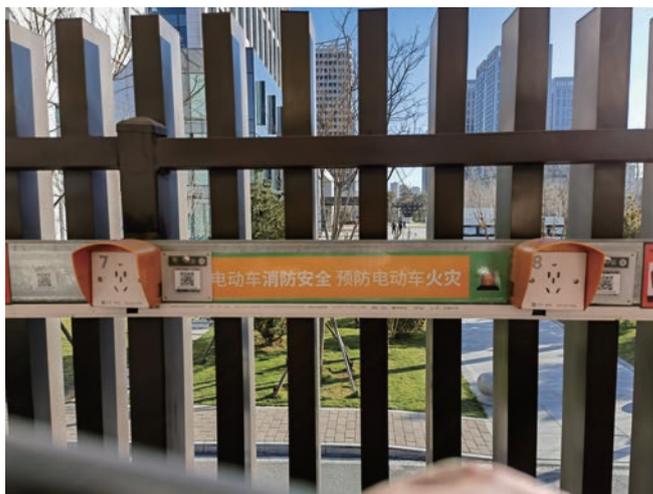
Office Waste Management

- Waste carbon paper, waste ribbons, waste magnetic disks, waste calculators and waste fluorescent lamps, etc. are stored in marked boxes set up by each department and are collected and disposed of by the office in a centralized manner.
- Waste photocopier ink cartridges and waste batteries, etc. are collected and disposed of by the office.

Green Office Initiatives

Encourage employees to travel low-carbon – install charging devices

In order to promote the concept of low-carbon travel, we encourage employees to purchase new energy vehicles and electric bicycles, install charging piles in the parking sheds and fully consider and install charging devices in the parking lot on the third floor underground to facilitate employees to charge new energy carriers.



5 HELP TO DEVELOP EMPLOYEES

With “Harmonious Home, Responsible People” as the theme of corporate development culture, we create a loving space for all employees of the Group that integrates the characteristic culture of “Family • People”. We attach great importance to work safety and well-being of employees and are committed to protecting the legitimate rights and interests of all employees to create unlimited development space for them.

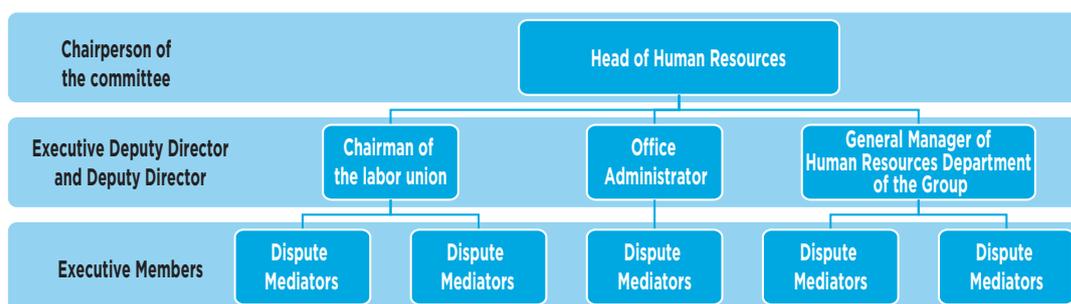
5.1 Equal Employment

We observe and comply with national and local laws and regulations such as the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), the “Law of the People’s Republic of China on the Promotion of Employment” (《中華人民共和國就業促進法》), the “Social Insurance Law of the People’s Republic of China” (《中華人民共和國社會保險法》) and the “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》) to establish a comprehensive employee protection management system. Through formulation of a series of systems and processes such as the “Human Resources Management System” (《人力資源管理制度》) and the “Recruitment Standard Process” (《招聘標準流程》), we protect the basic rights and interests of employees on all fronts.

We explicitly require the elimination of any use of child labour and forced labour within the Group. At the same time, we strictly ensure the employment practices of suppliers and contractors in construction projects. During the Reporting Period, the Group was not involved in any incidents of child labour or forced labour. In addition, we firmly resist and eliminate any discriminatory and prejudicial acts against others by any organisation or individual within the Group. While creating a diversified workplace environment, we are committed to eliminating any potential discrimination and prejudice.

Protection of rights and interests

During the Reporting Period, we established the Labour Dispute Mediation Committee and a well-established committee structure at the Group level, dedicated to resolving disputes in branch (subsidiary) companies, understanding the feedback from employees on mismanagement in the workplace and suggestions for improvement, and promoting the stability and harmony of the Company’s labour protection system.



Structure of the Labour Dispute Mediation Committee

Protection of the rights and interests of female employees

During the Reporting Period, the Group’s labour unions signed the “Special Collective Contract for Protection of Female Employees’ Rights and Interests” (《女職工權益保護專項集體合同》) on the basis of the existing “Collective Contract” (《集體合同》) and the “Special Collective Contract on Labour Safety and Health” (《勞動安全衛生專項集體合同》) to effectively protect the rights and interests of female employees.

In addition, with reference to the latest amendments to the “Regulations on Population and Family Planning in Hebei Province” (河北省人口與計劃生育條例), we organized relevant personnel to discuss and revise the contents of the contractual protection in a timely manner. In accordance with the national policy on family planning, maternity insurance and in line with the Company’s system, in March 2022, we revised and signed the “Special Collective Contract for the Protection of the Female Employees’ Rights and Interests of the Group” (《集團公司女職工權益保護專項集體合同》).



Talent attraction

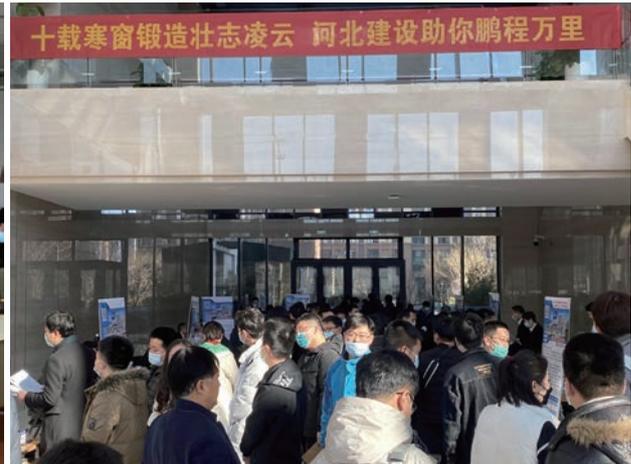
Talents are the foundation of the Group’s development so far. We encourage talents with aspirations to join us and progress together with the Group. During the Reporting Period, we strengthened talent attraction and team building through a dual recruitment approach of “online + offline”.

Online Dual Elections and Presentations	Charity Recruitment	Offline Recruitment Fair
<ul style="list-style-type: none"> During the Reporting Period, the Group participated in more than 10 online job fairs at key universities including Hebei Institute of Architecture and Engineering, Shijiazhuang Railway University and North China University of Technology. 	<ul style="list-style-type: none"> The Group actively participated in public welfare recruitment channels and authoritative third-party recruitment platforms organised by the Human Resources and Social Security Bureau of Baoding City and the Talent Office of Baoding Municipal Party Committee in Hebei Province to publish recruitment needs. 	<ul style="list-style-type: none"> The Group and Hebei Agricultural University and other contracted university-enterprise cooperation units jointly held a campus special recruitment fair.

Diversified recruitment channels



Campus Recruitment Fair

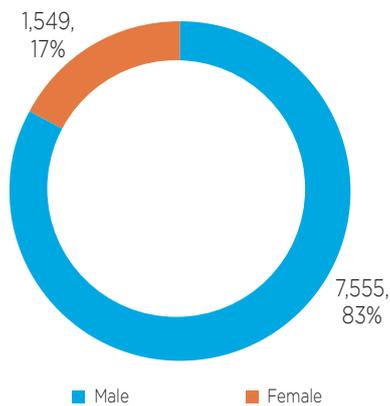


Recruitment Fair of the Group

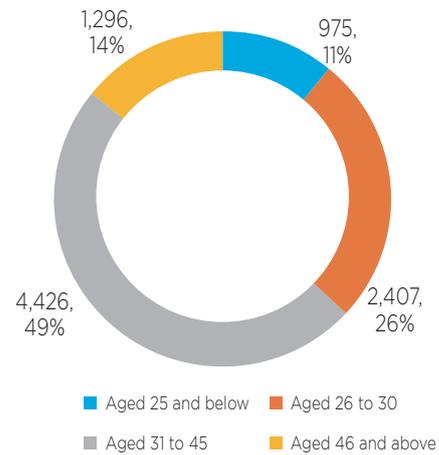
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group had a total of 9,104 employees, representing a year-on-year increase of 0.44% over the previous year. The breakdown by gender, age, employee type and region are as follows:

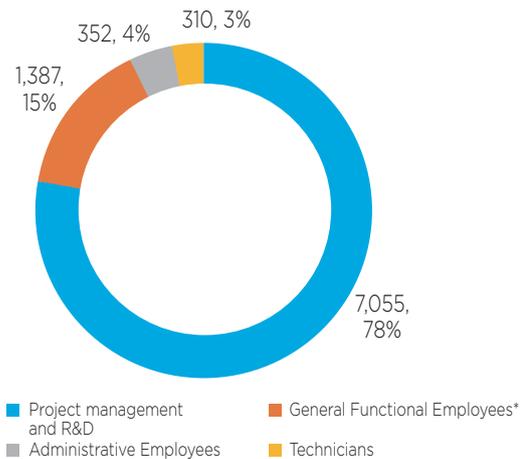
Proportion of number of employees by gender



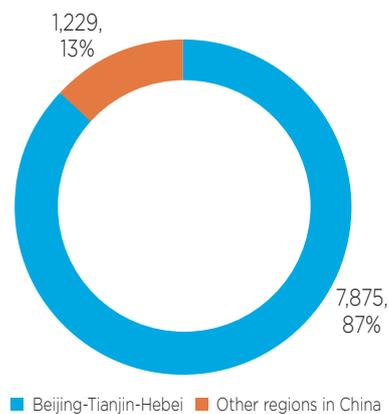
Number of employees by age



Number of employees by category



Number of employees by region



* General Functional Employees refer to: human resources department, legal affairs, audit finance, operation and marketing employees



5.2 Health and Safety

The Group firmly establishes the concept of safe development and is committed to providing a safe and healthy workplace for all employees. We strictly abide by the “Law of the People’s Republic of China on Production Safety” (《中華人民共和國安全生產法》), the “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” (《中華人民共和國職業病防治法》) and other national laws and regulations, and have accordingly formulated the “Safe Production Reporting Incentive System” (《安全生產舉報獎勵制度》) and the “Management System of Highly Dangerous Sub-contracting Projects” (《危險性較大的分部分項工程管理制度》), forming 25 management systems with the “Safe Production Responsibility System” (安全生產責任制) as the core, with a total of 451 management items.

In addition, the Group regularly revises, supplements and adds new rules and regulations dynamically in accordance with the latest laws and regulations, standards and norms and seasonal policies, etc. of the competent national authorities and the industry, and adheres to compliance with the laws and regulations and safe production. Thanks to the Group’s good production safety management system and its emphasis on safe construction, we did not have any major production safety incidents during the Reporting Period.

Safety Production Management

During the Reporting Period, the Group continued to deepen its safety management measures through promoting safety production standardisation, carrying out project observation activities and the application of safety information management. The Group was committed to preventing and resolving safety risks at source. During the Reporting Period, we issued the “Special Solutions for the Implementation of Standardised Management Work for the Whole Process of Construction Projects” (《工程項目全過程標準化管理工作執行專項方案》) to unify the project management model and further improve the safety production management mechanism. During the Reporting Period, the Group did not experience any work-related injuries or work-related fatalities.

Promote Safety Production Standardization

- During the Reporting Period, we issued the "Special Solutions for the Implementation of Standardised Management Work for the Whole Process of Construction Projects" (《工程項目全過程標準化管理工作執行專項方案》) to unify project management model and further improve safety production management mechanism.
- During the Reporting Period, the Beidou Venture Headquarters Project of the third branch of the Group, in accordance with the "Construction Safety Inspection Standards" (《建築施工安全檢查標準》), the Group company's management advantages and detailed planning, consolidated management foundation in the areas of safe and civilised construction, scaffolding, foundation pit works, large machinery, temporary power management, moulding system and intelligent site construction, and carried out on-site construction in strict compliance with various management requirements.

Carry out Observation and Improvement

- According to designated model projects, we actively organised internal and external observation and learning at all levels to demonstrate and lead the Group to comprehensively improve the overall level of safety, civilisation and green standardisation.
- During the Reporting Period, we successively undertook 21 internal and external observations with competent authorities and internal and external parties.

Application Information Management

- The Group incorporated information management systems into project safety management measures. We optimised and upgraded the EPR-Safety Management Information System module to manage the management requirements of the Group company's provincial-level safety and civilisation construction sites, safety technologies and safety inspections through the "Safety Management" section.

Improve Dual Control Mechanism

- The Group continuously established a mechanism of safety production risk classification control + potential risk identification (referred to as "dual control"). During the Reporting Period, we cooperated with the Baoding City Safety Supervision Station to revise the "Dual Prevention Mechanism of Construction and Operation Standardisation Manual of Baoding City Construction Industrial Safety Production Risk Classification Control and Potential Risk Identification" (《保定市建築施工安全生產風險分級管控和隱患排查治理雙重預防機制建設與運行標準化圖冊》). As a pilot enterprise in the construction of the dual control mechanism of Hebei Province and the Housing and Urban Development Bureau of Baoding City, the Group actively and intensively carried out "dual control" activities to control construction safety risks.

Safety Production Management Measures



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we identified and released a total of 40 Group level model projects and conducted 21 internal and external observation activities. We implemented safe and civilized construction level of project construction and standardization level of external enclosure and internal project, always supervising safe and civilised construction practices during construction.



Project Observation Conferences

The Group's continuous pursuit of safe and civilised construction has gained recognition from many regulatory bodies and industry associations. During the Reporting Period, we received awards in relation to safe and civilised construction as follows:



Safe and Civilized Construction Awards

Construction of a culture of safety

During the Reporting Period, we conducted training programmes such as systematic training, special training and training for safety management personnel through a combination of online and offline channels, with a total of 12,909 participants. Taking the Group's " Safety Production Month" as a carrier, we launched a series of activities for the safety production system under the theme of "Comply with the Work Safety Law, Be the First Responsible Person". Through various forms of publicity, education and training, we cultivated a life first safety culture under the corporate theme culture "Family • People".



Group-wide safety production month series activities

During the Reporting Period, in order to comprehensively raise the safety awareness of employees, we focused on carrying out Safety Month Consultation, Safety Production Seminar and Safety Lectures, which were attended by more than 1,170 people, including the deputy general manager of production of branch (subsidiary) companies, the manager of the safety production department, the safety officer (safety director), relevant personnel of the system, and safety and technical related personnel of the project departments. We actively organised various units to participate in the “Ankang Cup” knowledge contest quiz activity on the new “Production Safety Law” (《安全生產法》) organised by the China Construction Association. 2,195 people participated in the quiz and were awarded the honorary title of “Excellent Organiser”. The Group’s branches (subsidiaries) companies also launched a series of safety-themed promotional activities during the Safety Month.



Activities of Safety Month Consultation, Safety Production Seminar and Safety Lectures

The Group's branches (subsidiaries) companies responded positively to the Group's series of activities of Safety Production Month:



Launching Ceremony of activities of Infrastructure Branch Companies in Safety Production Month



Launching Ceremony of Nangong People's Hospital Relocation Project in Safety Production Month



Launching Ceremony of activities of Jian'an Branch Companies in Safety Production Month



New Safety Law Learning and Knowledge Competition of Li County Project of Infrastructure Branch Companies



Shijiazhuang Shen International Project organised to watch safety warning education video



Occupational health protection

The Group provides comprehensive occupational health protection for employees. In the Group's operation and project construction, we fully comply with the laws, regulations and standards of the country and the place where the projects are located, such as "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" (《中華人民共和國職業病防治法》), the "Measures for the Administration of Occupational Health Examination" (《職業健康檢查管理辦法》) and the "Regulations on Work-Related Injury Insurance" (《工傷保險條例》) to provide a healthy working environment for employees. The Group has passed the ISO 45001 Occupational Health and Safety Management System Certification, which covers construction works, municipal and public works, highway works, mechanical and electrical works, foundation works, airport track works, steel structure works, ready-mixed concrete works, construction works design and other works categories.

The Group has formulated a comprehensive "Occupational Health Management System" (《職業健康管理制度》) and "Safe production Reporting Incentive System" (《安全生產舉報獎勵制度》) and implemented 100% occupational health check-ups for employees in accordance with the Occupational Health Management System. During the Reporting Period, we 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, Occupational Health, Safety Target Indicators and Management Plan of 2022" (《關於發佈2022年重要環境因素清單、重大危險源及其控制計劃清單、環境目標指標及管理方案、職業健康安全目標指標及管理方案的通知》) to identify in a comprehensive manner the environmental factors that may affect the occupational health of employees during construction of the Group's projects and to specify responsible departments and implement improvement measures to safeguard the occupational safety of employees.

During the Reporting Period, we standardised and organised in unity the 2022 employee health and medical check in accordance with the "Employee Health and Medical Check Management System" (《員工健康體檢管理工作制度》). We made reference to the overall health and medical check results issued by the medical examination agency, focusing on the top five major abnormal indicators (pharyngitis, overweight, fatty liver, thyroid abnormality and increased blood pressure) of the medical check results to formulate health improvement plans and care for the health of employees.

Pay attention to Female Health

We care for female employees. By organizing a variety of cultural and sports activities and knowledge popularization, we can concentrate our efforts to improve the happiness of female employees and send care and blessings to the majority of female employees.

During the Reporting Period, we organised various promotional activities focusing on female health. The Group's Female Employees Committee successively organised more than 500 female employees to study and watch health protection lectures and disseminated safety and health knowledge related to cancer prevention and treatment and personal protection during epidemics, etc. to female employees in terms of labour safety knowledge, breast cancer screening prevention and protection of female employees and mental health. In addition, the Group organises gynaecological medical check for married female employees of childbearing age every year and arranges gynaecological examinations, HPV and TCT screenings for female employees in a uniform manner.



Goddess Day Outdoor Walk



Caring Activities for Female Employees



Female Health Protection Seminar



Female Occupational Safety Publicity Campaign

Female Occupational Health Publicity Campaign

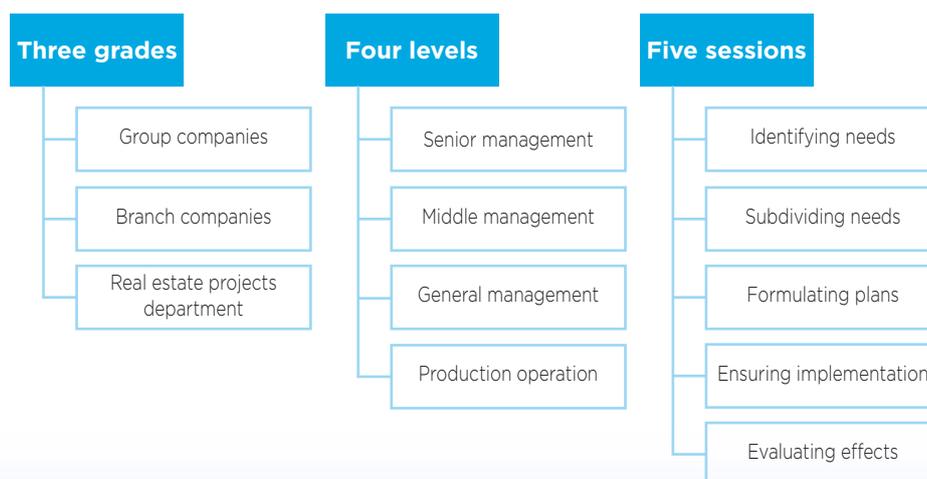


5.3 Employee development

The Group is committed to providing employees with a fair and equitable platform for career development. We established a comprehensive training system and promoted the “Special Implementation Plan of Training Management” (《培訓管理專項執行方案》) during the Reporting Period to enhance the effectiveness of various training and learning of the Group, helping employees to reap the benefits of enhancing their abilities in the Group’s career growth. For special vocational skills required at work, the Group encourages employees to obtain vocational qualification certificates and provides necessary assistance to facilitate the career development of all employees.

Training of Employees

The Group continues to implement the “three-grade, four-level and five-session” employee training management system by formulating the annual “Employee Education and Training Plan” (《員工教育培訓計劃》) at three grades: group companies, branch companies and project departments to form a three-level training network. When implementing training projects, the Group organises and implements employee training at four levels: senior management, middle management, general management and production operation, so that there are plans and implementation at each level; training is implemented through five sessions, including “identifying needs, subdividing needs, formulating plans, ensuring implementation and evaluating effects”.



“Three Grades, Four Levels and Five Sessions” Employee Training Management System

Based on the above-mentioned training system, during the Reporting Period, we actively carried out diversified training work such as training for new employees and qualification training for on-site construction management personnel, in order to build a strong company with talents in a comprehensive manner.

Training for new employees

During the Reporting Period, we arranged a complete induction training programme for 106 fresh university graduates to help new members integrate into the Group's "big family" as soon as possible and experience the warmth of the "Family • People" culture. The induction training covered corporate culture publicity, strategic planning training of the Group, excellent performance management and the Company's system and process training, safety knowledge training, legal knowledge training and human resources knowledge training, etc., to lead new employees to "enter the family" and lay a solid foundation for career development.



On-site Induction Training of New Employee



Qualification training for on-site construction management personnel

The Group actively organises frontline operating employees and technical employees to participate in vocational skills training and holds vocational qualification certification examinations. During the Reporting Period, we organised examinations of new certification of eight major personnel and carried out continuing education of eight major personnel, organising a total of 63 examinations of new certification in five batches. 3,404 people participated in continuing education courses of certification holders. This year, a total of 507 employees, including equipment installation and construction personnel, municipal work construction personnel and civil construction quality personnel, etc. obtained vocational qualification certification.



On-site photos of examinations of new certification of eight major personnel and continuing education of eight major personnel

In order to meet the trend of the Group’s overall information transformation and improve employee training, we also provide employees with various knowledge access channels through the “Construction Intelligent Academy” online management platform and online examination system. Employees can obtain the knowledge they need in the training platform by themselves. Relying on the integration of online training and examinations of the “Construction Intelligent Academy” system with unity of knowledge and action, we have strengthened the study and publicity of the Company’s system, standardization and business processes, and provided strong support for the group to build a learning organization.

Provide a variety of courses

- The platform currently has 2,625 courses, 105,763 test questions, and 10,706 accounts, which can fully satisfy the independent learning needs of all employees.

Create high-quality courses

- Set up high-quality training courses such as “continuing education for professional title applicants”, “online training courses for eight major personnel”, “First Class Architect Training Course”, and “Micro Classroom for Internal Trainers” to help employees obtain certification and self-improvement.

Stimulate learning motivation

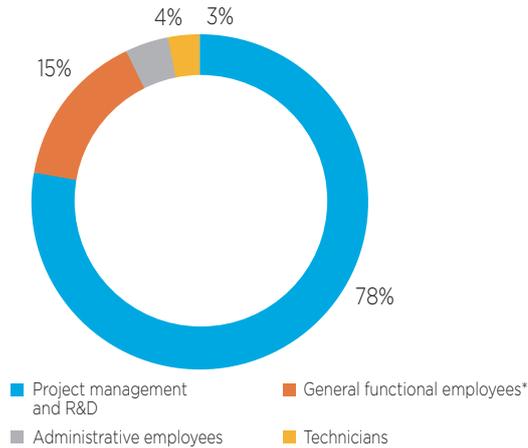
- We have set up a credit and point system so that employees can check their learning progress and academic performance at any time. We have linked training assessment to employees’ annual appraisal, priority selection and promotion of titles and duties to further stimulate the motivation of employees to learn and enhance the traceability of the training effect.

Online Training System of “Construction Intelligent Academy”

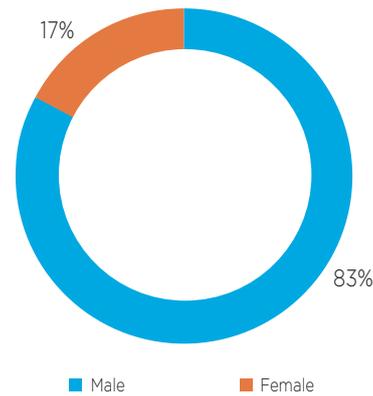
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During the Reporting Period, each unit of the Group planned to arrange 803 training sessions, with a total number of 38,353 training participants, representing a 100% coverage rate of employee training. The breakdown of training by employee type and gender is as follows:

Proportion of training by employee type



Proportion of training by gender

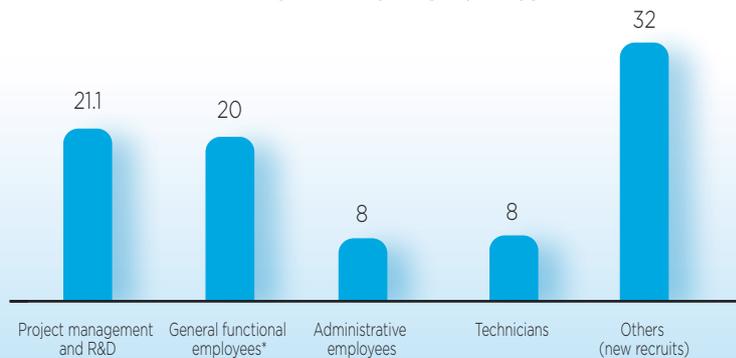


* General functional employees refer to: human resources department, legal affairs, audit finance, operation and marketing employees

Training hours for employees by gender



Training hours by employee type



* General functional employees refer to: human resources department, legal affairs, audit finance, operation and marketing employees



Promotion and development

We continue to improve the post and position management system, clarify the position appointment management methods, open up promotion channels for employees and provide them with fair promotion channels. During the Reporting Period, the Group issued the “Management Measures for the Appointment of Assistant General Manager of branch (subsidiary) Companies” (《分子公司總經理助理崗位任用管理辦法》), which is of great significance in improving the position management and control system of the Group companies, standardising the establishment, appointment and assessment management of certain key positions and ensuring consistency in position management of the Group companies. We focused on carrying out a unified and standardised process for the qualification, number, tenure, selection, appointment assessment and exit mechanism of the position of assistant general manager to provide an open, fair and unified promotion path for employees.

Unified management principle

- The group company implements unified management on the position of assistant general manager, and branch (subsidiary) companies are not allowed to establish by themselves.

Dynamic Management Principles

- Conduct a dynamic assessment of assistants to general managers with reference to key positions of the group companies, and adjust positions and personnel in a timely manner according to the assessment results and the actual management needs of the branch (subsidiary) companies.

Management Principles of the Position of Assistant General Manager

Selection of 100 reserve cadres

We continue to explore and cultivate internal talents of the Company and broaden the channels for talent selection. During the Reporting Period, the Group carried out a reserve training exercise for 100 reserve cadres, with scientificity and fairness as the first selection criteria, to select outstanding talents to enter the Group's third management echelon. From the 435 eligible outstanding young talents, a total of 100 young reserve cadres were promoted through four stages, including preliminary screening and shortlisting election, professional quality evaluation, comprehensive quality and in-depth inspection and development potential assessment.



On Site Comprehensive Quality and In-depth Inspection of Reserve Cadres Selection



5.4 Employee care

Hebei Construction Group is committed to creating a harmonious and loving workplace atmosphere with “Family • People” as the core employment culture. We are grateful for the hard work of every employee and we provide decent benefits and remuneration for our employees. We also listen to employees’ voices with heart so that they can feel at home in the Group.

Salary Protection

In order to better motivate employees to create higher value, we formulate and implement a fair, open and equitable remuneration system to ensure that the Company can scientifically and reasonably determine the difference in remuneration of employees based on their contribution to the organisation.

During the Reporting Period, we strengthened the centralised management of remuneration and social security insurance and updated the “Leave Standard Code” (《休假標準規範》) and the “Remuneration Implementation Standard” (《薪酬執行標準》). The remuneration and social security of all employees were unified by the Group’s Human Resources Department, which organised employees related to remuneration and social security of branch (subsidiary) companies to work in a centralized manner, collecting and reviewing relevant human resources statements of each unit to ensure that the remuneration of each employee was reasonable and lawful.

Medical Insurance Policy Seminar

In order to care for the health of employees and safeguard their social security rights and interests, we specially invited the Baoding Medical Insurance Fund Management Centre to the Company to make a presentation on medical insurance policies and to answer questions about non-local hospitalization policies and reimbursement procedures, maternity insurance policies and reimbursement procedures on site which are of common concern to employees.

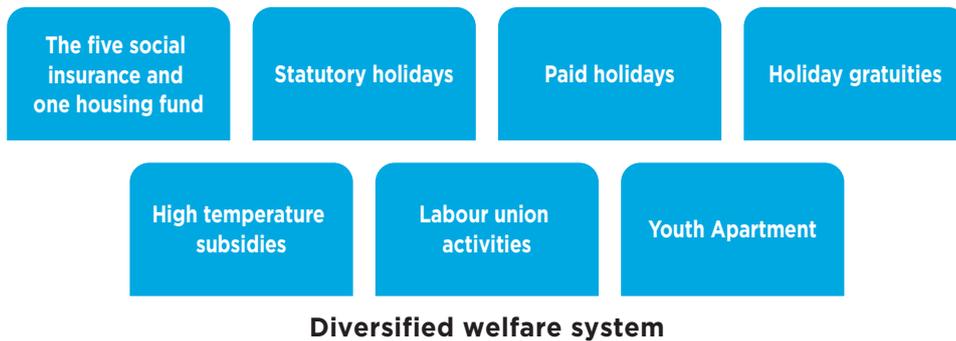


Medical Insurance Policy Seminar



Employee Benefits

In order to enhance employees' loyalty, we not only guarantee various types of holidays and national statutory benefits as stipulated by national laws and regulations and the Company's system, but also provide employees with a wide variety of supplementary benefits such as holiday gratuities, labour union activities and youth apartments, etc. so as to constantly fulfill other needs of employees based on work, life and health.



During the Reporting Period, the Group organised a series of welfare activities to enrich the spare time of employees and create opportunities for communication among them. We encourage employees to maintain a happy mind and body while working and enrich their lives.



The Group held the 70th birthday celebration and the 2021 annual commendation ceremony



The Group held the 70th birthday celebration and cultural and theatrical performance



Employee's calligraphy, painting and photography exhibition



Employee's swimming competition



Employee's table tennis competition



520 youth companionship activity

Employees Activities

Staff communication

The Group pays attention to the leading and cohesive role of “Family • People” culture, persists in using culture to unite people’s minds, creates a happy enterprise, and constantly enhances the sense of belonging of employees. We have set up various communication channels, such as the Chairman’s mailbox of employee’s feedback, employee representative meetings and young employee’s seminars, to build a bridge of cordial communication with employees, understand their voices and needs, continuously improve the Group’s career development environment and enhance their recognition of the Group’s development platform, work environment and interpersonal relationships.



Young Eagle Symposium

In accordance with the ‘3, 5, 8’ Talent Development Eagle Plan” (《“3·5·8”人才發展鷹計劃》) formulated by the Group, the Group has been carrying out the Young Eagle Symposium within the Company. During the Reporting Period, the Young Eagle Symposium reached out to the grassroots level and went to nearly 30 branches (subsidiaries) companies to listen to the voices of young employees under the age of 30 who had joined the Group in the past three years, with a total of over 1,000 young employees attending the symposium and achieving full coverage of listening to the “voices of the youth”.

At the symposium, everyone expressed their views and shared their feelings since joining the Company, spoke freely about the problems they encountered at work, the confusion they faced, and their career goal planning. The various problems and needs of the employees collected during the symposium were revised into a situation report and fed back to the corresponding management departments in a timely manner for implementation and improvement.



Young Eagle Symposium

Employee Satisfaction Survey

The Group conducts regular employee satisfaction surveys to understand the actual situation of all employees and to assess employees in key positions and general management positions at different levels. During the Reporting Period, we focused on six dimensions of corporate culture, work reward, work background, work group, corporate management and corporate operation to conduct research on employees in key positions and general management positions respectively. A total of 8,659 employees participated in the satisfaction survey through the Group’s information management platform, with an overall satisfaction rate of 86.21%, representing an increase of 0.41% over the same period last year. The overall satisfaction rate has shown an upward trend for three years.

Employee Conservation

The Group believes that employees are an important engine for sustainable development of an enterprise. We continue to improve the working system of human resources system to sort out and decompose work priorities of human resources for the year.

During the Reporting Period, we strengthened the unified management of talent retention and remuneration packages by formulating four special plans, namely the “Special Implementation Plan for Reducing the Turnover Rate of Young Employees” (《降低青年員工流失率專項執行方案》), the “Special Implementation Plan for Training Management” (《培訓管理專項執行方案》), the “Special Implementation Plan for Mentorship and Apprenticeship” (《師帶徒專項執行方案》) and the “Special Implementation Plan for Payroll Management” (《薪酬發放管理專項執行方案》), and supervised various systems and branches (subsidiaries) companies to disseminate, monitor, implement and provide feedbacks.

Encourage retention and promotion of young employees

- We conduct satisfaction surveys and exit interviews with young employees every year to avoid the loss of outstanding talents. We establish detailed job-matching talent portraits for each employee's position, provide employees with various solutions such as business capability improvement, employee training and remuneration management, and clarify responsible persons and job responsibilities at each level to promote retention and promotion of young employees.

Systematic and intensive training

- We supervise each system and each branch (subsidiary) company to formulate the “Annual Training Plan” (《年度培訓計劃》) and make full use of the function of the online training platform “Construction Intelligence Academy” to make annual plans for the number of training times, number of trainees and training effects to strengthen training awareness, improve system training penetration and full employee training coverage.

Deepen the culture of Mentorship and Apprenticeship

- Taking system management as the main breakthrough, we establish a team of mentors and publish the “Guidelines for Mentorship and Apprenticeship” (《師帶徒工作指南》) in phases, so that new employees can freely choose their mentors during the probationary period and rotation period to promote mentoring and apprentice exchanges through mutual selection activities between mentors and apprentices. We also launch the Mentor-Apprentice Competition to promote interaction between mentors and apprentices and select outstanding mentor-apprentice combinations in each work system every year to give corresponding awards.

Employee Retention and Conservation Initiatives



During the Reporting Period, the total employee turnover rate of the Group was 7.14%. Information on the turnover rate by gender, region and age is as follows.



6 COMMITMENT TO SOCIAL CONTRIBUTION

Hebei Construction Group insists on fulfilling its social responsibility and actively participates in social welfare projects such as epidemic prevention and control and volunteer services, etc. By joining hands with the government, customers and other stakeholders, we contribute to enhancing the well-being of residents and promoting social prosperity and development. During the Reporting Period, the Group's total charitable investment amounted to RMB20,618,600 and the number of volunteers reached 403 people.

6.1 Focus on Public Welfare

Focusing on the field of people's livelihood, we continue to carry out public welfare assistance for agriculture, charitable donations and environmental protection activities to deeply implement corporate humanistic care and create sustainable value for all sectors of the community. During the Reporting Period, the Group invested a total of RMB430,000 in rural revitalisation activities.

Centralized auction and adoption of chestnut trees

In August 2022, the first China Qianxi “Beautiful Covenant – Chestnut Fragrance World” chestnut tree auction and adoption event was held in Qianxi. The Group actively participated in the event and adopted the first batch of 3,000 chestnut trees within the time limit of 2022-2026, making a modest contribution to the cause of rural revitalization.



Donation to Hebei Agricultural University Education Foundation

In August 2022, the Group's donation ceremony to the Hebei Agricultural University Education Foundation and the signing ceremony of the school-enterprise strategic cooperation were held at Hebei Agricultural University, continuing to help Hebei Agricultural University to improve its education level.



Tree planting activities

In March 2022, the Group's Chengdu, Third Branch, Shijiazhuang Branch, Beijing Branch and other units actively carried out tree planting activities to protect the environment with practical actions and establish a good corporate image.



6.2 Social welfare

While maintaining high-quality development, the Group does not forget to give back to the community. We actively respond to the call of the country's 14th "Five-Year Plan" by undertaking various livelihood services and regional strategic projects to enhance the happiness of community residents with high-quality projects and to contribute to prosperity and development of the regional economy.

Enhance the well-being of residents

The Group always starts from its own industry and continues to promote various livelihood projects by improving construction of community infrastructure, helping to improve the level of medical services and education of the community and meeting the masses' pursuit of high-quality life to establish a responsible corporate image.



Build a medical park

- In 2022, the Group commenced the general contracting project of China Academy of Chinese Medical Sciences of Guang'anmen Hospital of Baoding Hospital. The newly built hospital area includes a medical complex building, an administrative scientific research building and an infection building, etc. with 1,100 beds, helping to improve the standard of medical services in Baoding and surrounding provinces and cities.



Renovate old districts

- In 2022, the Group carried out renovation projects for the main body and supporting infrastructure of old and dilapidated districts in Baoding Lianchi and Jingxiu districts. Through a series of enhancement measures such as roof waterproofing, wall painting, road paving, landscape greening, rainwater and sewage diversion and pipeline improvement, the Group created a good and safe living environment for community residents.



Improve education environment

- In 2022, the Group launched the relocation project of the Vocational and Technical Education Center in Wanquan District of Zhangjiakou City, accumulatively building 2 new teaching and training buildings, 1 student dormitory, 1 canteen, and renovating 2 apartment buildings to help improve the learning and living environment of local students.

Livelihood Projects



Promote regional economic development

Firmly grasping national strategic opportunities such as the synergistic development of Beijing-Tianjin-Hebei Region and the construction of Xiong'an new area, the Group insists on driving regional economic development with abundant industry resources and actively engages in strategic cooperation with the people's governments of various districts, contributing the Group's efforts to enhance the well-being of local residents and build a modern city of quality living.



Contribute to the economic construction of Lianchi District



Boost the economic development of Gaoyang County



Contribute to the modernisation of Anguo City



Help consolidate the achievements of Fuping County in poverty alleviation

Contribute to Local Economic Development

6.3 Fight the epidemic together

During the 2022 epidemic, the Group steadfastly adhered to its principal business and continued to support the construction of emergency facilities for epidemic prevention in various regions. Through donations and voluntary services, the Group worked together with the residents of the epidemic area to tide over the difficulties. During the Reporting Period, the Group accumulatively donated nearly RMB2 million in relief funds and materials to the infected areas.



Aided construction of a centralised isolation centre

- The Beijing branch of the Group received a task of Party A to support the construction of a mobile cabin hospital. The Group responded promptly and organized an electrical and mechanical installation team to go to the front line of construction. During the Reporting Period, the Beijing branch of the Group successfully completed the construction of the project.



Aided construction of a mobile cabin hospital

- The Beijing branch of the Group received an urgent notification from the relevant local authorities and provided full support to the construction of the mobile cabin hospital in Hall D of the Convention and Exhibition Center of Langfang Development Zone. During the Reporting Period, the local mobile cabin hospital was completed on schedule.



Donation of anti-epidemic materials

- The installation company of the Group sent protective clothing, masks, disinfectant and other epidemic prevention materials worth RMB50,000 to the Qingyuan District Government, which were uniformly dispatched by the Epidemic Prevention and Control Headquarters of the Qingyuan District Government Office and distributed to the front-line prevention and control personnel at the first time.
- The steel structure branch of the Group immediately sent daily necessities to Beihezhuang Village and Lujiatun Village in Zhangdeng Town and Nanwangzhuang Village in Donglu Town of Qingyuan District.

Anti-epidemic Support Work



APPENDIX: CONTENT INDEX OF STOCK EXCHANGE ESG REPORTING GUIDE

Major Scope, Aspect, General Disclosures and KPIs	Disclosure Sections	Remarks
A.Environment		
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.	4.2 Climate Change 4.4 Emissions Management
KPI A1.1	The types of emissions and respective emissions data.	4.2 Climate Change
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).	4.2 Climate Change
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.4 Emissions Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		Disclosure Sections	Remarks
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 Emissions Management	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	4 Build a Low-Carbon Future Together	
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.	4.4 Emissions Management	
Aspect A2	Use of Resources		
General Disclosure	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	4.3 Resources Management	
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 Resources Management	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		Disclosure Sections	Remarks
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.3 Resources Management	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.3 Resources Management 4.5 Green Office	
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.	4.3 Resources Management 4.5 Green Office	
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 product packaging
Aspect A3	The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	4.1 Environmental Management	
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	
Aspect A4	Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.2 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 Climate Change	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs	Disclosure Sections	Remarks
B. Social		
Employment and Labour Practices		
Aspect B1	Employment	
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 Equal Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part time), age group and geographical region.	5.1 Equal Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.4 Employee Care



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		Disclosure Sections	Remarks
Aspect B2	Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	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	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs	Disclosure Sections	Remarks
Aspect B3	Development and Training	
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	5.3 Employee Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.3 Employee Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	5.3 Employee Development
Aspect B4	Labour Standards	
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 preventing child and forced labour.</p>	5.1 Equal Employment



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		Disclosure Sections	Remarks
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Equal Employment	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Equal Employment	
Operating Practices			
Aspect B5	Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.2 Responsible Supply	
KPI B5.1	Number of suppliers by geographical region.	3.2 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.	3.2 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.	3.2 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.	3.2 Responsible Supply	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs		Disclosure Sections	Remarks
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 Quality Enhancement</p> <p>2.2 Satisfactory Service</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.	2.2 Satisfactory Service	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Technological Leadership	
KPI B6.4	Description of quality assurance process and recall procedures.	2.1 Quality Enhancement	
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.2 Satisfactory Service	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scope, Aspect, General Disclosures and KPIs	Disclosure Sections	Remarks
Aspect B7	Anti-corruption	
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 Business Ethics
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 Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.3 Business Ethics
KPI B7.3	Description of anti-corruption training provided to Directors and staff.	1.3 Business Ethics
Community		
Aspect B8	Community Investment	
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 Commitment to Social Contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6 Commitment to Social Contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6 Commitment to Social Contribution

APPENDIX: LIST OF LAWS AND REGULATIONS

Civil Code of the People's Republic of China (《中華人民共和國民法典》)

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

Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)

Opinions on Certain Issues Concerning the Application of Law in Handling Criminal Cases of Commercial Bribery (《關於辦理商業賄賂刑事案件適用法律若干問題的意見》)

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》)

Quality Law of the People's Republic of China (《中華人民共和國質量法》)

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

Regulations on the Administration of Work Safety of Construction Works (《建設工程安全生產管理條例》)

Law of the People's Republic of China on the Protection of Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》)

Law of the People's Republic of China on Data Security (《中華人民共和國數據安全法》)

Law of the People's Republic of China on Network Security (《中華人民共和國網絡安全法》)

Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》)

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》)

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Water Law of the People's Republic of China (《中華人民共和國水法》)

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

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

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》)

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》)

Environmental Noise Emission Standards for Construction Site Boundaries (《建築施工場界環境噪聲排放標準》)

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

Law of the People's Republic of China on the Promotion of Employment (《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》)

Law of the Peoples Republic of China on Production Safety (《中華人民共和國安全生產法》)

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 Treatment of Occupational Diseases (《中華人民共和國職業病防治法》)

Measures for the Administration of Occupational Health Examination (《職業健康檢查管理辦法》)

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Mr. Li Baozhong (李寶忠), aged 53, 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 Group Co., Ltd., Zhongru Investment Co., Ltd. and Shenzhen Zhongru Investment Co., Ltd., an executive director and the general manager of Baoding Zhongcheng Investment Management Co., Ltd., a supervisor of Qianbao Investment Co., Ltd. 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 30 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 46, 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., Hebei Lvjian Investment Company (河北綠建投資股份公司), Zhongru Investment Co., Ltd., Inner Mongolia Construction Investment Group Co., Ltd. (內蒙古建設投資集團有限公司) and Zhongcheng Real Estate Development Co., Ltd. Mr. Shang has over 25 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 Co., Ltd. from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering Co., Ltd. from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering Co., Ltd. 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 53, 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 serves as a director of Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司), and 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 Co., Ltd. (河北建設集團安裝工程有限公司), 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 Development Co., Ltd. (中誠房地產開發股份有限公司), 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) and Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司) 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 2019.

Mr. Liu Yongjian (劉永建), aged 59, 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 Co., Ltd., Zhongcheng Real Estate Development Co., Ltd. and Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司). Mr. Liu has over 38 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.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 DIRECTOR

Mr. Li Baoyuan (李寶元), aged 72, 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 a director of Zhongru Investment Co., Ltd. and the chairman of the board of directors of 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 Co., Ltd., and a director of Zhongming Zhiye Group Co., Ltd. Mr. Li is the president of the SME Committee of China Construction Industry Association. Mr. Li has over 52 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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.



INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Lifeng (申麗鳳), aged 57, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairwoman 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 33 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 (stock code: 1427) since 11 November 2018; an external director of Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司) as appointed by Shenzhen SASAC since November 2021, and an independent non-executive director of China South City Holdings Limited (stock code: 1668) since 16 June 2022 and re-designated as a non-executive director of China South City Holdings Limited since 6 January 2023. All the listed companies above are listed on the Main Board of the Stock Exchange. Ms. Shen has also been appointed as a committee member (special invitee) of Hong Kong and Macau of the Chinese People's Political Consultative Conference of Hebei Province in January 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

Ms. Chen Xin (陳欣), aged 40, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairwoman 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 15 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.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan Ngai Sang Kenny (陳毅生), aged 58, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Nomination Committee, Remuneration and Appraisal Committee and Audit 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: 0206) since October 2005; an independent non-executive director of Minsheng Education Group Company Limited (stock code: 1569) since March 2017; an independent non-executive director of Zhongyuan Bank Co., Ltd. (stock code: 1216) since May 2017; an independent non-executive director of Kingland Group Holdings Limited (stock code: 1751) from December 2016 to May 2020; and independent non-executive director of Pak Tak International Limited (stock code: 2668) from October 2019 to December 2022. 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 60, 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 Group 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. (涞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 61, is an employee Supervisor of the Company since 31 March 2017. Mr. Liu also serves as a director of Hebei Qianyuan Red Agricultural Group Co., Ltd. (河北乾元紅色農業集團有限公司), 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. 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 45, 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. (雲彩網絡技術有限公司), 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.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

Mr. Yue Jianming (岳建明), aged 50, 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 HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Ecological Environment Company, respectively. He is also a consultation expert of NDRC, 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 43, 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 Zhongru Investment Co., Ltd., HCG Tianchen Construction Engineering Co., Ltd., HCG Decoration Engineering Co., Ltd., HCG Zhuocheng Road and Bridge Engineering Co., Ltd., HCG Installment Engineering Co., Ltd., HCG Ecological Environment Co., Ltd., 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). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Shang.

Mr. Zhao Wensheng (趙文生). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Zhao.

Mr. Liu Yongjian (劉永建). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Liu.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tian Wei (田偉), aged 53, 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 Co., Ltd., 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. Zhang Wenzhong (張文忠), aged 47, is a Vice President of the Company since 31 March 2017. He also serves as a director of Hebei Haikuo Environmental Technology 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 MOHURD 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lü Qian (呂謙), aged 57, is a Vice President of the Company since 1 September 2020. He also serves as a director of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. 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.

Mr. Chen Liewei (陳列偉), aged 53, is a Vice President and chief economist of the Company since 26 December 2022. Mr. Chen also serves as a director of Zhongcheng Real Estate Development Co., Ltd., the deputy secretary general of China Construction Enterprise Summit Forum, the executive vice president of Hebei Chamber of Commerce in Tianjin, the president of Baoding Baojin Chamber of Commerce and the deputy secretary of Tianjin Work Committee of Hebei Provincial Youth League Committee. Mr. Chen's previous primary work experience includes: working in Baoding Architectural Design Institute from July 1992 to June 1996; serving as the general manager of the Infrastructure Branch of Hebei Construction Group from March 1999 to March 2001; assistant to the president and director of marketing department of Hebei Construction Group Co., Ltd. from March 2001 to January 2005; group vice president and chairman of the board of directors of the branch and general manager of Hebei Construction Group Qianqiu Management Co., Ltd. from January 2005 to October 2006; group vice president and general manager of branch of Tianjin Branch of Hebei Construction Group from October 2006 to September 2019; and the vice president of Zhongming Zhiye Group Co., Ltd. since October 2019.

Mr. Chen graduated from Hebei University of Architecture in July 1992, majoring in civil engineering. He obtained a master's degree in structural engineering and a doctor's degree in management from Tianjin University and an EMBA degree from Guanghua School of Management of Peking University, and is a national first-class registered structural engineer and a senior engineer. In 2004, he was awarded as one of the "Ten Outstanding Youths" of Baoding, and earned the second-class merit of Baoding Municipal Government. In 2005, he was awarded the title of "Outstanding Member of Hebei Youth Federation". In 2010, he won the "May 1st Labor Medal" of Tianjin and the title of "Excellent Construction Enterprise Manager in Tianjin".



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Liu Xingyue (劉興月), aged 54, is a Vice President of the Company since 29 August 2022. Mr. Liu's previous primary work experience includes: working in No. 1 Construction Engineering Company of Hebei Province in July 1989; serving as the director of Langfang Engineering Division of the Installation Branch and deputy general manager and general manager of the Installation Branch of Hebei Construction Group from 2002 to 2009; the manager of Construction Installation Branch of the Company since January 2009; and a Vice President (non-standing) of the Company since December 2013. Mr. Liu also serves as the chairman of the board of directors of Sanhe Jinshibang Real Estate Development Co., Ltd., an executive director of Hebei Xingxi Corporate Management Co., Ltd., the chairman of the board of directors of Inner Mongolia Xinglifeng Construction Management Co., Ltd., a director of Dacheng County Zhongzhou Water Supply Co., Ltd. and a director of Dacheng County Zhongyu Water Supply Co., Ltd.

Mr. Liu graduated from Chongqing Institute of Architectural Engineering in 1990 and received a graduation certificate from the School of Continuing Education of Tsinghua University in November 2007 for the "President's International Training Course on Real Estate Development and Finance". Mr. Liu was awarded the qualification of registered second-class constructor in housing construction by the Ministry of Construction of Hebei Province in March 2006, and was awarded the title of senior engineer in construction and civil engineering by the Qualification Reform Leading Group Office of Hebei Province in March 2010. Mr. Liu won the First-class Award for Technology Improvement of Hebei Province in December 2008; was recognized as one of the Top Ten Outstanding Young Entrepreneurs in Langfang in 2011; was awarded the title of Langfang Model Worker by the Langfang Municipal People's Government in April 2012; and was awarded the title of Model Worker of Hebei Province in 2019.

Mr. Li Wutie (李武鐵), aged 36, 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), a director of Zhongru Investment Co., Ltd. and a director of Zhongming Zhiye Group Co., Ltd. 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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. Please refer to “Senior Management” above for the biographical details of Mr. Li.

Ms. Wong Wai Ling (黃慧玲), is one of the joint company secretaries of the Company. Ms. Wong has more than 18 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 2022, the Group had 9,104 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	6,952
The subsidiaries of the Company	<u>2,152</u>
Total	<u>9,104</u>

As of 31 December 2022, the percentage of male employees and female employees (including senior management) were 82.99% and 17.01%, respectively. The Company fully respects individual differences in talent, creates a professional, inclusive and diverse work environment in the workplace, and is committed to providing equal opportunities for its employees. The Company believes that the current gender ratio of employees (including senior management) is appropriate to the characteristics of the industry and is reasonable. The Company expects to continue to maintain a reasonable level of gender diversity with respect to its employees, including senior management.



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 2022, the Group has provided 803 training sessions for a total of 38,353 employees in 86,774 days with total training expenditure amounting to approximately RMB4.26 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 57 employees of the Company retired in 2022. 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. Details of the pension scheme are set out in note III-17 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young Hua Ming (2023) Shen Zi No. 61319209_B01
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 2022, 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 2022, 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>In 2022, Hebei Construction Group Corporation Limited recognized revenue of RMB39,134,786,000 from construction contracts based on the performance progress of the construction contracts. 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> <ul style="list-style-type: none"> (1) We understood 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; (2) We selected major construction contracts and reviewed the key contract terms including the contract price; (3) We checked the contract costs incurred by selecting samples to check against supporting documents such as delivery and acceptance notes and invoices;

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;</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; and</p> <p>(6) We assessed the adequacy of disclosures on revenue from construction contracts in the financial statements.</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 2022, the Company had accounts receivable, other receivables and contract assets amounting to RMB56,515,706,000. 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"> (1) We understood and tested 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; (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; (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; (4) We reviewed bank advice for the payments received subsequent to the end of the reporting period by selecting samples;

III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
<p>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.</p>	<p>(5) We evaluated the credit risk assessment on the accounts receivable, other receivables and contract assets conducted by management; and</p> <p>(6) We assessed the adequacy of disclosures on accounts receivable, other receivables and contract assets in the financial statements.</p>

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.

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)

- (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.

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

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.

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

27 March 2023

CONSOLIDATED BALANCE SHEET

31 December 2022

Unit: RMB'000

Assets	<i>Note VI</i>	31 December 2022	31 December 2021
Current assets			
Currency funds	1	9,123,019	8,809,963
Financial assets held for trading	2	3,118	2,472
Accounts receivable	3	7,815,567	7,740,447
Receivables financing	4	349,485	504,212
Prepayments	5	733,145	764,030
Other receivables	6	2,360,433	2,617,864
Inventories	7	182,032	265,873
Contract assets	8	40,014,033	39,658,331
Current portion of non-current assets	10	43,128	49,386
Other current assets	9	501,931	414,533
Total current assets		61,125,891	60,827,111
Non-current assets			
Long-term receivables	10	170,123	164,226
Long-term equity investments	11	515,706	522,110
Contract assets	8	2,903,035	2,504,857
Other equity instrument investments	12	744,459	779,793
Investment property	13	99,200	137,000
Fixed assets	14	981,409	954,757
Construction in progress	15	155,975	163,644
Right-of-use assets	16	17,969	24,011
Intangible assets	17	96,332	98,539
Deferred tax assets	18	821,751	771,205
Total non-current assets		6,505,959	6,120,142
Total assets		67,631,850	66,947,253

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

CONSOLIDATED BALANCE SHEET

31 December 2022

Unit: RMB'000

Liabilities and owners' equity	Note VI	31 December 2022	31 December 2021
Current liabilities			
Short-term borrowings	20	2,415,411	2,260,771
Bills payable		827,662	915,410
Accounts payable	21	36,587,127	37,936,655
Contract liabilities	22	6,939,618	6,006,902
Employee benefits payable	23	202,120	209,025
Taxes payable	24	773,370	858,261
Other payables		6,184,596	6,073,401
Current portion of non-current liabilities		896,633	1,498,619
Other current liabilities	25	3,943,783	3,571,785
Total current liabilities		58,770,320	59,330,829
Non-current liabilities			
Long-term borrowings	26	2,684,830	1,729,252
Lease liabilities	27	9,225	14,580
Total non-current liabilities		2,694,055	1,743,832
Total liabilities		61,464,375	61,074,661
Owners' equity			
Share capital	28	1,761,384	1,761,384
Capital reserve	29	1,662,063	1,662,063
Other comprehensive income	30	152,476	178,092
Surplus reserve	32	545,068	500,912
Retained profit	33	1,873,811	1,591,242
Total equity attributable to owners of the Parent		5,994,802	5,693,693
Non-controlling interests		172,673	178,899
Total owners' equity		6,167,475	5,872,592
Total liabilities and owners' equity		67,631,850	66,947,253

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

2022
Unit: RMB'000

	Note VI	2022	2021
Revenue	34	40,006,018	47,828,266
Less: Cost of sales		38,371,416	45,341,436
Taxes and surcharges		116,072	137,598
Selling and distribution expenses		1,542	1,061
General and administrative expenses		570,825	535,823
Research and development costs		150,126	76,417
Finance costs	35	297,487	308,076
Including: Interest expenses		343,031	326,851
Interest income		39,238	40,926
Add: Other income	36	2,285	4,982
Investment income	37	24,740	3,679
Including: Share of profits/(losses) of associates and joint ventures		2,866	(1,274)
Losses on derecognition of financial assets at amortised cost		(14,679)	(64,795)
(Losses)/gains on fair value changes	38	(37,447)	66
Credit impairment gains/(losses)	39	131,355	(623,156)
Impairment losses on assets	40	(179,498)	(1,301,616)
Losses from disposal of assets		(85)	(1,624)
Operating profit/(loss)		439,900	(489,814)
Add: Non-operating income		3,512	8,039
Less: Non-operating expenses		14,531	13,522
Profit/(loss) before tax		428,881	(495,297)
Less: Income tax expenses/(gains)	42	113,442	(137,131)
Net profit/(loss)		315,439	(358,166)

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

CONSOLIDATED INCOME STATEMENT

2022

Unit: RMB'000

	Note VI	2022	2021
Classified by the continuity of operation			
Net profit/(loss) from continuing operations		315,439	(358,166)
Classified by the ownership			
Net profit/(loss) attributable to shareholders of the parent		326,725	(345,975)
Net loss attributable to non-controlling interests		(11,286)	(12,191)
Other comprehensive (loss)/income, net of tax	30	(25,616)	39,488
Other comprehensive (loss)/income attributable to shareholders of the parent, net of tax		(25,616)	39,488
Other comprehensive (loss)/income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(26,501)	17,426
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables financing		885	22,062
Total comprehensive income/(loss)		289,823	(318,678)
Including:			
Total comprehensive income/(loss) attributable to owners of the Parent		301,109	(306,487)
Total comprehensive loss attributable to non-controlling interests		(11,286)	(12,191)
Earnings/(loss) per share (RMB/share)			
Basic and diluted earnings/(loss) per share	43	0.19	(0.20)

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2022
Unit: RMB'000

2022

	Attributable to owners of the parent								Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	
I. Opening balance of the current year	1,761,384	1,662,063	178,092	-	500,912	1,591,242	5,693,693	178,899	5,872,592
II. Changes for the year									
(I) Total comprehensive (loss)/income	-	-	(25,616)	-	-	326,725	301,109	(11,286)	289,823
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	5,060	5,060
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	44,156	(44,156)	-	-	-
(IV) Special reserve									
1. Appropriation for the year	-	-	-	800,120	-	-	800,120	-	800,120
2. Use in the year	-	-	-	(800,120)	-	-	(800,120)	-	(800,120)
III. Closing balance of the year	1,761,384	1,662,063	152,476	-	545,068	1,873,811	5,994,802	172,673	6,167,475

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2022

Unit: RMB'000

2021

	Attributable to owners of the parent								Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	
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 CASH FLOW STATEMENT

2022
Unit: RMB'000

	Note VI	2022	2021
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		44,838,694	48,443,446
Other cash receipts related to operating activities		5,098,827	5,398,584
Subtotal of cash inflows from operating activities		49,937,521	53,842,030
Cash paid for goods and services		42,753,763	45,570,714
Cash paid to and for employees		865,446	892,903
Taxes paid		1,102,430	1,323,191
Other cash payments related to operating activities		5,180,718	5,200,357
Subtotal of cash outflows from operating activities		49,902,357	52,987,165
Net cash flows from operating activities	44	35,164	854,865
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from return of investment		3,843	4,843
Cash received from investment income		84,959	75,717
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,869	26,593
Subtotal of cash inflows from investing activities		90,671	107,153
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		81,233	254,117
Cash paid to acquire investments		9,950	18,121
Subtotal of cash outflows from investing activities		91,183	272,238
Net cash flows used in investing activities		(512)	(165,085)

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

CONSOLIDATED CASH FLOW STATEMENT

2022

Unit: RMB'000

	Note VI	2022	2021
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash proceeds from investments by others		5,060	8,330
Including: Cash received from capital contributions from minority shareholders of subsidiaries		5,060	8,330
Cash received from borrowings		3,411,001	3,707,693
Subtotal of cash inflows from financing activities		3,416,061	3,716,023
Cash paid for repayments of debts		2,901,782	3,414,726
Cash paid for distribution of dividends or interest repayment		338,840	563,042
Cash paid for acquisition of non-controlling interest		-	10,545
Other cash payments related to financing activities		35,206	88,676
Subtotal of cash outflows from financing activities		3,275,828	4,076,989
Net cash flows from/(used in) financing activities		140,233	(360,966)
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6,306	(22,151)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		181,191	306,663
Add: Opening balance of cash and cash equivalents		8,307,228	8,000,565
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	45	8,488,419	8,307,228

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

BALANCE SHEET

31 December 2022

Unit: RMB'000

Assets	<i>Note XVI</i>	31 December 2022	31 December 2021
Current assets			
Currency funds	1	6,836,634	6,620,829
Financial assets held for trading		2,130	-
Accounts receivable	2	6,115,320	6,129,013
Receivables financing		264,790	402,815
Prepayments		589,786	644,556
Other receivables		1,859,525	2,048,130
Inventories		125,825	180,687
Contract assets	3	31,366,876	31,633,712
Other current assets		261,952	199,683
Total current assets		47,422,838	47,859,425
Non-current assets			
Long-term equity investments	4	3,111,693	3,029,787
Other equity instrument investments		744,459	779,793
Investment property		99,200	137,000
Fixed assets		733,077	697,695
Construction in progress		80,343	139,829
Right-of-use assets		9,659	12,185
Intangible assets		420	483
Deferred tax assets		594,810	561,900
Total non-current assets		5,373,661	5,358,672
Total assets		52,796,499	53,218,097

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

BALANCE SHEET

31 December 2022

Unit: RMB'000

Liabilities and owners' equity	31 December 2022	31 December 2021
Current liabilities		
Short-term borrowings	1,986,040	1,609,389
Bills payable	426,178	599,172
Accounts payable	29,553,083	31,233,300
Contract liabilities	5,411,042	4,731,733
Employee benefits payable	146,351	146,211
Taxes payable	530,493	631,662
Other payables	5,191,153	4,826,019
Current portion of non-current liabilities	412,726	619,784
Other current liabilities	3,092,255	2,914,807
	<hr/>	<hr/>
Total current liabilities	46,749,321	47,312,077
Non-current liabilities		
Long-term borrowings	302,812	400,582
Lease liabilities	5,314	11,062
	<hr/>	<hr/>
Total non-current liabilities	308,126	411,644
	<hr/>	<hr/>
Total liabilities	47,057,447	47,723,721
Owners' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,447,379	1,447,379
Other comprehensive income	153,389	179,023
Surplus reserve	319,950	292,919
Retained profit	2,056,950	1,813,671
	<hr/>	<hr/>
Total owners' equity	5,739,052	5,494,376
	<hr/>	<hr/>
Total liabilities and owners' equity	52,796,499	53,218,097

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

INCOME STATEMENT

2022
Unit: RMB'000

	Note XVI	2022	2021
Revenue	5	30,721,135	38,345,087
Less: Cost of sales		29,725,882	36,466,901
Taxes and surcharges		77,599	98,286
Selling and distribution expenses		652	495
General and administrative expenses		443,380	420,013
Research and development costs		106,743	56,205
Finance costs		76,396	110,135
Including: Interest expenses		100,609	105,492
Interest income		17,907	19,142
Add: Other income		466	1
Investment income		28,621	9,624
Including: Share of profits/(losses) of associates and joint ventures		3,245	(804)
Losses on derecognition of financial assets at amortised cost		(10,691)	(58,947)
(Losses)/gains on fair value changes		(37,706)	300
Credit impairment gains/(losses)		168,764	(461,951)
Impairment losses on assets		(120,640)	(1,082,983)
Gains from disposal of assets		12	1,803
Operating profit/(loss)		330,000	(340,154)
Add: Non-operating income		28,757	35,008
Less: Non-operating expenses		11,142	10,330
Total profit/(loss)		347,615	(315,476)
Less: Income tax expenses/(gains)		77,305	(88,391)
Net profit/(loss)		270,310	(227,085)
Other comprehensive (loss)/income, net of tax		(25,634)	34,784
Other comprehensive (loss)/income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(26,501)	17,426
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables financing		867	17,358
Total comprehensive income/(loss)		244,676	(192,301)

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2022

Unit: RMB'000

2022

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the current year	1,761,384	1,447,379	179,023	-	292,919	1,813,671	5,494,376
II. Changes for the year							
(I) Total comprehensive (loss)/income	-	-	(25,634)	-	-	270,310	244,676
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	27,031	(27,031)	-
(III) Special reserve							
1. Appropriation for the year	-	-	-	614,423	-	-	614,423
2. Use in the year	-	-	-	(614,423)	-	-	(614,423)
III. Closing balance of the year	1,761,384	1,447,379	153,389	-	319,950	2,056,950	5,739,052

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2022

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 current year	1,761,384	1,447,379	146,817	-	292,919	2,284,772	5,933,271
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	1,761,384	1,447,379	179,023	-	292,919	1,813,671	5,494,376

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

CASH FLOW STATEMENT

2022

Unit: RMB'000

	2022	2021
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	35,219,283	39,458,684
Other cash receipts related to operating activities	3,456,543	2,959,458
Subtotal of cash inflows from operating activities	38,675,826	42,418,142
Cash paid for goods and services	33,747,325	36,617,632
Cash paid to and for employees	711,644	588,134
Taxes paid	811,306	564,295
Other cash payments related to operating activities	3,171,373	4,123,926
Subtotal of cash outflows from operating activities	38,441,648	41,893,987
Net cash flows from operating activities	234,178	524,155
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from return of investment	1,735	-
Cash received from investment income	74,243	68,267
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	397	40,433
Subtotal of cash inflows from investing activities	76,375	108,700
Cash paid for the purchase and construction of fixed assets	7,021	189,399
Cash paid to acquire investments	81,221	58,945
Subtotal of cash outflows from investing activities	88,242	248,344
Net cash flows used in investing activities	(11,867)	(139,644)

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

CASH FLOW STATEMENT
2022
Unit: RMB'000

	2022	2021
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	<u>1,993,130</u>	<u>1,924,740</u>
Subtotal of cash inflows from financing activities	<u>1,993,130</u>	<u>1,924,740</u>
Cash paid for repayments of debts	1,923,240	2,095,818
Cash paid for distribution of dividends or interest repayment	96,424	348,110
Other cash payments related to financing activities	<u>19,077</u>	<u>24,344</u>
Subtotal of cash outflows from financing activities	<u>2,038,741</u>	<u>2,468,272</u>
Net cash flows used in financing activities	<u>(45,611)</u>	<u>(543,532)</u>
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>6,306</u>	<u>(21,985)</u>
V. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>183,006</u>	<u>(181,006)</u>
Add: Opening balance of cash and cash equivalents	<u>6,218,987</u>	<u>6,399,993</u>
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>6,401,993</u>	<u>6,218,987</u>

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

FINANCIAL STATEMENTS AND NOTES

2022

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), 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 are in compliance with Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company and the Group as at 31 December 2022, as well as its operating results and cash flows in 2022.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the financial statements of the Group for the year ended 31 December 2022 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 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.

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 amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

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

Except for the signed financial guarantee contracts, the financial liabilities of the Group are, on initial recognition, classified as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. 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 financial liabilities measured at amortised cost is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at amortised cost

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 at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group uses an individual financial instrument or a group of financial instruments with similar credit risk characteristics as the basis for determining the change in the risk of default over the expected life of the financial instrument by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

A financial asset becomes credit-impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Financial instruments (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

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. 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.

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:

	Useful life
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 impairment of assets excluding inventories, contract assets, investment properties measured at fair value model, deferred income taxes and finance assets shall be determined 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, indefinite useful life arising from business combination and intangible assets that have not been ready for intended use, impairment test should be performed at least once at the each year-end to assess whether an impairment indication exists.

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 long-term 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

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.

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 or services 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)

PPP project contract

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 (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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Revenue from contracts with customers (Continued)

PPP project contract (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

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. Deferred income tax

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. Deferred 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. Deferred 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

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.

As lessee

The Group recognizes right-of-use assets and lease liabilities for leases, except for short-term leases and leases of low-value assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

As lessee (Continued)

Right-of-use assets

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, which is initially measured at cost. The costs of right-of-use assets include: 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. If the Group remeasures the lease liability due to changes in lease payments, the carrying amount of the right-of-use asset is adjusted accordingly. 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.

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. Lease payments include fixed payments and substantially fixed payments net of lease incentives, variable lease payments that depend on an index or rate, amounts expected to be payable based on the residual value of the security, and also include the exercise price of a purchase option or amounts to be paid upon exercise of a lease termination option if the Group is reasonably certain that the option will be exercised or the lease term reflects that the Group will exercise the lease termination option.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

As lessee (Continued)

Lease liabilities (Continued)

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, except for those included in the costs of the relevant assets as otherwise specified. 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.

After the commencement date of the lease period, the Group increases the carrying amount of the lease liability when interest is recognized and decreases the carrying amount of the lease liability when lease payments are made. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Leases (Continued)

As lessee (Continued)

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.

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. Initial direct costs are capitalized and amortized over the lease term on the same basis as rental income is recognized, and are recognized in profit or loss in the current period.

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 and fixed assets, 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 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)

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 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.

IV. TAXATION

Major categories of taxes and respective tax rates of the Group during the year 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. |

FINANCIAL STATEMENTS AND NOTES

2022

Unit: RMB'000

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Particulars of the Company's 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	
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	
Tibet Jiming Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	200,000	100	-	100	
Hainan Qihui Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability company	Supply chain management	200,000	100	-	100	Note 1
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	205,000	100	-	100	
HCG (Ningbo) Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability company	Supply chain management	200,000	100	-	100	
HCG Installment Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	180,000	100	-	100	
Huainan Fengrui Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	161,651	80	-	80	
HCG Ecological Environment Co., Ltd. (formerly known as 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	
HCG Henan Zhongyuan Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	
Shaanxi Tianqin 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	
Dacheng County Zhongyu Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Running water supply	88,480	20	80	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		
Shandong Jube 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	
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 Steel Structure 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 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	

FINANCIAL STATEMENTS AND NOTES

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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		
Yunca Network Technology Co., Ltd.	PRC/PRC	Limited liability company	Internet development and sale	50,000	80	-	80	
HCG Smart Energy Co., Ltd.	PRC/PRC	Limited liability company	Development of new energy technology	50,000	-	95	95	
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	
HCG Langfang Ecological Construction Co., Ltd.	PRC/PRC	Limited liability company	Ecological construction	50,000	51	49	100	Note 1
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	-	95	95	
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 Construction Group Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	20,000	100	-	100	Note 2

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		
Hebei Shangbai Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Building construction	20,000	100	-	100	Note 3
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	
Hebei Baina Production Base Co., Ltd.	PRC/PRC	Limited liability company	Park management services	10,000	-	100	100	Note 1
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	
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 Zhunwang Smart Technology Co., Ltd.	PRC/PRC	Limited liability company	Technology promotion and application services	3,000	-	100	100	Note 1
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	

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information about subsidiaries (Continued)

Notes:

Note 1: Such subsidiaries were newly established during the year.

Note 2: The registered capital of Hebei Construction Group Wuhu Baojian Construction Co., Ltd. changed from RMB1 million to RMB20 million during the year.

Note 3: During the year, Hebei Construction Group Corporation Limited acquired 100% equity interest in Hebei Shangbai Construction Engineering Co., Ltd.

Note 4: HCG (Tianjin) Supply Chain Management Co., Ltd., HCG Tianpeng Construction Engineering Co., Ltd., HCG Tiansheng Construction Engineering Co., Ltd., Hebei Zhongbao New Building Material Manufacturing Co., Ltd., Tianjin Tianzheng Construction Engineering Co., Ltd. and Hebei Xiong'an Dayang Environmental Technology 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 or acquired 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:

2022

	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	(2,141)	23,719
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(1)	16,987
Bozhou Qihang Transportation Construction Co., Ltd.	10	(5,555)	11,607
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	20	-	3,406

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

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:

2022

	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.
Current assets	212,416	10,825	204,336	22,983
Non-current assets	718,681	11,309	1,146,692	-
Total assets	931,097	22,134	1,351,028	22,983
Current liabilities	227,336	176	392,426	6,012
Non-current liabilities	512,261	-	808,918	-
Total liabilities	739,597	176	1,201,344	6,012
Operating revenue	56,122	-	-	5,121
Net (loss)/gain	(8,565)	(4)	(55,550)	1
Total comprehensive (loss)/ income	(8,565)	(4)	(55,550)	1
Net cash flows (used in)/ generated from operating activities	(98,377)	-	(112,124)	3,001

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Material non-controlling interests (Continued)

2021

	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.
Current assets	218,967	10,821	81,501	20,136
Non-current assets	556,211	11,317	1,113,119	-
Total assets	775,178	22,138	1,194,620	20,136
Current liabilities	525,113	176	610,067	3,165
Non-current liabilities	50,000	-	436,430	-
Total liabilities	575,113	176	1,046,497	3,165
Operating revenue	32,755	-	-	7,460
Net loss	(9,893)	(219)	(45,588)	(105)
Total comprehensive loss	(9,893)	(219)	(45,588)	(105)
Net cash flows (used in)/ generated from operating activities	(19,829)	(518)	(165,953)	1,009

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2022	2021
Cash on hand	5,424	6,937
Bank deposits	7,451,406	7,036,493
Other currency funds	1,666,189	1,766,533
	9,123,019	8,809,963

As at 31 December 2022, the Group's currency funds with restricted ownership amounted to RMB634,600,000 (31 December 2021: RMB502,735,000). Please refer to Note VI-19.

2. Financial assets held for trading

	2022	2021
Financial assets at fair value through profit or loss		
Equity instrument investment	3,118	2,472

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:

	2022	2021
Within 1 year	6,342,449	6,740,211
1 to 2 years	1,472,920	1,005,807
2 to 3 years	452,479	602,930
Over 3 years	667,174	649,443
	8,935,022	8,998,391
Less: Impairment allowance	1,119,455	1,257,944
	7,815,567	7,740,447

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
2022	1,257,944	329,729	(468,218)	1,119,455
2021	663,649	987,868	(393,573)	1,257,944

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:

	2022			
	Book balance		Bad debt provisions	
	Amount	Proportion(%)	Amount	Proportion(%)
Individual provision for bad debts	3,006,220	34	851,214	28
Provision for bad debts according to credit risk portfolio	5,928,802	66	268,241	5
	<u>8,935,022</u>	<u>100</u>	<u>1,119,455</u>	

	2021			
	Book balance		Bad debt provisions	
	Amount	Proportion(%)	Amount	Proportion(%)
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
	<u>8,998,391</u>	<u>100</u>	<u>1,257,944</u>	

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:

	2022			2021		
	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	4,720,273	1.01	47,675	4,316,913	0.90	38,644
1 to 2 years	768,679	4.87	37,434	845,771	4.64	39,257
2 to 3 years	185,338	16.12	29,876	377,967	17.88	67,564
3 to 4 years	135,727	34.79	47,219	92,597	40.52	37,521
4 to 5 years	46,173	72.39	33,425	46,427	63.50	29,481
Over 5 years	72,612	100.00	72,612	63,959	100.00	63,959
	5,928,802		268,241	5,743,634		276,426

As at 31 December 2022, the Group's accounts receivable with restricted ownership amounted to RMB135,611,000 (31 December 2021: RMB100,816,000). Please refer to Note VI-19.

4. Receivables financing

	2022	2021
Bank acceptance bill	226,823	362,090
Commercial acceptance bill	122,662	142,122
	349,485	504,212

As at 31 December 2022, the Group had no receivables financing with restricted ownership (31 December 2021: RMB105,222,000). 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:

	2022		2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	603,768	83	600,001	78
1 to 2 years	82,137	11	144,325	19
2 to 3 years	37,932	5	14,252	2
Over 3 years	9,308	1	5,452	1
	733,145	100	764,030	100

The breakdown of prepayments by nature is as follows:

	2022	2021
Prepayments for subcontracting works	529,545	535,368
Prepayments for materials	203,600	228,662
	733,145	764,030

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables

	2022	2021
Dividend receivable	-	20,250
Other receivables	2,360,433	2,597,614
	2,360,433	2,617,864

The overdue ageing analysis of other receivables is as follows:

	2022	2021
Not overdue and overdue for no more than 1 year	2,404,887	2,650,534
Overdue for 1 to 2 years	34,765	28,815
Overdue for 2 to 3 years	12,097	15,660
Overdue for over 3 years	75,403	64,176
	2,527,152	2,759,185
Less: Bad debt allowance on other receivables	166,719	161,571
	2,360,433	2,597,614

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:

	2022	2021
Project advances	840,497	937,684
Performance bond	667,260	719,373
Construction deposit	206,103	214,717
Tender deposit	199,464	235,135
Security deposit	352,792	385,895
Other deposit	182,269	187,854
Others	78,767	78,527
	2,527,152	2,759,185
Less: Bad debt allowance on other receivables	166,719	161,571
	2,360,433	2,597,614

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:

2022

	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	13,292	69,009	79,270	161,571
Transfer of opening balance among stages during the year	(1,713)	1,713	-	-
Provision during the year	6,435	7,037	-	13,472
Reversal during the year	(5,986)	(1,869)	(469)	(8,324)
Closing balance	12,028	75,890	78,801	166,719

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

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
Transfer of opening balance among stages during the year	(11,361)	6,361	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	<u>13,292</u>	<u>69,009</u>	<u>79,270</u>	<u>161,571</u>

7. Inventories

	2022	2021
Raw materials	<u>182,032</u>	<u>265,873</u>

As at 31 December 2022, 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.

	2022			2021		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	<u>44,883,409</u>	<u>(1,966,341)</u>	<u>42,917,068</u>	<u>43,950,031</u>	<u>(1,786,843)</u>	<u>42,163,188</u>
Including:						
Non-current assets	<u>2,986,680</u>	<u>(83,645)</u>	<u>2,903,035</u>	<u>2,644,972</u>	<u>(140,115)</u>	<u>2,504,857</u>

The movements in the loss allowance for impairment of contract assets are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2022	<u>1,786,843</u>	<u>575,252</u>	<u>(395,754)</u>	<u>1,966,341</u>
2021	<u>485,227</u>	<u>1,448,268</u>	<u>(146,652)</u>	<u>1,786,843</u>

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Contract assets (Continued)

	2022			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	6,851,325	15.26	1,582,215	23.09
Provision for impairment according to credit risk portfolio	<u>38,032,084</u>	<u>84.74</u>	<u>384,126</u>	<u>1.01</u>
	<u>44,883,409</u>	<u>100.00</u>	<u>1,966,341</u>	

	2021			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	3,495,697	7.95	1,422,754	40.70
Provision for impairment according to credit risk portfolio	<u>40,454,334</u>	<u>92.05</u>	<u>364,089</u>	<u>0.90</u>
	<u>43,950,031</u>	<u>100.00</u>	<u>1,786,843</u>	

As at 31 December 2022, 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 2022, the Group's contract assets with restricted ownership amounted to RMB2,757,523,000 (31 December 2021: RMB2,575,382,000). For details, please refer to Note VI-19.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other current assets

	2022	2021
Assets for debt settlement	191,401	130,000
Prepaid VAT and deductible input tax	114,375	110,271
Prepaid EIT	108,883	85,248
Prepaid surcharges	51,635	50,688
Prepaid land use tax	10,626	10,686
Prepaid stamp duty	7,795	8,813
Prepaid deed tax	3,905	-
Prepaid personal income tax	93	2
Others	13,218	18,825
	501,931	414,533

As at 31 December 2022, the Group had no other current assets with restricted ownership (As at 31 December 2021, the Group's other current assets with restricted ownership were bill deposits of RMB10,556,000). For details, please refer to Note VI-19.

The management of the Group considers that no bad debt provision for expected credit losses is required under the normal method for the above other current assets.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term receivables

The Group's long-term receivables are mainly receivables for provision of build-operate-transfer water supply services, which will be settled in installments during a period from 1 to 25 years.

	2022	2021
Long-term concession project receivables	213,251	213,612
Less: Long-term receivables due within one year	43,128	49,386
	170,123	164,226

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 at 31 December 2022 (31 December 2021: nil).

As at 31 December 2022, the Group's long-term receivables with restricted ownership amounted to RMB213,251,000 (31 December 2021: RMB213,612,000). Please refer to Note VI-19 for details.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term equity investments

	2022	2021
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	362,349	376,164
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	15,742	15,742
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	12,379	11,230
Inner Mongolia Construction Investment Group Co., Ltd.	8,200	4,000
Beijing Rungucheng Investment Management Co., Ltd.	-	45
Associates		
Yizongliangheng	56,779	56,779
Rongcheng County Hengda Construction Investment Co., Ltd.	29,140	29,135
Bozhou Xiangju	22,441	20,470
Zhongyuan Environmental	8,676	8,545
	515,706	522,110

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term equity investments (Continued)

Key information of joint ventures and associates:

2022

	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
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)

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	49.50	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)

The following table sets forth the financial information of joint ventures and associates that are immaterial to the Group:

	2022	2021
Total carrying values of investments	515,706	522,110
Total amounts calculated as per shareholding as follows		
Net profit/(loss)	2,866	(1,274)
Total comprehensive income/(loss)	2,866	(1,274)

As at 31 December 2022, the management of the Group considers that no impairment provision is required for long-term equity investments.

12. Other equity instrument investments

2022

	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.	162,000	607,500	29,700	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	32,500	72,500	2,500	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	6,000	9,000	-	Strategic investment
China Risun Group Co., Ltd.	6,906	55,222	3,886	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	81	237	-	Strategic investment
	207,487	744,459	36,086	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other equity instrument investments (Continued)

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
	<u>242,821</u>	<u>779,793</u>	<u>69,378</u>	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Investment property

Subsequently measured by adopting the fair value model:

2022

	Houses and buildings
Cost	
Opening balance	137,000
Adjustment on the fair value	<u>(37,800)</u>
Closing balance	<u>99,200</u>

2021

	Houses and buildings
Cost	
Opening balance	136,700
Adjustment on the fair value	<u>300</u>
Closing balance	<u>137,000</u>

Such investment property is leased to a third party under an operating lease.

As at 31 December 2022, the Group's investment property with restricted ownership amounted to RMB99,200,000 (31 December 2021: RMB137,000,000). Please refer to Note VI-19.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Fixed assets

2022

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	944,357	155,119	77,296	107,991	1,284,763
Acquisitions	1,097	16,325	1,253	4,507	23,182
Transfer from construction in progress	65,720	-	-	-	65,720
Disposal or retirement	(14,058)	(1,853)	(1,596)	(554)	(18,061)
Closing balance	<u>997,116</u>	<u>169,591</u>	<u>76,953</u>	<u>111,944</u>	<u>1,355,604</u>
Accumulated depreciation					
Opening balance	(82,656)	(89,594)	(60,560)	(97,196)	(330,006)
Provision	(32,323)	(16,499)	(6,181)	(5,293)	(60,296)
Disposal or retirement	13,088	1,401	1,432	186	16,107
Closing balance	<u>(101,891)</u>	<u>(104,692)</u>	<u>(65,309)</u>	<u>(102,303)</u>	<u>(374,195)</u>
Carrying amount					
At the end of the year	<u>895,225</u>	<u>64,899</u>	<u>11,644</u>	<u>9,641</u>	<u>981,409</u>
At the beginning of the year	<u>861,701</u>	<u>65,525</u>	<u>16,736</u>	<u>10,795</u>	<u>954,757</u>

FINANCIAL STATEMENTS AND NOTES

2022

Unit: RMB'000

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Fixed assets (Continued)

2021

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
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>
Accumulated depreciation					
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>
Carrying amount					
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>

As at 31 December 2022, the management of the Group considers that no impairment provision is required for fixed assets.

As at 31 December 2022, the Group's fixed assets with restricted ownership amounted to RMB162,502,000 (31 December 2021: RMB266,728,000). Please refer to Note VI-19.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Construction in progress

2022

	Opening balance	Change during the year		Closing balance
		Acquisition and construction	Transfer to fixed assets	
New base in Langfang	37,534	1,769	-	39,303
Project of transformation and construction of office building of the Group	2,150	-	-	2,150
Qingyuan Green Industrial Park	17,300	52,539	-	69,839
Decoration of Hebei Construction Commercial Center	61,255	2,721	(63,976)	-
Tianjin office building	34,708	-	-	34,708
Others	10,697	1,022	(1,744)	9,975
	163,644	58,051	(65,720)	155,975

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Construction in progress (Continued)

2021

	Opening balance	Change during the year		Closing balance
		Acquisition and construction	Transfer to fixed assets	
New base in Langfang Project of transformation and construction of office building of the Group	35,359	2,175	-	37,534
Qingyuan Green Industrial Park	1,496	15,804	-	17,300
Hebei Construction Commercial Center	500,023	3,044	(503,067)	-
Decoration 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
	<u>575,027</u>	<u>92,975</u>	<u>(504,358)</u>	<u>163,644</u>

As at 31 December 2022, 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

2022

	Buildings	Machinery equipment	Total
Cost			
Opening balance	20,423	32,873	53,296
Addition	10,461	-	10,461
Reduction	(2,083)	(70)	(2,153)
Closing balance	28,801	32,803	61,604
Accumulated depreciation			
Opening balance	(8,213)	(21,072)	(29,285)
Addition	(8,289)	(8,214)	(16,503)
Reduction	2,083	70	2,153
Closing balance	(14,419)	(29,216)	(43,635)
Carrying amount			
At the end of the year	14,382	3,587	17,969
At the beginning of the year	12,210	11,801	24,011

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Right-of-use assets (Continued)

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	20,423	32,873	53,296
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	(8,213)	(21,072)	(29,285)
Carrying amount			
At the end of the year	12,210	11,801	24,011
At the beginning of the year	11,605	20,168	31,773

As at 31 December 2022, 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

2022

	Land use rights
Cost	
Opening and closing balance	114,062
Accumulated amortisation	
Opening balance	(15,523)
Provision	(2,207)
Closing balance	(17,730)
Carrying amount	
At the end of the year	96,332
At the beginning of the year	98,539

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets (Continued)

2021	Land use rights
Cost	
Opening and closing balance	114,062
Accumulated amortisation	
Opening balance	(13,316)
Provision	(2,207)
Closing balance	(15,523)
Carrying amount	
At the end of the year	98,539
At the beginning of the year	100,746

As at 31 December 2022, the management of the Group considers that no impairment provision is required for intangible assets.

As at 31 December 2022, the Group's intangible assets with restricted ownership amounted to RMB95,913,000 (31 December 2021: RMB98,056,000). 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 2022, the offset amount was RMB76,672,000 (31 December 2021: RMB94,333,000).

Deferred income tax assets recognised:

	2022	2021
Asset impairment provision	752,331	755,273
Withholding expenses	66,992	51,902
Deductible losses	14,236	7,589
Unrealised profit from internal transactions	63,985	49,513
Adjustment to change in fair value of receivables financing	879	1,261
	898,423	865,538

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 2022, the unrecognised deductible temporary differences for deferred income tax assets of the Group amounted to RMB250,846,000 (31 December 2021: RMB188,293,000) and the deductible loss amounted to RMB353,584,000 (31 December 2021: RMB351,843,000), falling due in 2023 to 2027 (31 December 2021: 2022 to 2026).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred income tax assets (Continued)

Deferred income tax liabilities recognised:

	2022	2021
Fair value adjustment for other equity instrument investments	51,872	60,705
Fair value adjustment for investment property	24,800	33,628
	76,672	94,333

19. Assets with restricted ownership

	2022	2021
Currency funds	634,600	502,735 <i>Note 1</i>
Accounts receivable	135,611	100,816 <i>Note 2</i>
Receivables financing	-	105,222 <i>Note 3</i>
Contract assets	2,757,523	2,575,382 <i>Note 2</i>
Other current assets	-	10,556 <i>Note 4</i>
Long-term receivables (including long-term receivables due within one year)	213,251	213,612 <i>Note 2</i>
Investment property	99,200	137,000 <i>Note 5</i>
Fixed assets	162,502	266,728 <i>Note 6</i>
Intangible assets	95,913	98,056 <i>Note 6</i>
	4,098,600	4,010,107

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Assets with restricted ownership (Continued)

Note 1: As at 31 December 2022, the Group's currency funds with restricted ownership included bill deposits of RMB172,921,000 (31 December 2021: RMB133,022,000), legally freezing of RMB458,611,000 (31 December 2021: RMB351,832,000) and letters of guarantee of RMB3,068,000 (31 December 2021: RMB17,881,000).

Note 2: As at 31 December 2022, the Group obtained a short-term borrowing of RMB158,392,000 jointly secured by accounts receivable with the carrying amount of RMB135,611,000 and contract assets with the carrying amount of RMB179,620,000. As at 31 December 2022, the Group obtained a long-term borrowing of RMB2,071,898,000 and a short-term borrowing of RMB19,533,000 jointly secured by contract assets with the carrying amount of RMB2,577,903,000 and long-term receivables with the carrying amount of RMB213,251,000. 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.

Note 3: As at 31 December 2022, the Group did not obtain short-term borrowing secured by receivables financing. As at 31 December 2021, the Group obtained a short-term borrowing of RMB105,355,000 secured by receivables financing with the carrying amount of RMB105,222,000.

Note 4: As at 31 December 2022, the Group did not have other current assets with restricted ownership (31 December 2021: RMB10,556,000).

Note 5: As at 31 December 2022, the Group obtained a short-term bank borrowings of RMB100,101,000 (31 December 2021: RMB100,143,000) secured by investment property with the carrying amount of RMB99,200,000 (31 December 2021: RMB137,000,000).

Note 6: As at 31 December 2022, the Group obtained a short-term borrowings of RMB188,236,000 (31 December 2021: RMB286,185,000) secured by fixed assets with the carrying amount of RMB162,502,000 (31 December 2021: RMB266,728,000) and intangible assets with the carrying amount of RMB95,913,000 (31 December 2021: RMB98,056,000).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Short-term borrowings

	2022	2021
Unsecured loans	794,148	821,091
Guaranteed loans	1,155,001	750,347
Loans secured by mortgages	288,337	386,328
Loans secured by pledges	177,925	303,005
	2,415,411	2,260,771

As at 31 December 2022, interest rates of the above borrowings ranged from 3.35% to 9.00% per annum (31 December 2021: 3.95% to 9.00%).

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:

	2022	2021
Within 1 year	24,767,196	23,059,261
1 to 2 years	7,595,664	12,459,296
2 to 3 years	2,799,728	1,616,528
Over 3 years	1,424,539	801,570
	36,587,127	37,936,655

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

	2022	2021
Receipts in advance from customers for contract works	6,939,618	6,006,902

As at 31 December 2022, the increase in contract liabilities was mainly due to receipts in advance for new construction projects.

23. Employee benefits payable

	Payable in 2022	Unpaid amount at the end of 2022	Payable in 2021	Unpaid amount at the end of 2021
Wages, bonuses, allowances and subsidies	714,427	92,808	745,707	96,325
Contribution to the social insurance	37,277	24,809	36,199	24,883
Including: Medical insurance	30,488	18,985	29,268	18,409
Work-related injuries insurance	5,458	3,664	4,761	3,723
Maternity insurance	1,331	2,160	2,170	2,751
Housing provident fund	41,566	34,163	43,465	36,674
	793,270	151,780	825,371	157,882
Defined contribution plans	65,271	50,340	73,978	51,143
Including: Basic pension insurance	62,433	48,226	71,183	49,007
Unemployment insurance	2,838	2,114	2,795	2,136
	858,541	202,120	899,349	209,025

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Taxes payable

	2022	2021
Enterprise income tax	709,929	815,530
Value-added tax	37,557	26,750
City maintenance and construction tax	14,599	7,968
Educational surcharge	10,583	6,120
Others	702	1,893
	773,370	858,261

25. Other current liabilities

	2022	2021
VAT amounts to be transferred to output	3,920,002	3,548,007
Financial guarantee contracts	23,781	23,778
	3,943,783	3,571,785

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Long-term borrowings

	2022	2021
Guaranteed loans	1,501,364	1,739,992
Guaranteed loans and loans secured by pledges	917,363	865,501
Loans secured by pledges	1,154,535	613,190
	3,573,262	3,218,683
Less: Long-term borrowings due within one year	888,432	1,489,431
	2,684,830	1,729,252

As at 31 December 2022, interest rates of the above borrowings are 4.45% to 9.00% per annum (31 December 2021: 4.45% to 9.00%).

The term analysis of long-term borrowings is as follows:

	2022	2021
Within 1 year	888,432	1,489,431
1 to 2 years	585,178	902,154
2 to 5 years	87,566	-
Over 5 years	2,012,086	827,098
	3,573,262	3,218,683

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. In accordance with such covenants, the Group is not required to reclassify long-term borrowings to long-term borrowings due within one year (31 December 2021: RMB586,717,000).

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Lease liabilities

	2022	2021
Lease liabilities for buildings	14,254	13,740
Lease liabilities for machinery equipment	3,172	10,028
	17,426	23,768
Less: Lease liabilities due within one year	8,201	9,188
	9,225	14,580

The term analysis of lease liabilities is as follows:

	2022	2021
Within 1 year	8,201	9,188
1 to 2 years	1,830	7,869
2 to 5 years	6,804	5,293
Over 5 years	591	1,418
	17,426	23,768

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Share capital

	2022		2021	
	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
	1,761,384	100	1,761,384	100

29. Capital reserve

2022

	Share premium	Other capital reserve	Total
Opening and closing balance	1,462,987	199,076	1,662,063

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	1,462,987	199,076	1,662,063

Note: Other capital reserve is derived from business combinations under common control.

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:

2022

	Attributable to the parent		
	1 January 2022	company after tax	31 December 2022
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	182,116	(26,501)	155,615
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables financing	(4,024)	885	(3,139)
	178,092	(25,616)	152,476

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Other comprehensive income (Continued)

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 financing	-	(4,024)	-	(4,024)
Amount of financial assets reclassified to other comprehensive income	(26,086)	26,086	-	-
	<u>141,182</u>	<u>39,488</u>	<u>(2,578)</u>	<u>178,092</u>

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Other comprehensive income (Continued)

Other comprehensive income incurred:

2022

	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	(35,334)	(8,833)	(26,501)
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables financing	1,268	383	885
	<u>(34,066)</u>	<u>(8,450)</u>	<u>(25,616)</u>

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Other comprehensive income (Continued)

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 financing	(5,286)	(1,262)	(4,024)
Amount of financial assets reclassified to other comprehensive income	<u>34,417</u>	<u>8,331</u>	<u>26,086</u>
	<u>52,366</u>	<u>12,878</u>	<u>39,488</u>

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Special reserve

Safety production costs

	2022	2021
Opening balance	-	-
Appropriation for the year	800,120	956,565
Use in the year	(800,120)	(956,565)
Closing balance	-	-

32. Surplus reserve

2022

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Statutory surplus reserve	500,912	44,156	-	545,068

2021

	Opening and closing balance
Statutory surplus reserve	500,912

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.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Surplus reserve (Continued)

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.

33. Retained earnings

	2022	2021
Retained earnings at the end of last year	1,591,242	2,181,233
Net profit/(loss) attributable to shareholders of the parent	326,725	(345,975)
Less: Appropriation to statutory surplus reserve	44,156	-
Cash dividends paid (<i>Note</i>)	-	246,594
Add: Other comprehensive income transferred to retained earnings	-	2,578
Retained earnings at the end of the year	<u>1,873,811</u>	<u>1,591,242</u>

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 2022.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Revenue

	2022	2021
Revenue from primary business	39,134,786	47,006,296
Revenue from other business	871,232	821,970
	40,006,018	47,828,266

The revenue is as follows:

	2022	2021
Revenue from contracts with customers	39,969,607	47,796,921
Rental income	36,411	31,345
	40,006,018	47,828,266

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Revenue (Continued)

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

2022

Reporting segment	Construction	Others	Total
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	38,602,763	1,281,878	39,884,641
Other countries and regions	84,966	-	84,966
	38,687,729	1,281,878	39,969,607
Major products			
Building construction	26,203,970	-	26,203,970
Infrastructure construction	8,992,822	1,036,330	10,029,152
Specialized and other construction	2,901,664	-	2,901,664
Sewage and reclaimed water treatment	-	45,915	45,915
Sales of goods and others	589,273	199,633	788,906
	38,687,729	1,281,878	39,969,607
Timing of revenue recognition			
At a point of time			
Sales of goods and others	589,273	199,633	788,906
Within a period of time			
Building construction	26,203,970	-	26,203,970
Infrastructure construction	8,992,822	1,036,330	10,029,152
Specialized and other construction	2,901,664	-	2,901,664
Sewage and reclaimed water treatment	-	45,915	45,915
	38,687,729	1,281,878	39,969,607

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Revenue (Continued)

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>

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:

	2022	2021
Building construction	3,276,391	2,798,898
Infrastructure construction	1,025,819	1,585,969
Specialized and other construction	291,980	453,654
	<u>4,594,190</u>	<u>4,838,521</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 recurring 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.

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Finance costs

	2022	2021
Interest expenses	343,031	326,851
Less: Interest income	39,238	40,926
Foreign exchange (gains)/losses	(6,306)	22,151
	297,487	308,076

There were no capitalised borrowing costs during the year (2021: nil).

36. Other income

	2022	2021	Related to assets/income
Central leading local science and technology development fund	800		- Related to income
Employment stabilization subsidy	627		- Related to income
Special funds for financial and fiscal cooperation to support enterprise development	359		- Related to income
Subsidy under enterprise support policy	265		- Related to income
Incentive funds for outstanding enterprises in economic development	100		- Related to income
Others	134	786	Related to income
Reward and subsidy for Cao River Greenery Project	-	4,196	Related to income
	2,285	4,982	

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Investment income

	2022	2021
Dividend income from other equity instrument investments held	36,086	69,378
Long-term equity investment income/(loss) under the equity method	2,866	(1,274)
Losses on derecognition of financial assets at amortised cost	(14,679)	(64,795)
Others	467	370
	24,740	3,679

38. (Losses)/gains from changes in fair values

	2022	2021
Financial assets at fair value through profit or loss	353	(234)
Investment property measured at fair value	(37,800)	300
	(37,447)	66

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Credit impairment gains/(losses)

	2022	2021
Gains/(losses) from impairment of account receivable	138,489	(594,295)
Losses from impairment of other receivables	(5,148)	(33,732)
Impairment (losses)/gains on financial guarantee contracts	(1,986)	4,871
	131,355	(623,156)

40. Impairment losses on assets

	2022	2021
Impairment loss for contract assets	(179,498)	(1,301,616)

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:

	2022	2021
Construction costs	38,371,416	45,341,436
Employee benefits included in administrative expenses and selling expenses	363,575	327,899
Research and development costs	150,126	76,417
Depreciation and amortization included in administrative expenses and selling expenses	26,658	24,637
Audit fees	6,000	5,700
Others	176,134	178,648
	39,093,909	45,954,737

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Income tax expenses

	2022	2021
Current income tax	155,767	378,888
Deferred income tax	(42,325)	(516,019)
	113,442	(137,131)

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

	2022	2021
Profit/(loss) before tax	428,881	(495,297)
Income tax expenses at the statutory tax rate (Note)	107,220	(123,824)
Tax effect of share of profits and losses of joint ventures and associates	3,054	7,502
Effect of non-taxable income	(9,593)	(18,590)
Effect of non-deductible expenses	4,434	4,887
Effect of utilisation of unrecognised deductible tax losses	(20,689)	(26,589)
Effect of unrecognized deductible temporary differences and deductible tax losses	33,394	27,932
Adjustments on the income tax of previous periods	(4,378)	(8,449)
Income tax expenses at the Group's effective rate	113,442	(137,131)

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

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Earnings/(losses) per share

	2022 RMB per share	2021 RMB per share
Basic earnings/(losses) per share		
Continuing operations	<u>0.19</u>	<u>(0.20)</u>

Basic earnings/(losses) per share are calculated by dividing the net profit/(loss) 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 earnings/(losses) per share and diluted earnings/(losses) per share is as follows:

	2022	2021
Earnings/(losses)		
Net profit/(loss) for the year attributable to owners of the Company		
Continuing operations	<u>326,725</u>	<u>(345,975)</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,761,383,500</u>	<u>1,761,383,500</u>

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

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Cash flows from operating activities

Reconciliation of net profit/(loss) to cash flows generated from operating activities:

	2022	2021
Net profit/(loss)	315,439	(358,166)
Add: Credit impairment losses	(131,355)	623,156
Asset impairment losses	179,498	1,301,616
Gains on changes in fair value	37,447	(66)
Depreciation of right-of-use assets	16,503	15,900
Depreciation of fixed assets	60,296	57,177
Amortisation of intangible assets	2,207	2,207
Losses on the disposal of fixed assets, intangible assets and other long-term assets	85	1,624
Finance expenses	308,102	322,413
Investment gains	(24,740)	(3,679)
Increase in deferred income tax assets	(42,325)	(516,019)
Decrease in inventories	83,841	71,899
Increase in operating receivables	(669,998)	(5,137,029)
(Decrease)/increase in operating payables	(99,836)	4,473,832
Net cash flows generated from operating activities	35,164	854,865

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Cash and cash equivalents

	2022	2021
Cash	9,123,019	8,809,963
Including: Cash on hand	5,424	6,937
Bank deposits	7,451,406	7,036,493
Other currency funds	1,666,189	1,766,533
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	634,600	502,735
Closing balance of cash and cash equivalents	8,488,419	8,307,228
	2022	2021
Closing balance of cash for the year	8,488,419	8,307,228
Less: Opening balance of cash for the year	8,307,228	8,000,565
Net increase in cash and cash equivalents	181,191	306,663

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.

2022

	Construction contracting	Other	Adjustment and offset	Total
Sales to external customers	38,687,729	1,318,289	-	40,006,018
Intersegment sales	236,470	48,696	(285,166)	-
Gains on investments in joint ventures and associates	3,377	(511)	-	2,866
Credit impairment losses	(117,656)	(13,699)	-	(131,355)
Asset impairment losses	168,367	(53,967)	65,098	179,498
Depreciation and amortisation	45,340	33,666	-	79,006
Total profit	424,652	10,943	(6,714)	428,881
Total assets	63,495,330	7,075,190	(2,938,670)	67,631,850
Total liabilities	57,916,708	5,323,362	(1,775,695)	61,464,375
Other disclosures				
Long-term equity investments in associates and joint ventures	503,327	12,379	-	515,706
Increase in non-current assets other than long-term equity investments	12,962	78,732	-	91,694

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VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

2021

	Construction contracting	Other	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

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.

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:

2022

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 the standards	Designated	
Currency funds	-	9,123,019	-	-	9,123,019
Financial assets held for trading	3,118	-	-	-	3,118
Accounts receivable	-	7,815,567	-	-	7,815,567
Receivables financing	-	-	349,485	-	349,485
Other receivables	-	2,360,433	-	-	2,360,433
Current portion of non-current assets	-	43,128	-	-	43,128
Long-term receivables	-	170,123	-	-	170,123
Other equity instrument investments	-	-	-	744,459	744,459
	3,118	19,512,270	349,485	744,459	20,609,332

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

	Financial liabilities at amortised cost
Short-term borrowings	2,415,411
Bills payable	827,662
Accounts payable	36,587,127
Other payables	6,184,596
Current portion of non-current liabilities	896,633
Long-term borrowings	2,684,830
Lease liabilities	9,225
	49,605,484

FINANCIAL STATEMENTS AND NOTES

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

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 the standards	Designated	
Currency funds	-	8,809,963	-	-	8,809,963
Financial assets held for trading	2,472	-	-	-	2,472
Accounts receivable	-	7,740,447	-	-	7,740,447
Receivables financing	-	-	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
	<u>2,472</u>	<u>19,381,886</u>	<u>504,212</u>	<u>779,793</u>	<u>20,668,363</u>

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Classification of financial instruments (Continued)

Financial liabilities

	Financial liabilities at amortised cost
Short-term borrowings	2,260,771
Bills payable	915,410
Accounts payable	37,936,655
Other payables	6,073,401
Current portion of non-current liabilities	1,498,619
Long-term borrowings	1,729,252
Lease liabilities	14,580
	50,428,688

2. Transfer of financial assets

Financial assets being transferred but not derecognised as a whole

As at 31 December 2022, the carrying amount of bills endorsed to suppliers for settlement of accounts payable amounted to RMB203,289,000 (31 December 2021: RMB756,195,000). 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 2022, the carrying amount for settlement of accounts payable of the Group amounted to RMB203,289,000 (31 December 2021: RMB756,195,000).

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 2022, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB158,392,000 (31 December 2021: RMB197,650,000), and the related liabilities amounted to RMB158,392,000 (31 December 2021: RMB197,650,000), 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 2022, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable amounted to RMB143,391,000 (31 December 2021: RMB148,326,000). As at 31 December 2022, 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 2022, 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 and contract 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 2022, 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 2021: Nil).

For information on exposure at default of accounts receivable, other receivables, long-term receivables and contract assets, 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:

2022

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,480,480	-	-	2,480,480
Bills payable	827,662	-	-	827,662
Accounts payable	36,587,127	-	-	36,587,127
Other payables	6,184,596	-	-	6,184,596
Current portion of non-current liabilities	1,086,000	-	-	1,086,000
Long-term borrowings	-	1,149,301	2,717,280	3,866,581
Lease liabilities	-	9,963	600	10,563
Financial guarantee contract	41,312	229,655	447,974	718,941
	47,207,177	1,388,919	3,165,854	51,761,950

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**3. Financial instruments risks** (Continued)**Liquidity risk** (Continued)

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
	<u>48,949,540</u>	<u>1,336,130</u>	<u>1,617,489</u>	<u>51,903,159</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 2022, 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 RMB9,627,000 (31 December 2021: RMB6,212,000) 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 2022, 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 RMB414,000 (31 December 2021: RMB588,000) 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 2022 and 2021.

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:

	2022	2021
Gearing ratio	97%	93%

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	
	2022	2021	2022	2021
Fixed-rate long-term borrowings	1,480,547	1,113,468	1,435,906	1,119,362

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 2022 and 31 December 2021, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 31 December 2022 and 2021, 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 are estimated based on the unobservable market prices or interest rates assumptions using market approach. The valuation requires the Group to determine comparable public companies 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. Adjustments are made based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences from comparable public 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 the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model.

2. Fair value of investment property using the fair value model

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2022	2021
RT-Mart	Yield approach	Yield rate Annual market rental (<i>per square meter</i>)	6.50% 100-111	8.47% 124-142

IX. FAIR VALUE (Continued)**3. Fair value hierarchy**

Assets measured at fair value:

2022

	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				
Financial assets held for trading	3,118	-	-	3,118
Receivables financing	-	349,485	-	349,485
Other equity instrument investments	55,222	-	689,237	744,459
Investment property	-	-	99,200	99,200
	58,340	349,485	788,437	1,196,262

IX. FAIR VALUE (Continued)**3. Fair value hierarchy** (Continued)

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				
Financial assets held for trading	2,472	-	-	2,472
Receivables financing	-	504,212	-	504,212
Other equity instrument investments	78,385	-	701,408	779,793
Investment property	-	-	137,000	137,000
	<u>80,857</u>	<u>504,212</u>	<u>838,408</u>	<u>1,423,477</u>

The fair value of receivables financing 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)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	2022: 607,500 2021: 609,000	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2022: 0.7-1.0 2021: 0.8-1.0 2022: 30% 2021: 30%
Taihang Heyi Environmental Technology Co., Ltd.	2022: 72,500 2021: 83,250	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2022: 0.8-1.3 2021: 1.1-1.9 2022: 30% 2021: 30%
Qinhuangdao Smooth Road Construction Co., Ltd.	2022: 9,000 2021: 9,000	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2022: 0.9-2.2 2021: 0.9-2.3 2022: 30% 2021: 30%
Xihua County Jijiantongda Construction Co., Ltd.	2022: 237 2022: 158	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2022: 1.6-4.0 2021: 1.6-4.1 2022: 30% 2021: 30%
Investment property RT-Mart	2022: 99,200 2021: 137,000	Discounted cash flow method	Yield rate Annual market rental (per square metre)	2022: 6.50% 2021: 8.47% 2022: 100-111 2021: 124-142

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:

2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Fixed-rate long-term borrowings	-	1,435,906	-	1,435,906

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)	
Fixed-rate long-term borrowings	-	1,119,362	-	1,119,362

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 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

Name of the parent company	Place of registration	Nature of business	Proportion of shareholding in the Company (%)	Proportion of votes in the Company (%)	Registered capital
Zhongru Investment Co., Ltd.	Beijing	Investment management	68.3	68.3	RMB1,202,500,000
Qianbao Investment Co., Ltd.	Baoding, Hebei	Investment	5.7	5.7	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

Name of related party	Related party relationships	Note
Qianbao Investment Co., Ltd.	Ultimate holding company	
Zhongru 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	Note 1

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Related party relationships	Note
Zhongming Zhiye Group Co., Ltd.	Other enterprises under common control by the parent company	Note 2
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	

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Related party relationships	Note
Hebei Qianyuan Red Agricultural Group Co., Ltd.	Other enterprises under common control by the parent company	
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Zhongcheng Property Service Co., Ltd.	Other enterprises under common control by the parent company	Note 3
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Kangrui Testing Technology Services 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	
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	

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Related party relationships	Note
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: Beijing Rungucheng Investment Management Co., Ltd. was deregistered in January 2022.

Note 2: Zhongming Zhiye Co., Ltd. was renamed as Zhongming Zhiye Group Co., Ltd. during the year.

Note 3: Hebei Guangsha Property Management Co., Ltd. was renamed as Hebei Zhongcheng Property Service Co., Ltd. during the year.

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	2022 Amount	2021 Amount
Xi'an Zhongyuan Real Estate Development Co., Ltd.	(1)a	319,404	129,486
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	(1)b	166,662	247,726
Zhongyuan Environmental	(1)c	76,262	82,041
Sanhe Jinshibang Real Estate Development Co., Ltd.	(1)d	49,876	56,901
Huailai Jingsheng Real Estate Development Co., Ltd.	(1)e	42,983	69,626
Huailai Shengcheng Real Estate Development Co., Ltd.	(1)f	42,756	92,071
Baoding Taiji Real Estate Development Co., Ltd.	(1)g	32,434	48,315
Huailai Zhongcheng Real Estate Development Co., Ltd.	(1)h	26,434	1,918
Hebei Zitan Real Estate Development Co., Ltd.	(1)i	18,229	66,659
Baoding Zhucheng Real Estate Development Co., Ltd.	(1)j	9,621	66,606
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(1)k	5,207	54,202
Hebei Baocang Expressway Co., Ltd.	(1)l	2,752	563
Datang Baoding Heat Supply Co., Ltd.	(1)m	565	2,807
Zhongcheng Real Estate Development Co., Ltd.	(1)n	-	16,026
Guangan Zhongcheng Real Estate Development Co., Ltd.	(1)o	-	3,087
Luanping Zhongcheng Real Estate Development Co., Ltd.	(1)p	-	700
Hebei Qianyuan Red Agricultural Group Co., Ltd.	(1)q	-	635
Hebei Zhongcheng Property Service Co., Ltd.	(1)r	-	6
		793,185	939,375

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	2022 Amount	2021 Amount
Baoding Tianli Labor Service Co., Ltd.	(1)s	2,824,608	3,834,687
Hebei Zhongcheng Property Service Co., Ltd.	(1)t	7,617	6,870
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	(1)u	7,534	16,048
Fuping County Ruifu Building Material Co., Ltd.	(1)v	3,827	2,514
Hebei Tianbo Construction Technology Co., Ltd.	(1)w	2,551	2,267
Hebei Qianyuan Red Agricultural Group Co., Ltd.	(1)x	855	-
Hebei Baoyu Surveying Service Co., Ltd.	(1)y	356	386
Baoding Kangrui Testing Technology Services Co., Ltd.	(1)z	34	-
		2,847,382	3,862,772

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(2) Related party leases

As lessee

	Note	Type of leased asset	2022 Leasing fees	2021 Leasing fees
Zhongming Zhiye Group Co., Ltd.	(2)a	Office building	4,268	3,652

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***2022**

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	568,500

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***2022**

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	Yes	-
Zhongming Zhiye Group Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Group 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	Yes	-
Zhongru Investment Co., Ltd.	(3)f	70,000	2020/8/18	2024/2/10	No	-
Zhongming Zhiye Group Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	-
Zhongming Zhiye Group Co., Ltd.	(3)h	25,000	2020/12/22	2023/12/21	No	-
Zhongming Zhiye Group Co., Ltd.	(3)i	140,000	2020/12/28	2025/12/27	No	-
Zhongming Zhiye Group Co., Ltd.	(3)j	200,000	2020/12/31	2024/12/30	No	-
Zhongming Zhiye Group Co., Ltd.	(3)k	30,000	2021/2/1	2022/1/27	Yes	-
Zhongru Investment Co., Ltd.	(3)l	70,000	2021/7/29	2022/2/10	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)m	35,000	2021/8/26	2022/8/26	Yes	-
Zhongming Zhiye Group Co., Ltd.	(3)n	100,000	2021/11/25	2026/11/25	No	98,000
Zhongming Zhiye Group Co., Ltd.	(3)o	25,000	2021/12/8	2025/12/9	No	-
Zhongming Zhiye Group Co., Ltd.	(3)p	200,000	2021/12/31	2025/12/30	No	-
Zhongru Investment Co., Ltd.	(3)q	70,000	2022/2/17	2023/2/16	No	70,000

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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)

2022 (Continued)

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongcheng Real Estate Development Co., Ltd.	(3)r	290,000	2022/3/19	2023/3/18	No	290,000
Zhongcheng Real Estate Development Co., Ltd.	(3)s	120,000	2022/6/8	2024/6/6	No	115,000
Zhongcheng Real Estate Development Co., Ltd.	(3)t	30,000	2022/6/14	2024/6/11	No	29,000
Zhongcheng Real Estate Development Co., Ltd.	(3)u	100,000	2022/6/14	2024/6/11	No	100,000
Zhongcheng Real Estate Development Co., Ltd.	(3)v	34,000	2022/6/20	2023/6/20	No	34,000
Zhongming Zhiye Group Co., Ltd.	(3)w	25,000	2022/12/1	2026/11/29	No	25,000
Zhongming Zhiye Group Co., Ltd.	(3)x	200,000	2022/12/30	2023/12/29	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*

2021

Guaranteed party	Notes	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

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 Group Co., Ltd.	(3)b	108,000	2018/10/26	2022/10/25	No	-
Zhongming Zhiye Group Co., Ltd.	(3)c	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Group 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 Group Co., Ltd.	(3)g	160,000	2020/11/17	2025/11/16	No	160,000
Zhongming Zhiye Group Co., Ltd.	(3)h	25,000	2020/12/22	2023/12/21	No	-
Zhongming Zhiye Group Co., Ltd.	(3)i	140,000	2020/12/28	2025/12/27	No	140,000
Zhongming Zhiye Group Co., Ltd.	(3)j	200,000	2020/12/31	2024/12/30	No	-

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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)

Guarantor	Notes	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	(3)k	30,000	2021/2/1	2022/1/27	No	14,000
Zhongru Investment Co., Ltd.	(3)l	70,000	2021/7/29	2022/2/10	No	70,000
Zhongcheng Real Estate Development Co., Ltd.	(3)m	35,000	2021/8/26	2022/8/26	No	35,000
Zhongming Zhiye Group Co., Ltd.	(3)n	100,000	2021/11/25	2026/11/25	No	100,000
Zhongming Zhiye Group Co., Ltd.	(3)o	25,000	2021/12/8	2025/12/9	No	25,000
Zhongming Zhiye Group Co., Ltd.	(3)p	200,000	2021/12/31	2025/12/30	No	200,000
Chengdu New Era Tiancheng Properties Co., Ltd.	(3)y	399,847	2019/3/26	2021/4/1	Yes	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	(3)y	399,847	2019/3/26	2021/4/1	Yes	-
Baoding Taiji Real Estate Development Co., Ltd.	(3)y	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)y	399,847	2019/3/26	2021/4/1	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	(3)y	399,847	2019/5/8	2021/4/1	Yes	-
Zhongming Zhiye Group Co., Ltd.	(3)z	100,000	2020/11/25	2021/11/24	Yes	-

(4) Other related party transactions

	Note	2022 Amount	2021 Amount
Emolument of key management personnel	(4)a	10,904	10,555

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes:

(1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES

- (a) In 2022, the Group provided construction services to Xi'an Zhongyuan Real Estate Development Co., Ltd. at the market price of RMB319,404,000 (2021: RMB129,486,000).
- (b) In 2022, the Group provided construction services to Qinhuangdao Yuanyi Road Construction Management Co., Ltd. at the market price of RMB166,662,000 (2021: RMB247,726,000).
- (c) In 2022, the Group provided construction services to Zhongyuan Environmental at the market price of RMB76,262,000 (2021: RMB82,041,000).
- (d) In 2022, the Group provided construction services to Sanhe Jinshibang Real Estate Development Co., Ltd. at the market price of RMB49,876,000 (2021: RMB56,901,000).
- (e) In 2022, the Group provided construction services to Huailai Jingsheng Real Estate Development Co., Ltd. at the market price of RMB42,983,000 (2021: RMB69,626,000).
- (f) In 2022, the Group provided construction services to Huailai Shengcheng Real Estate Development Co., Ltd. at the market price of RMB42,756,000 (2021: RMB92,071,000).
- (g) In 2022, the Group provided construction services to Baoding Taiji Real Estate Development Co., Ltd. at the market price of RMB32,434,000 (2021: RMB48,315,000).
- (h) In 2022, the Group provided construction services to Huailai Zhongcheng Real Estate Development Co., Ltd. at the market price of RMB26,434,000 (2021: RMB1,918,000).
- (i) In 2022, the Group provided construction services to Hebei Zitan Real Estate Development Co., Ltd. at the market price of RMB18,229,000 (2021: RMB66,659,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

- (1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES (Continued)
- (j) In 2022, the Group provided construction services to Baoding Zhucheng Real Estate Development Co., Ltd. at the market price of RMB9,621,000 (2021: RMB66,606,000).
 - (k) In 2022, the Group provided construction services to Chengde Summer Resort Cultural Industrial Park Co., Ltd. at the market price of RMB5,207,000 (2021: RMB54,202,000).
 - (l) In 2022, the Group provided construction services to Hebei Baocang Expressway Co., Ltd. at the market price of RMB2,752,000 (2021: RMB563,000).
 - (m) In 2022, the Group provided construction services to Datang Baoding Heat Supply Co., Ltd. at the market price of RMB565,000 (2021: RMB2,807,000).
 - (n) In 2022, the Group did not provide construction services to Zhongcheng Real Estate Development Co., Ltd. (2021: RMB16,026,000).
 - (o) In 2022, the Group did not provide construction services to Guangan Zhongcheng Real Estate Development Co., Ltd. (2021: RMB3,087,000).
 - (p) In 2022, the Group did not provide construction services to Luanping Zhongcheng Real Estate Development Co., Ltd. (2021: RMB700,000).
 - (q) In 2022, the Group did not provide construction services to Hebei Qianyuan Red Agricultural Group Co., Ltd. (2021: RMB635,000).
 - (r) In 2022, the Group did not provide construction services to Hebei Zhongcheng Property Service Co., Ltd. (2021: RMB6,000).
 - (s) In 2022, the Group received labour services from Baoding Tianli Labor Service Co., Ltd. at the market price of RMB2,824,608,000 (2021: RMB3,834,687,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(1) SALES OR PURCHASES OF GOODS AND RENDERING OR RECEIPT OF SERVICES
(Continued)

- (t) In 2022, the Group received property management services from Hebei Zhongcheng Property Service Co., Ltd. at the market price of RMB7,617,000 (2021: RMB6,870,000).
- (u) In 2022, the Group received engineering surveying services from Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. at the market price of RMB7,534,000 (2021: RMB16,048,000).
- (v) In 2022, the Group purchased construction material from Fuping County Ruifu Building Material Co., Ltd. at the market price of RMB3,827,000 (2021: RMB2,514,000).
- (w) In 2022, the Group received testing services from Hebei Tianbo Construction Technology Co., Ltd. at the market price of RMB2,551,000 (2021: RMB2,267,000).
- (x) In 2022, the Group purchased agricultural products from Hebei Qianyuan Red Agricultural Group Co., Ltd. at the market price of RMB855,000 (2021: Nil).
- (y) In 2022, the Group received testing services from Hebei Baoyu Surveying Service Co., Ltd. at the market price of RMB356,000 (2021: RMB386,000).
- (z) In 2022, the Group received testing services from Baoding Kangrui Testing Technology Services Co., Ltd. at the market price of RMB34,000 (2021: Nil).

(2) RELATED PARTY LEASES

- (a) In 2022, the Group leased an office building from Zhongming Zhiye Group Co., Ltd. and incurred leasing fees of RMB4,268,000 (2021: RMB3,652,000) under the lease contract.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (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 RMB568,500,000 (2021: amount of guarantee: RMB600,000,000, actual guaranteed amount: RMB583,000,000).
- (b) Zhongming Zhiye Group 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 and the guarantee has been fully performed (2021: amount of guarantee: RMB108,000,000, actual guaranteed amount: Nil).
- (c) Zhongming Zhiye Group Co., Ltd. provided a guarantee with an amount of RMB399,847,000 for the Group at nil consideration from 1 April 2019 to 1 April 2024, the Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB399,847,000, actual guaranteed amount: Nil).
- (d) Zhongming Zhiye Group 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 (2021: 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 Group has repaid the borrowings during the year and the guarantee has been fully performed (2021: amount of guarantee: RMB150,000,000, actual guaranteed amount: RMB120,000,000).
- (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 but the guarantee has not been fully performed (2021: amount of guarantee: RMB70,000,000, actual guaranteed amount: Nil).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (g) Zhongming Zhiye Group 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 Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB160,000,000, actual guaranteed amount: RMB160,000,000).
- (h) Zhongming Zhiye Group 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 but the guarantee has not been fully performed (2021: amount of guarantee: RMB25,000,000, actual guaranteed amount: Nil).
- (i) Zhongming Zhiye Group 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 Group has repaid the borrowings but the guarantee has not been fully performed (2021: amount of guarantee: RMB140,000,000, actual guaranteed amount: RMB140,000,000).
- (j) Zhongming Zhiye Group 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 but the guarantee has not been fully performed (2021: amount of guarantee: RMB200,000,000, actual guaranteed amount: Nil).
- (k) Zhongming Zhiye Group 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 Group has repaid the borrowings and the guarantee has been fully performed (2021: amount of guarantee: RMB30,000,000, actual guaranteed amount: RMB14,000,000).
- (l) 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 Group has repaid the borrowings and the guarantee has been fully performed (2021: 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)

(4) Other related party transactions (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (m) 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 Group has repaid the borrowings during the year and the guarantee has been fully performed (2021: amount of guarantee: RMB35,000,000, actual guaranteed amount: RMB35,000,000).
- (n) Zhongming Zhiye Group 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 RMB98,000,000 (2021: amount of guarantee: RMB100,000,000, actual guaranteed amount: RMB100,000,000).
- (o) Zhongming Zhiye Group 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 Group has repaid the borrowings during the year but the guarantee has not been fully performed (2021: amount of guarantee: RMB25,000,000, actual guaranteed amount: RMB25,000,000).
- (p) Zhongming Zhiye Group 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 Group has repaid the borrowings during the year but the guarantee has not been fully performed (2021: amount of guarantee: RMB200,000,000, actual guaranteed amount: RMB200,000,000).
- (q) Zhongru Investment Co., Ltd. provided a guarantee with an amount of RMB70,000,000 for the Group at nil consideration from 17 February 2022 to 16 February 2023, and the actual guaranteed amount for the year was RMB70,000,000 (2021: Nil).
- (r) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB290,000,000 for the Group at nil consideration from 19 March 2022 to 18 March 2023, and the actual guaranteed amount for the year was RMB290,000,000 (2021: Nil).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(4) Other related party transactions** (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (s) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB120,000,000 for the Group at nil consideration from 8 June 2022 to 6 June 2024, and the actual guaranteed amount for the year was RMB115,000,000 (2021: Nil).
- (t) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB30,000,000 for the Group at nil consideration from 14 June 2022 to 11 June 2024, and the actual guaranteed amount for the year was RMB29,000,000 (2021: Nil).
- (u) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB100,000,000 for the Group at nil consideration from 14 June 2022 to 11 June 2024, and the actual guaranteed amount for the year was RMB100,000,000 (2021: Nil).
- (v) Zhongcheng Real Estate Development Co., Ltd. provided a guarantee with an amount of RMB34,000,000 for the Group at nil consideration from 20 June 2022 to 20 June 2023, and the actual guaranteed amount for the year was RMB34,000,000 (2021: Nil).
- (w) Zhongming Zhiye Group Co., Ltd. provided a guarantee with an amount of RMB25,000,000 for the Group at nil consideration from 1 December 2022 to 29 November 2026, and the actual guaranteed amount for the year was RMB25,000,000 (2021: Nil).
- (x) Zhongming Zhiye Group Co., Ltd. provided a guarantee with an amount of RMB200,000,000 for the Group at nil consideration from 30 December 2022 to 29 December 2023, and the actual guaranteed amount for the year was RMB200,000,000 (2021: Nil).
- (y) 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. Together, the above companies provided guarantees for the debt of RMB399,847,000 of the Group, and the guarantees have been fully performed as at 31 December 2021.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(4) Other related party transactions (Continued)

Notes: (Continued)

(3) GUARANTEES TO/FROM RELATED PARTIES (Continued)

- (z) Zhongming Zhiye Group 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 guarantee has been fully performed as at 31 December 2021.

(4) OTHER RELATED PARTY TRANSACTIONS

- (a) In 2022, the total emolument of key management personnel incurred by the Group amounted to RMB10,904,000 (2021: RMB10,555,000).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties**(1) Accounts receivable**

	2022		2021	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Baoding Zhucheng Real Estate Development Co., Ltd.	50,819	2,070	54,135	814
Xi'an Zhongyuan Real Estate Development Co., Ltd.	45,297	457	3,685	33
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	12,230	473	16,780	151
Huailai Jingsheng Real Estate Development Co., Ltd.	10,864	277	8,097	73
Hebei Zitan Real Estate Development Co., Ltd.	10,826	109	12,023	108
Chengdu New Era Tiancheng Properties Co., Ltd.	9,557	97	424	76
Sanhe Jinshibang Real Estate Development Co., Ltd.	8,000	81	-	-
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	4,820	49	-	-
Baoding Taiji Real Estate Development Co., Ltd.	2,341	24	3	1
Bozhou Xiangju	1,200	58	1,200	11
Zhongcheng Real Estate Development Co., Ltd.	64	3	3,083	39
Datang Baoding Heat Supply Co., Ltd.	16	-	-	-
Hebei Baocang Expressway Co., Ltd.	15	-	-	-
Zhongyuan Environmental	-	-	10,652	96
Huailai Shengcheng Real Estate Development Co., Ltd.	-	-	2,319	21
Hebei Qianyuan Red Agricultural Group Co., Ltd.	-	-	100	1
	156,049	3,698	112,501	1,424

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties (Continued)

(2) Contract assets

	2022		2021	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	214,928	2,171	164,383	1,475
Xi'an Zhongyuan Real Estate Development Co., Ltd.	152,861	1,544	63,552	570
Yizongliangheng	134,943	1,363	134,943	1,211
Guangan Zhongcheng Real Estate Development Co., Ltd.	124,261	1,255	124,261	1,115
Sanhe Jinshibang Real Estate Development Co., Ltd.	101,894	1,029	55,529	498
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	95,138	961	96,097	2,544
Huailai Jingsheng Real Estate Development Co., Ltd.	49,397	499	43,618	391
Huailai Shengcheng Real Estate Development Co., Ltd.	45,913	464	40,527	364
Baoding Taiji Real Estate Development Co., Ltd.	41,377	418	27,078	243
Huailai Zhongcheng Real Estate Development Co., Ltd.	39,424	398	11,196	100
Zhongcheng Real Estate Development Co., Ltd.	26,751	270	45,439	698
Hebei Zitan Real Estate Development Co., Ltd.	26,338	265	34,978	314
Baoding Zhucheng Real Estate Development Co., Ltd.	21,190	214	22,017	198
Zhongyuan Environmental	16,202	164	27,484	247
Hebei Qianyuan Red Agricultural Group Co., Ltd.	7,432	75	7,432	-
Bozhou Xiangju	5,711	58	5,711	51
Sanhe Baolan Heat Co., Ltd.	2,030	21	2,030	18
Datang Baoding Heat Supply Co., Ltd.	1,375	14	1,375	12
Chengdu New Era Tiancheng Properties Co., Ltd.	-	-	9,133	82
Hebei Baocang Expressway Co., Ltd.	-	-	222	2
Laiyuan Zhongcheng Construction Development Co., Ltd.	-	-	100	1
	1,107,165	11,183	917,105	10,134

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties (Continued)**(3) Other receivables**

	2022		2021	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Huilai Zhongcheng Real Estate Development Co., Ltd.	34,580	348	35,852	1,841
Zhongcheng Real Estate Development Co., Ltd.	12,311	124	27,031	297
Baoding Taiji Real Estate Development Co., Ltd.	5,339	54	21,580	215
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	1,964	96	4,632	198
Hebei Keshengxing Start-up Incubator Co., Ltd.	612	29	612	6
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	56	1	66	1
Xi'an Zhongyuan Real Estate Development Co., Ltd.	50	3	50	3
Huilai Jingsheng Real Estate Development Co., Ltd.	49	-	14,962	149
Huilai Shengcheng Real Estate Development Co., Ltd.	44	-	95	1
Hebei Zhongcheng Property Service Co., Ltd.	9	-	9	-
Qianbao Investment Co., Ltd.	5	-	5	-
Hebei Sunshine Kangcheng Elderly Services Co., Ltd.	-	-	3,629	-
Laiyuan Zhongcheng Construction Development Co., Ltd.	-	-	3,579	36
Baoding Zhucheng Real Estate Development Co., Ltd.	-	-	63	3
Yi County Shengji Real Estate Development Co., Ltd.	-	-	50	-
Sanhe Jinshibang Real Estate Development Co., Ltd.	-	-	2	-
	55,019	655	112,217	2,750

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties (Continued)**(4) Accounts payable**

	2022	2021
Baoding Tianli Labor Service Co., Ltd.	1,268,121	1,397,840
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	8,739	6,500
Fuping County Ruifu Building Material Co., Ltd.	4,467	2,306
Hebei Tianbo Construction Technology Co., Ltd.	3,788	2,654
Hebei Construction Group Qianqiu Management Co., Ltd.	480	350
Hebei Baoyu Surveying Service Co., Ltd.	326	142
	1,285,921	1,409,792

(5) Other payables

	2022	2021
Baoding Zhucheng Real Estate Development Co., Ltd.	60,901	61,038
Key management personnel	16,364	15,674
Hebei Qianyuan Red Agricultural Group Co., Ltd.	11,575	10,500
Qianbao Investment Co., Ltd.	8,650	8,600
Zhongming Zhiye Group Co., Ltd.	3,715	2,082
Hebei Construction Group Qianqiu Management Co., Ltd.	2,458	1,863
Hebei Zhongcheng Property Service Co., Ltd.	-	100
	103,663	99,857

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from related parties (Continued)**(6) Contract liabilities**

	2022	2021
Baoding Zhucheng Real Estate Development Co., Ltd.	20,170	17,069
Huailai Jingsheng Real Estate Development Co., Ltd.	12,812	-
Zhongcheng Real Estate Development Co., Ltd.	9,296	8,620
Guangan Zhongcheng Real Estate Development Co., Ltd.	4,636	-
Huailai Shengcheng Real Estate Development Co., Ltd.	3,488	3,590
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	2,148	4,605
Datang Baoding Heat Supply Co., Ltd.	2,130	1,797
Hebei Baocang Expressway Co., Ltd.	266	-
Xi'an Zhongyuan Real Estate Development Co., Ltd.	157	9,026
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	-	2,619
	55,103	47,326

Amounts due from/to related parties are interest-free, unsecured and have no fixed terms of repayment.

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XI. CONTINGENCIES

	2022	2021	Notes
Contingent liabilities arising from providing external guarantees	718,941	740,778	Note 1
Contingent liabilities arising from unresolved litigation or arbitration	21,361	14,403	Note 2
	740,302	755,181	

Note 1: As at 31 December 2022, the principal and interest of the banking facilities granted to joint ventures subject to guarantees given to the banks by the Group amounted to RMB718,941,000 (31 December 2021: RMB740,778,000), and other current liabilities related to financial guarantee contracts amounted to RMB23,781,000 (31 December 2021: RMB23,778,000). 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 2022, 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 2022, the Group's income derived from leases of buildings was RMB2,552,000 (2021: RMB2,552,000). 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 2022, the Group's income derived from the lease of machinery equipment was RMB33,859,000 (2021: RMB28,793,000).

Operating leases

Profit or loss related to operating leases are as follows:

	2022	2021
Lease income	36,411	31,345

Pursuant to the lease contracts entered into with the lessees, the minimum lease payments of non-cancellable leases are as follows:

	2022	2021
Within 1 year (including 1 year)	4,334	4,146
1 to 2 years (including 2 years)	4,064	1,273
2 to 3 years (including 3 years)	2,680	-
3 to 4 years (including 4 years)	2,680	-
4 to 5 years (including 5 years)	2,457	-
Over 5 years	-	-
	16,215	5,419

As at 31 December 2022, the carrying amount of investment property under operating leases was RMB99,200,000 (31 December 2021: RMB137,000,000).

XII. LEASES (Continued)**2. As lessee**

	2022	2021
Interest expense on lease liabilities	695	1,625
Short-term lease expense under the simplified approach through profit or loss	10,454	7,166
Revenue from subleasing the right-of-use assets	14,427	18,569
Total cash outflow in relation to leases	26,965	24,461

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 2022, the Group had no material capital commitment (31 December 2021: Nil).

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:

	2022	2021
Fees	618	597
Others emoluments:		
Salaries, allowances and benefits in kind	1,623	1,660
Performance-related bonuses	5,799	5,056
Pension scheme contributions	399	410
	8,439	7,723

XV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

(1) Independent non-executive directors

	2022	2021
Shen Lifeng	206	199
Chen Xin	206	199
Chan Ngai Sang Kenny	206	199
	618	597

As at 31 December 2022, there was no other remuneration payable to the independent non-executive directors during the year (31 December 2021: Nil).

XV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

(2) Executive directors, non-executive directors and supervisors

2022

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors:					
Li Baozhong	–	204	1,000	41	1,245
Shang Jinfeng	–	174	750	41	965
Zhao Wensheng	–	150	550	41	741
Liu Yongjian	–	156	550	41	747
Non-executive directors:					
Li Baoyuan	–	170	1,000	–	1,170
Cao Qingshe (Note 1)	–	159	750	37	946
Supervisors:					
Yu Xuefeng	–	150	550	41	741
Liu Jingqiao	–	95	154	34	283
Feng Xiujian	–	122	171	41	334
Yue Jianming	–	119	163	41	323
Wang Feng	–	124	161	41	326
	–	1,623	5,799	399	7,821

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XV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

(2) Executive directors, non-executive directors and supervisors (Continued)

2021

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors:					
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
Non-executive directors:					
Li Baoyuan	-	170	884	-	1,054
Cao Qingshe	-	174	631	41	846
Supervisors:					
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

Note 1: Mr. Cao Qingshe, a non-executive director, passed away due to illness in December 2022.

XV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

(2) Executive directors, non-executive directors and supervisors (Continued)

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 (2021: 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. Currency funds

	2022	2021
Cash on hand	4,908	6,491
Bank deposits	5,300,580	4,945,174
Other currency funds	1,531,146	1,669,164
	6,836,634	6,620,829

As at 31 December 2022, the Group's currency funds with restricted ownership amounted to RMB434,641,000 (31 December 2021: RMB401,842,000).

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

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:

	2022	2021
Within 1 year	5,018,425	5,450,222
1 to 2 years	1,098,285	746,529
2 to 3 years	262,128	410,095
Over 3 years	411,037	335,318
	6,789,875	6,942,164
Less: Impairment allowance	674,555	813,151
	6,115,320	6,129,013

Movements in bad debt allowance on accounts receivable are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2022	813,151	223,252	(361,848)	674,555
2021	380,349	694,447	(261,645)	813,151

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

Accounts receivable and bad debt allowance are disclosed by types as follows:

	2022			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	2,265,450	33	499,924	22
Provision for bad debts according to credit risk portfolio	4,524,425	67	174,631	4
	6,789,875	100	674,555	

	2021			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	2,417,282	35	625,786	26
Provision for bad debts according to credit risk portfolio	4,524,882	65	187,365	4
	6,942,164	100	813,151	

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

The expected credit losses on accounts receivable of the Company by ageing are as follows:

	2022			2021		
	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	3,693,103	1.01	37,300	3,535,889	0.90	31,823
1 to 2 years	565,104	4.87	27,521	613,183	4.64	28,480
2 to 3 years	120,763	16.12	19,467	247,879	17.88	44,310
3 to 4 years	67,683	34.79	23,547	62,302	40.52	25,246
4 to 5 years	39,756	72.39	28,780	22,252	63.50	14,129
Over 5 years	38,016	100.00	38,016	43,377	100.00	43,377
	4,524,425		174,631	4,524,882		187,365

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.

	2022			2021		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	32,965,282	(1,598,406)	31,366,876	33,111,478	(1,477,766)	31,633,712

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Contract assets (Continued)

Changes in impairment provision for contract assets are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2022	1,477,766	418,810	(298,170)	1,598,406
2021	394,783	1,190,178	(107,195)	1,477,766

	2022			
	Book balance Amount	Percentage (%)	Impairment provision Amount	Percentage (%)
Individual provision for bad debts	6,168,648	18.71	1,327,760	21.52
Provision for bad debts according to credit risk portfolio	26,796,634	81.29	270,646	1.01
	32,965,282	100.00	1,598,406	

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Contract assets (Continued)

	2022		2021	
	Book balance Amount	Percentage (%)	Impairment provision Amount	Percentage (%)
Individual provision for bad debts	4,665,810	14.09	1,221,755	26.19
Provision for bad debts according to credit risk portfolio	<u>28,445,668</u>	<u>85.91</u>	<u>256,011</u>	0.90
	<u>33,111,478</u>	<u>100.00</u>	<u>1,477,766</u>	

As at 31 December 2022, part of the performance progress of the Company's relevant construction contracts was settled for work performed, resulting in a decrease 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

	2022	2021
Joint venture		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	362,349	376,164
Inner Mongolia Construction Investment Group Co., Ltd.	8,200	4,000
Financial guarantee for joint venture		
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	15,742	15,742
Associates		
Yizongliangheng	56,779	56,779
Rongcheng County Hengda Construction Investment Co., Ltd.	29,140	29,135
Bozhou Xiangju	22,441	20,470
Investment in subsidiaries		
HCG Tianchen Construction Engineering Co., Ltd.	400,000	400,000
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	270,000	270,000
Bozhou Qihang Transportation Construction Co., Ltd.	259,550	205,000
HCG Ecological Environment Co., Ltd. (formerly known as Hebei Construction Group Garden Engineering Co., Ltd.)	205,041	205,041
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	205,000	205,000
Tibet Jiming Construction Co., Ltd.	200,000	200,000
HCG Installment Engineering Co., Ltd.	180,000	180,000
Baoding Zhongze Water Supply Co., Ltd.	140,152	140,152
Hebei Construction Group Decoration Engineering Co., Ltd.	101,000	101,000
Dangshan Soaring General Aviation Industry Development Co., Ltd.	80,000	80,000
Baoding Zhongcheng Investment Management Co., Ltd.	69,000	69,000
Hebei Lvjian Investment Company	58,171	58,171
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	55,650	54,000
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	50,000	50,000
Shandong Juhe Agricultural Service Development Co., Ltd.	29,370	29,370
Huainan Fengrui Infrastructure Construction Co., Ltd.	28,000	10,000
Rongcheng County Xinrong City Development Co., Ltd.	24,240	24,240

FINANCIAL STATEMENTS AND NOTES

2022

Unit: RMB'000

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Long-term equity investments (Continued)

	2022	2021
Investment in subsidiaries (Continued)		
Hebei Construction Group Steel Structure Engineering Co., Ltd.	24,000	24,000
Hebei Shenning Construction Engineering Co., Ltd.	20,000	20,000
Dacheng County Zhongyu Water Supply Co., Ltd.	17,696	17,696
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	16,060	16,060
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 Zhuocheng Engineering Inspection Co., Ltd.	333	333
HCG Tianchu Construction Engineering Co., Ltd.	50	-
Hebei Zhongbao New Building Material Manufacturing Co., Ltd.	-	1,000
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.	37,574	35,772
Financial guarantee for HCG Tianchen Construction Engineering Co., Ltd.	19,902	17,257
Financial guarantee for Hebei Construction Group Decoration Engineering Co., Ltd.	16,897	16,419
Financial guarantee for HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	21,785	11,810
Financial guarantee for Hebei Tongchuang Liantai Hospital Management Co., Ltd.	9,255	9,255
Financial guarantee for HCG Ecological Environment Co., Ltd. (formerly known as Hebei Construction Group Garden Engineering Co., Ltd.)	2,425	1,030
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
	3,111,693	3,029,787

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

5. Revenue

Revenue is presented as follows:

	2022	2021
Revenue from primary business	30,226,339	37,875,514
Revenue from other business	494,796	469,573
	30,721,135	38,345,087

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 27 March 2023.

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.

	2022 RMB'000	Year ended 31 December			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000 (Restated)
RESULTS					
Revenue	40,006,018	47,828,266	40,149,925	41,077,029	47,858,714
Less: Cost of sales	38,371,416	45,341,436	38,010,238	39,023,724	45,108,878
Taxes and surcharges	116,072	137,598	113,346	109,276	111,721
Selling and distribution expenses	1,542	1,061	1,193	10,237	28,370
Administrative expenses	570,825	535,823	501,124	505,448	411,462
Research and development costs	150,126	76,417	94,476	92,895	34,805
Finance costs	297,487	308,076	263,207	212,878	161,612
Including: Interest expenses	343,031	326,851	304,527	366,221	290,628
Interest income	39,238	40,926	39,167	158,720	158,022
Add: Other income	2,285	4,982	10,759	310	12,889
Investment income/(loss)	24,740	3,679	27,754	50,992	(136,782)
Including: Share of profits/(losses) of associates and joint ventures	2,866	(1,274)	3,225	8,572	(164,626)
Losses on derecognition of financial assets at amortised cost	(14,679)	(64,795)	(59,197)	(50,764)	-
(Losses)/gains on fair value changes	(37,447)	66	1,950	(2,721)	1,963
Credit impairment gains/(losses)	131,355	(623,156)	55,392	51,364	(253,371)
Impairment losses on assets (Losses)/gains from disposal of assets	(85)	(1,624)	214	304	2,377
Operating profit/(loss)	439,900	(489,814)	937,213	1,211,661	1,628,942
Add: Non-operating income	3,512	8,039	2,444	1,490	14,369
Less: Non-operating expenses	14,531	13,522	3,523	4,402	7,989
Total profit/(loss)	428,881	(495,297)	936,134	1,208,749	1,635,322
Less: Income tax expenses/(gains)	113,442	(137,131)	183,903	445,626	465,901
Net profit/(loss)	315,439	(358,166)	752,231	763,123	1,169,421

FIVE YEAR FINANCIAL SUMMARY

	2022 <i>RMB'000</i>	Year ended 31 December			
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Classified by the continuity of operation					
Net profit/(loss) from continuing operations	315,439	(358,166)	752,231	725,232	1,335,806
Net profit/(loss) from discontinued operations	-	-	-	37,891	(166,385)
Classified by the ownership					
Net profit/(loss) attributable to owners of the Company	326,725	(345,975)	759,856	770,415	1,154,039
Net profit/(loss) attributable to non-controlling interests	(11,286)	(12,191)	(7,625)	(7,292)	15,382
Other comprehensive (loss)/income, net of tax	(25,616)	39,488	12,072	58,657	60,900
Total comprehensive income/(loss)	289,823	(318,678)	764,303	821,780	1,230,321
Including:					
Total comprehensive income/(loss) attributable to owners of the Company	301,109	(306,487)	771,928	829,072	1,214,939
Total comprehensive income/(loss) attributable to non-controlling interests	(11,286)	(12,191)	(7,625)	(7,292)	15,382

Assets, liabilities and non-controlling interests:

	2022 <i>RMB'000</i>	As at 31 December			
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Total assets	67,631,850	66,947,253	62,793,882	60,926,571	62,440,389
Total liabilities	(61,464,375)	(61,074,661)	(56,353,803)	(55,022,999)	(56,508,044)
Non-controlling interests	(172,673)	(178,899)	(194,136)	(182,962)	(525,854)
Equity attributable to owners of the Company	5,994,802	5,693,693	6,245,943	5,720,610	5,406,491

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 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”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“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
“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 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 owned as to 61.11% and 38.89% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively 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, which was owned as to 95.24% and 4.76% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively as of the Latest Practicable Date
“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”	17 April 2023, 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 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
“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) (formerly 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 “2022” or “the Year”	the year beginning from 1 January 2022 and ending on 31 December 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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)



DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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 Group Co., Ltd. (中明置業集團有限公司) (formerly known as 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) (formerly 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.

“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 ² ” or “sq.m.”	square meters
“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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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
“VAT”	value-added tax





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