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河北建設集團股份有限公司

**HEBEI CONSTRUCTION GROUP CORPORATION LIMITED**

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

(Stock Code: 1727)

## **ANNOUNCEMENT**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025**

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025**

##### **1. Renewal of the New Labor Subcontract Framework Agreement**

References are made to the announcement dated 31 December 2019 and the circular dated 22 January 2020 of the Company in relation to, among others, the renewal of Labor Subcontract Framework Agreement between the Company and Baoding Tianli on 31 December 2019, and the annual caps set for the continuing connected transactions thereunder for 2020, 2021 and 2022.

As the Labor Subcontract Framework Agreement will expire on 31 December 2022, the Company has entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 26 May 2022, and proposed the annual caps for 2023, 2024 and 2025 thereunder to renew such continuing connected transactions.

##### **2. Renewal of the New Property Leasing Framework Agreement**

The Company has renewed 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. Due to the increase in the number of properties leased by the Group from Zhongming Zhiye and its associates, which may result in the original annual caps under the Property Leasing Framework Agreement for 2022 being unable to meet the current leasing needs of the Group, and therefore, the Company entered into a supplemental agreement with Zhongming Zhiye on 16 September 2020 to revise the annual cap for the continuing connected transactions under the Property Leasing Framework Agreement for 2022.

As the Property Leasing Framework Agreement will expire 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.

**3. Renewal of the New Leased Property Framework Agreement**

The Company has renewed 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.

As the Leased Property Framework Agreement will expire 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.

**4. Renewal of the New Comprehensive Services Framework Agreement**

The Company has renewed 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. Due to the deepening scope of cooperation between the Group and Zhongming Zhiye and its associates, there is an increase in the Group's demand for building construction ancillary services provided by Zhongming Zhiye and its associates, which may result in the original annual caps under the Comprehensive Services Framework Agreement for 2021 and 2022 being unable to meet the current business needs of the Group, and therefore, the Company entered into a supplemental agreement with Zhongming Zhiye on 16 September 2020 to revise the annual caps for the continuing connected transactions under the Comprehensive Services Framework Agreement for 2021 and 2022.

As the Comprehensive Services Framework Agreement will expire 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.

**5. Renewal of the New Goods Procurement Framework Agreement**

The Company has 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.

As the Goods Procurement Framework Agreement will expire 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.

**6. Renewal of the New Property Services Framework Agreement**

The Company has entered into the Property Services Framework Agreement with Zhongming Zhiye on 16 September 2020, and set annual caps for the continuing connected transactions

## **AGM**

The AGM will be held by the Company for Shareholders to consider and approve (among other things) the New Labor Subcontract Framework Agreement and the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2023, 2024 and 2025.

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

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2023, 2024 and 2025. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding such matters.

A circular containing, among other things, (i) details of the New Labor Subcontract Framework Agreement and its proposed annual caps; (ii) a letter from the Independent Board Committee to Independent Shareholders on the above matters; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the above matters; and (iv) the notice of the AGM, will be despatched to the Shareholders on or before 9 June 2022.

## **I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025**

### **1. New Labor Subcontract Framework Agreement**

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

References are made to the announcement of the Company dated 31 December 2019 and the circular of the Company dated 22 January 2020 in relation to, among other things, the renewal of the labor subcontract framework agreement between the Company and Baoding Tianli on 31 December 2019 and the setting of annual caps for the continuing connected transactions contemplated thereunder for 2020, 2021 and 2022. As disclosed in such announcement and circular, pursuant to the Labor Subcontract Framework Agreement, Baoding Tianli and its associates shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

As the Labor Subcontract Framework Agreement will expire 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. Subject to the approval on the AGM, the

The review panel for any bidding consists 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 shall consist of an odd number of three or more experts, all of whom are internal management personnel of the Group, including the general managers and deputy general managers of the production safety department, operational management department, financial management department and quality and technology department of the Group; the deputy general managers and business department managers in charge of safety, production, technology, quality, finance and operation of the branches; and the persons in charge of operation, technology, quality, production and finance of the project management department. The experts are selected by taking into account their professionalism, business competence, years of experience and other factors. To avoid conflict of interest, the management staff in charge of the tender project shall not participate in the evaluation as an expert member of the review panel for such tender project.

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 such bidder will be implemented.

Therefore, only in the event that Baoding Tianli and its associates win the bidding with the highest score determined by the review panel, the Group will enter into business agreements with Baoding Tianli under the New Labor Subcontract Framework Agreement.

**(3) Historical amount**

The annual caps on the total subcontracting fees payable by the Group to Baoding Tianli and its associates for the four years ended 31 December 2019, 2020, 2021 and 2022 are set out below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended/ending 31 December</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total fees	7,000	4,000	4,000	4,000

The actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022 are set out below:

*(Unit: RMB million)*

	<b>Actual transaction amount</b>			
	<b>for the year ended 31 December</b>			<b>for the four</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>months ended</b>
				<b>30 April</b>
				<b>2022</b>
Total fees	3,239	3,455	3,835	976

**(4) Proposed annual caps**

The proposed 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 set out below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Total fees	4,000	4,000	4,000

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

The proposed annual caps under the New Labor Subcontract Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 were determined mainly with reference to: (i) the labor costs of the Group; (ii) the Group's decision and consideration of supply chain safety; (iii) the estimated total subcontracting fees to be paid to Baoding Tianli and its associates as a percentage of the Group's labor costs; (iv) the historical transaction amounts with Baoding Tianli and its associates; and (v) the trend of adjustment of the business strategy of Baoding Tianli's own labor segment. Details are as follows:

- (i) For the three years ended 31 December 2019, 2020 and 2021, the Group's labor costs amounted to RMB11,471 million, RMB12,050 million and RMB12,895 million respectively. Based on the development trend of the Group's regional layout in the market nationwide, the Group's labor costs are expected to remain stable in the next three years;

- (ii) The pandemic and supply-side reform in the PRC have led to an increase in the Group's supply chain risks. In order to enhance its resistance to the Group's overall business risks arising from supply chain risks, the Group will proactively control the proportion of a single labor service provider in the overall labor costs and reduce its reliance on a single labor service provider. The Group will consider using local labor service providers for its labor service business in other provinces and purposefully select other high-quality labor service providers to meet the demand for labor services in Hebei Province;
- (iii) The actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the three years ended 31 December 2019, 2020 and 2021 were RMB3,239 million, RMB3,455 million and RMB3,835 million respectively, representing 28.24%, 28.67% and 29.74% of the Group's labor costs respectively, with an average figure of 28.88%. The total subcontracting fees paid to Baoding Tianli and its associates as a percentage of the Group's labour costs for the next three years are expected to be the same as or will decrease slightly as compared to the above average figure;
- (iv) The actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the three years ended 31 December 2019, 2020 and 2021 were all within RMB4 billion, and the actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the four months ended 30 April 2022 amounted to RMB976 million, and the total subcontracting fees for 2022 are also expected to be within RMB4 billion; and
- (v) Based on the current slow-growth economic development in China and the impact of



**(6) *Reasons for and benefits of entering into the New Labor Subcontract Framework Agreement***

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

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

**2. *New Property Leasing Framework Agreement***

**(1) *Background***

The Company has renewed 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. Due to the increase in the number of properties leased by the Group from Zhongming Zhiye and its associates, which may result in the original annual caps under the Property Leasing Framework Agreement for 2022 being unable to meet the current leasing needs of the Group, and therefore, the Company entered into a supplemental agreement with Zhongming Zhiye on 16 September 2020 to revise the annual cap for the continuing connected transactions under the Property Leasing Framework Agreement for 2022. 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.

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%.

As the Property Leasing Framework Agreement will expire 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. The agreement will be valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

**(2) New Property Leasing Framework Agreement**

**Date:** 26 May 2022

**Parties:** the Company (as the lessee); and

Zhongming Zhiye (as the lessor).

**Principal terms:**

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. The term of the New Property Leasing Framework Agreement starts from 1 January 2023 to 31 December 2025 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Property Leasing Framework Agreement.

**Pricing policy:**

In accordance with the New Property Leasing Framework Agreement, the rental and other charges to be paid by the Group to Zhongming Zhiye and its associates will be determined based on the following pricing policies:

- (i) the rentals and other charges paid by the Group to Zhongming Zhiye and its associates will be determined and reviewed based on arm's-length negotiations between the lessor and the lessee with reference to the prevailing market rate (including but not limited to factors such as the geographical location, the standard of construction and the surrounding area), and are consistent with market practice; and
- (ii) the Group shall bear all utility charges, heating fees and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair, property taxes and land use taxes.

**(3) Historical amount**

For the four years ended 31 December 2019, 2020, 2021 and 2022, the annual caps of the rental and other charges paid by the Group to Zhongming Zhiye and its associates for use of relevant properties are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended/ending 31 December</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Rental and other charges <sup>1</sup>	3.00	3.00	4.00	9.00

*Note:*

1. As each lease term of the specific agreements entered into under the Property Leasing Framework Agreement did not exceed 12 months, the Group did not recognise assets and liabilities in its consolidated balance sheet for leases entered into under the Property Leasing Framework Agreement in accordance with the Chinese Accounting Standards for Business Enterprises.

For the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, the actual rental and other charges paid by the Group to Zhongming Zhiye and its associates for use of relevant properties are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount</b>			
	<b>for the year ended 31 December</b>			<b>for the four months ended 30</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>April 2022</b>
Rental and other charges	2.82	2.80	3.65	2.41

**(4) Proposed annual caps**

For the three years ending 31 December 2023, 2024 and 2025, the proposed 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 set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Rental and other charges <sup>1</sup>	9.00	9.00	9.00

*Note:*

1. As each lease term of the specific agreements to be entered into under the New Property Leasing Framework Agreement is not expected to exceed 12 months, the Group will not recognise assets and liabilities in its consolidated balance sheet for leases to be entered into under the New Property Leasing Framework Agreement in accordance with the Chinese Accounting Standards for Business Enterprises.

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

The proposed annual caps under the New Property Leasing Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are determined mainly with reference to the amount of property leasing transactions incurred between the Group and Zhongming Zhiye and its associates in the past three years and taking into account the development of the Group and the trend of office space changes in the next three years. In particular, the contractual transaction amount between the Group and Zhongming Zhiye and its associates in 2022 has increased to a certain extent as compared to the past, which is expected to increase from RMB4 million in the past to approximately RMB9 million, and considering that the lease contract amount is not expected to further increase in the next three years, the proposed annual caps are reasonably estimated based on the fact that the transaction amount for the next three years will remain the same as the expected transaction amount in 2022.

**(6) *Reasons for and benefits of entering into the New Property Leasing Framework Agreement***

Given that the Group occupied certain properties as the offices, workshops, warehouses and/or other work places, which are currently owned by Zhongming Zhiye and its associates. Since the relocation of such entities to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, the Company renewed the Property Leasing Framework Agreement with Zhongming Zhiye to ensure continuing smooth operation of the Group and to save costs.

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

**3. *New Leased Property Framework Agreement***

**(1) *Background***

The Company has renewed 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. 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.

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%.

As the Leased Property Framework Agreement will expire 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. The agreement will be valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

**(2) New Leased Property Framework Agreement**

**Date:** 26 May 2022

**Parties:** the Company (as the lessor); and

Zhongming Zhiye (as the lessee).

**Principal terms:**

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. The term of the New Leased Property Framework Agreement starts from 1 January 2023 to 31 December 2025 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Leased Property Framework Agreement.

**Pricing policy:**

In accordance with the New Leased Property Framework Agreement, the rental and other charges to be paid by Zhongming Zhiye and its associates to the Group will be determined based on the following pricing policies:

- (i) the rentals and other charges paid by Zhongming Zhiye and its associates to the Group will be determined based on arm's-length negotiations between the lessee and the lessor with reference to the prevailing market rate (including but not limited to factors such as the geographical location, the standard of construction and the surrounding area), and are consistent with market practice; and
- (ii) Zhongming Zhiye and its associates shall bear all utility charges, heating fees and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair, property taxes and land use taxes.

**(3) Historical amount**

For the four years ended 31 December 2019, 2020, 2021 and 2022, the annual caps of the rental and other charges paid by Zhongming Zhiye and its associates to the Group for use of relevant properties are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended/ending 31 December</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Rental and other charges <sup>1</sup>	2.00	2.00	2.00	2.00

*Note:*

1. As each lease term of the specific agreements entered into under the Leased Property Framework Agreement did not exceed 12 months, the Group did not recognise assets and liabilities in its consolidated balance sheet for leases entered into under the Leased Property Framework Agreement in accordance with the Chinese Accounting Standards for Business Enterprises.

For the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, the actual rental and other charges paid by Zhongming Zhiye and its associates to the Group for use of relevant properties are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount</b>			<b>for the</b>
	<b>for the year ended 31 December</b>			<b>four months</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>ended 30</b>
				<b>April</b>
				<b>2022</b>
Rental and other charges	0.00	0.00	1.43	0.48

**(4) Proposed annual caps**

For the three years ending 31 December 2023, 2024 and 2025, the proposed 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 set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Rental and other charges <sup>1</sup>	5.00	5.00	5.00

*Note:*

1. As each lease term of the specific agreements to be entered into under the New Leased Property Framework Agreement is not expected to exceed 12 months, the Group will not recognise assets and liabilities in its consolidated balance sheet for leases to be entered into under the New Leased Property Framework Agreement in accordance with the Chinese Accounting Standards for Business Enterprises.

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

The proposed annual caps under the New Leased Property Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are determined mainly with reference to the amount of leased property transactions incurred between the Group and Zhongming Zhiye and its associates in the past three years and taking into account the development of the Group and the trend of office space changes in the next three years. In particular, Zhongming Zhiye and its associates intend to further lease a number of newly built factories of the Group on top of the original lease contract starting from 2023, therefore, the contractual transaction amount between the Group and Zhongming Zhiye and its associates in 2023 will increase to a certain extent as compared to the past, which is expected to increase from RMB1.5 million in the past to approximately RMB4.7 million, and considering that the lease contract amount is not expected to further increase in the future, the proposed annual caps are reasonably estimated based on the fact that the transaction amount for the next three years will remain the same as the expected transaction amount in 2023.

**(6) Reasons for and benefits of entering into the New Leased Property Framework Agreement**

Given that Zhongming Zhiye and its associates occupied certain properties as the offices, workshops, warehouses and/or other work places, which are currently owned by the Group. Since the relocation of such entities to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, the Company renewed the Leased Property Framework Agreement with Zhongming Zhiye to ensure that the office properties held by the Group are fully utilised to increase revenue without affecting the Group's interests.



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

#### **4. New Comprehensive Services Framework Agreement**

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

The Company has renewed 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. Due to the deepening scope of cooperation between the Group and Zhongming Zhiye and its associates, there is an increase in the Group's demand for building construction ancillary services provided by Zhongming Zhiye and its associates, which may result in the original annual caps under the Comprehensive Services Framework Agreement for 2021 and 2022 being unable to meet the current business needs of the Group, and therefore, the Company entered into a supplemental agreement with Zhongming Zhiye on 16 September 2020 to revise the annual caps for the continuing connected transactions under the Comprehensive Services Framework Agreement for 2021 and 2022. 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.

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%.

As the Comprehensive Services Framework Agreement will expire 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. The agreement will be valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

##### **(2) New Comprehensive Services Framework Agreement**

**Date:** 26 May 2022

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

**Principal terms:**

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. The term of the New Comprehensive Services Framework Agreement starts from 1 January 2023 to 31 December 2025 (inclusive). Subject to relevant laws and regulations and the Listing Rules, the agreement can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Comprehensive Services Framework Agreement.

**Pricing policy:**

Pursuant to the New Comprehensive Services Framework Agreement, the service fees to be paid by the Group to Zhongming Zhiye and its associates for certain building construction ancillary services will be determined after arm's length negotiations between the Group and Zhongming Zhiye and its associates based on the relevant government guided prices provided by the monthly construction cost information published by the housing and urban-rural development bureaus and the construction cost service centres in the places where such service providers are located, and taking into account the local geographical characteristics, prevailing regulations and current pricing policies, and also the impact of pandemic prevention and control on the labor, material and equipment prices to ensure that the service fees to be paid by the Group to Zhongming Zhiye and its associates are fair and reasonable and in line with market practice.

**(3) Historical amount**

For the four years ended 31 December 2019, 2020, 2021 and 2022, the annual caps of the total service fees paid by the Group for the comprehensive services provided by Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended/ending 31 December</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total service fees	3.50	3.50	20.00	25.00

For the three years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, the actual total service fees paid by the Group for the comprehensive services provided by Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount</b>			
	<b>for the year ended 31 December</b>			<b>for the four months ended 30 April</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total service fees	3.32	1.47	18.70	5.22

**(4) Proposed annual caps**

For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of the total service fees payable by the Group for the comprehensive services provided by Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Total service fees	32.00	42.00	54.00

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

The proposed annual caps under the New Comprehensive Services Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are determined mainly with reference to the amount of comprehensive service transactions incurred between the Group and Zhongming Zhiye and its associates in the past three years and taking into account the development of the

**(6) *Reasons for and benefits of entering into the New Comprehensive Services Framework Agreement***

Zhongming Zhiye and its associates started to provide certain ancillary services, such as quality inspections for building constructions services, for certain construction projects of the Group prior to 2014. Zhongming Zhiye and its associates have become familiar with the Group's business processes and needs, quality standards and operational requirements through long-term cooperation with the Group. Hebei Tianbo Construction Technology Co., Ltd. (a wholly-owned subsidiary of Zhongming Zhiye) and its subsidiaries have expertise in quality inspection services for building constructions, building structural reinforcement and surveying and mapping services and have been among the top in the industry of Hebei Province for its rich experience, excellent technology capacities and quality services. Therefore, the Company renewed the Services Framework Agreement with Zhongming Zhiye.

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

**5. *New Goods Procurement Framework Agreement***

**(1) *Background***

The Company has 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. 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.

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%.

As the Goods Procurement Framework Agreement will expire 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. The agreement will be valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

**(2) *New Goods Procurement Framework Agreement***

**Date:** 26 May 2022

**Parties:** the Company; (as goods purchaser); and  
Zhongming Zhiye (as goods seller).

**Principal terms:**

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, road materials, and the Group will make relevant payment to Zhongming Zhiye and its associates for procurement of relevant goods. The term of the New Goods Procurement Framework Agreement starts from 1 January 2023 to 31 December 2025 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Goods Procurement Framework Agreement.

**Pricing policy:**

- (iv) Where neither the independent third party market price nor the price of independent unrelated transaction is available for reference for the goods purchased, the pricing will be determined with reference to a reasonable component price, which will be a reasonable cost plus a reasonable profit as determined based on factors such as the quantity, cost of raw materials, processing costs, historical prices, current prices of similar goods and reasonable profits for the goods purchased.

**(3) Historical amount**

For the three years ended 31 December 2020, 2021 and 2022, the annual caps of total payment made by the Group to Zhongming Zhiye and its associates for the goods purchased are set forth below:

*(Unit: RMB million)*

	<b>Annual caps for the year ended/ending 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total payment for goods purchased	5.00	5.00	5.00

For the two years ended 31 December 2020 and 2021 and the four months ended 30 April 2022, the actual total payment made by the Group to Zhongming Zhiye and its associates for the goods purchased are set forth below:

*(Unit: RMB million)*

	<b>Actual transaction amount for the four months ended 30 for the year ended 31 December</b>		
	<b>2020</b>	<b>2022ecember</b>	<b>April 2022</b>

**(4) Proposed annual caps**

For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of total payment made by the Group to Zhongming Zhiye and its associates for the goods purchased are set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Total payment for goods purchased	5.00	5.00	5.00

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

The proposed annual caps under the New Goods Procurement Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are determined mainly with reference to the amount of goods procurement transactions incurred between the Group and Zhongming Zhiye and its associates. /P 4Lang (en-US)/MCID 1151 BDC 770.051 Tw 10 080 10 127.5591 4314.7606629

## **6. New Property Services Framework Agreement**

### **(1) Background**

The Company has 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. 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.

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%.

As the Property Services Framework Agreement will expire 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. The agreement will be valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

### **(2) New Property Services Framework Agreement**

**Date:** 26 May 2022

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



**Principal terms:**

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. The term of the New Property Services Framework Agreement starts from 1 January 2023 to 31 December 2025 (inclusive). Subject to the relevant laws, regulations and the Listing Rules, the term can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the New Property Services Framework Agreement.

**Pricing policy:**

In accordance with the New Property Services Framework Agreement, the service fee paid by the Group for the property services provided by Zhongming Zhiye and its associates will be determined based on the following pricing policies:

- (i) Where the property services provided are subject to government-guided prices (if any), including those applicable to the Notice on Adjustment of Property Service Levels and Charges for Residential Areas in the Main Urban Area of Baoding City (Lianchi District, Jingxiu District and Gaoxin District) (《關於調整保定市主城區(蓮池區、競秀區、高新區)住宅小區物業服務等級和收費標準的通知》) jointly issued by Hebei Baoding Pricing Bureau and Municipal Housing and Urban-Rural Development Bureau, the transaction price shall be reasonably determined within the scope of the government-guided prices of the place where the service provider is located. In particular, the transaction price of the residential portion shall be determined in accordance with the provisions of the Baoding Property Management Measures promulgated by the People's Government of Baoding, Hebei Province which came into effect on 1 March 2017.
- (ii) In addition to the government-guided prices, where comparable independent third party market prices or pricing standards are available for the property services provided, the transaction price shall be determined with reference to such prices or standards.
- (iii) Where there is no comparable independent third party market price for the property services provided, the pricing of the property services provided shall be determined with reference to the price of unrelated transactions between the service provider group and independent third party.

(iv) Where neither the independent third party market price nor the price of independent

**(4) Proposed annual caps**

For the three years ending 31 December 2023, 2024 and 2025, the proposed annual caps of the total service fees paid by the Group for the property services provided by Zhongming Zhiye and its associates are set forth below:

*(Unit: RMB million)*

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Total service fees	8.50	9.30	10.50

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

The proposed annual caps under the New Property Services Framework Agreement for the three years ending 31 December 2023, 2024 and 2025 are determined mainly with reference to the amount of property service transactions incurred between the Group and Zhongming Zhiye and its associates in the past two years and taking into account the development of the Group in the next three years. In particular, based on the scope, area and amount of property services under the existing property services contracts between the Group and Zhongming Zhiye and its associates, and taking into account the increase in the Group's demand for property services in the next three years, the proposed annual caps are reasonably estimated based on the fact that the transaction amount is expected to increase at a rate of 10% per annum over the next three years as compared to the expected transaction amount in 2022.

**(6) Reasons for and benefits of entering into the New Property Services Framework Agreement**

Certain properties held by the Group in Baoding, Hebei Province, where the headquarter is located, have been provided with property services by property management companies under Zhongming Zhiye, a connected person, and such companies a good reputation in the region and have rich management experience and personnel. Also, In view of the good cooperation between the two parties in the past, the Company renewed the Property Services Framework Agreement with Zhongming Zhiye.

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

## **II. IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, 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, the controlling shareholders of the Company, respectively. Baoding Tianli and Zhongming Zhiye are therefore connected persons of the Company. According to the Listing Rules, the transactions contemplated under the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement constitute continuing connected transactions of the Company.

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.

For the purpose of the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement, as the highest applicable percentage ratio (as defined under the Listing Rules) of these transactions is higher than 0.1% but less than 5%, they are subject to the reporting, annual review and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **III. INTERNAL CONTROL MEASURES**

In order to ensure that the terms of the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement are fair and reasonable or no less favourable than those available to or from Independent Third Parties and are conducted on normal commercial terms, the Company has adopted the following internal control measures:

- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company's policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement, especially the pricing policies of such transactions; the market operation department, the production safety department and the finance management department are responsible for the approval of the annual caps and its fairness under such transactions;

The Company's production safety department, financial management department and operational management department are responsible for calculating the current and cumulative amounts of connected transactions on a monthly basis, and controlling the number of transactions conducted with connected persons when it is expected to reach the annual caps on connected transactions;

- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement and the progress of the transactions semi-annually and quarterly, respectively. In addition, the Board will regularly review the pricing policies of the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement on an annual basis;

- The Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transactions are conducted in accordance with the terms of the agreements and in accordance with normal commercial terms and pricing policies; and
- When considering the provision of properties or payment of relevant fees by the Group to the connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties, the bidding price of the project, the guided price of the place where the service provider is located, the market price of independent third parties, the price of unrelated transactions with independent third parties, the cost, size, quantity, historical price, reasonable profit of the relevant services or goods, the geographical characteristics of the location, the current pricing policy and taxes and charges and other factors to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and not inferior to those provided to Independent Third Parties. In particular, for the New Labor Subcontract Framework Agreement, the Procurement Department of the Group will collect price information in the market at the end of each year and from time to time, by attending national labor service seminars (such as the annual meeting organized by the labor branch of China Construction Industry Association) and by collecting data from Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China.

#### **IV. OPINIONS OF THE BOARD**

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

As Mr. Li Baoyuan, Mr. Li Baozhong, Mr. Cao Qingshe, Mr. Shang Jinfeng, Mr. Liu Yongjian and Mr. Zhao Wensheng are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to have material interests in the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolutions in relation to approval for the above agreements and their proposed annual caps. Save for those disclosed above, none of the other Directors have any material interest in the New Labor Subcontract Framework Agreement, the New Property Leasing Framework Agreement, the New Leased Property Framework Agreement, the New Comprehensive Services Framework Agreement, the New Goods Procurement Framework Agreement and the New Property Services Framework Agreement and the transactions contemplated thereunder, and none of the other Directors are required to abstain from voting on the Board resolutions to consider and approve the above agreements and their proposed annual caps.

## **V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

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

## **VI. INFORMATION ON PARTIES TO THE AGREEMENTS**

### **Information on the Company**

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

### **Information on Zhongming Zhiye**

Zhongming Zhiye is a company incorporated in the PRC on 1 December 2016 with limited liability and is primarily involved in real estate consulting services, ecological tourism development and elderly care services. As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Qianbao Investment directly holds 39.61% equity interests in Zhongru Investment, and the remaining 60.39% equity interests in Zhongru Investment are held by 146 natural persons. Each of these 146 natural person shareholders has a shareholding of less than 5% and none of them are professional investors. Qianbao Investment is owned as to 90% and 10% by Mr. Li Baoyuan and Mr. Li Baozhong, respectively.

### **Information on Baoding Tianli**

Baoding Tianli is a company incorporated in the PRC on 27 November 2001 with limited liability, and its business scope mainly includes subcontracting of masonry, plasterwork, painting, reinforcing bar, concrete work, scaffolding, molding, water, heating and electric system installation, welding and sheet metal work, and dispatch of labor to overseas areas (excluding Hong Kong, Macau and Taiwan). As at the date of this announcement, Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye.

### **VII. AGM**

The AGM will be held by the Company for Shareholders to consider and, if thought fit, approve (among other things) the New Labor Subcontract Framework Agreement and the continuing ~~2025~~ affected transactions contemplated thereunder, and the proposed annual caps for 2023, 2024 and 2025.

Zhongru Investment and Qianbao Investment will abstain from ill abstain fro.21 trEMC /P bc(2airlevastaresoluer, an



## VIII. DEFINITIONS

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

“AGM”	the 2021 annual general meeting of the Company to be convened and held at 9:00 a.m. on Tuesday, 28 June 2022 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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. As at the date of this announcement, Baoding Tianli was a wholly-owned subsidiary of Zhongming Zhiye, which was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively
“Board”	the board of Directors of the Company
“Chinese Accounting Standards for Business Enterprises”	the Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
“Company”	Hebei Construction Group Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
“Group”	the Company and its subsidiaries

“H Shares”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors independent from related matters to advise Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and its proposed annual caps
“Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Labor Subcontract Framework Agreement and its proposed annual caps
“Independent Shareholders”	Shareholders of the Company other than Zhongru Investment and Qianbao Investment
“Independent Third Party(ies)”	to the best knowledge of the Directors after having made all reasonable enquiries, person(s) not connected to the Group and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“New Comprehensive Services Framework Agreement”	the comprehensive services framework agreement entered into between the Company and Zhongming Zhiye on 26 May 2022
“New Goods Procurement Framework Agreement”	the goods procurement framework agreement entered into between the Company and Zhongming Zhiye on 26 May 2022
“New Labor Subcontract Framework Agreement”	the labor subcontract framework agreement entered into between the Company and Baoding Tianli on 26 May 2022

“New Leased Property Framework Agreement”	the leased property framework agreement entered into between the Company and Zhongming Zhiye on 26 May 2022
“New Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Zhongming Zhiye on 26 May 2022
“New Property Services Framework Agreement”	the property services framework agreement entered into between the Company and Zhongming Zhiye on 26 May 2022
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the date of this announcement, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Shares and H Shares
“Shareholders(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As at the date of this announcement, Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively

“Zhongru Investment” Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As at the date of this announcement, Zhongru Investment directly holds approximately 68.3% equity interests of the Company and is a controlling shareholder of the Company

“%” per cent

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

Hebei, the PRC  
26 May 2022

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