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河北建設集團股份有限公司

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

(Stock Code: 1727)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”). This announcement is in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) relating to the information to be included in the preliminary annual results announcement.

## **FINANCIAL HIGHLIGHTS**

In 2023, our revenue amounted to RMB33,493 million, representing a decrease of 16% as compared with that of 2022.

In 2023, our net profits amounted to RMB158 million, representing a decrease of 50% as compared with that of 2022.

In 2023, our earnings per share amounted to RMB0.10, representing a decrease of 47% as compared with that of 2022.

## I. SELECTED FINANCIAL STATEMENTS AND NOTES

### CONSOLIDATED BALANCE SHEET

As at 31 December 2023

Unit: RMB'000

Assets	Note	31 December 2023	31 December 2022
Current assets			
Currency funds		7,688,715	9,123,019
Financial assets held for trading		15,329	3,118
Accounts receivable	2	7,478,973	7,815,567
Receivables financing		205,246	349,485
Prepayments		713,757	733,145
Other receivables		2,297,617	2,360,433
Inventories		190,400	182,032
Contract assets	3	39,123,239	40,014,033
Current portion of non-current assets	4	44,394	43,128
Other current assets		540,540	501,931
		<u>58,298,210</u>	<u>61,125,891</u>
Total current assets			
Non-current assets			
Long-term receivables	4	177,569	170,123
Long-term equity investments		501,063	515,706
Contract assets	3	2,984,797	2,903,035
Other equity instrument investments		589,069	744,459
Investment property		98,600	99,200
Fixed assets		948,472	981,409
Construction in progress		169,423	155,975
Right-of-use assets		19,004	17,969
Intangible assets		94,125	96,332
Deferred tax assets		1,005,265	821,751
		<u>6,587,387</u>	<u>6,505,959</u>
Total non-current assets			
		<u>64,885,597</u>	<u>67,631,850</u>
Total assets			

**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2023**Unit: RMB'000*

<b>Liabilities and owners' equity</b>	<i>Note</i>	<b>31 December 2023</b>	31 December 2022
<b>Current liabilities</b>			
Short-term borrowings		<b>2,469,425</b>	2,415,411
Bills payable		<b>1,035,601</b>	827,662
Accounts payable	5	<b>34,488,055</b>	36,587,127
Contract liabilities		<b>6,704,485</b>	6,939,618
Employee benefits payable		<b>283,365</b>	202,120
Taxes payable	6	<b>888,270</b>	773,370
Other payables		<b>5,706,782</b>	6,184,596
Current portion of non-current liabilities		<b>423,082</b>	896,633
Other current liabilities		<b>3,796,630</b>	3,943,783
<b>Total current liabilities</b>		<b>55,795,695</b>	58,770,320
<b>Non-current liabilities</b>			
Long-term borrowings		<b>2,849,897</b>	2,684,830
Lease liabilities		<b>12,149</b>	9,225
<b>Total non-current liabilities</b>		<b>2,862,046</b>	2,694,055
<b>Total liabilities</b>		<b>58,657,741</b>	61,464,375
<b>Owners' equity</b>			
Share capital		<b>1,761,384</b>	1,761,384
Capital reserve		<b>1,662,063</b>	1,662,063
Other comprehensive income		<b>33,608</b>	152,476
Surplus reserve		<b>600,053</b>	545,068
Retained profit		<b>1,990,221</b>	1,873,811
<b>Total equity attributable to owners of the Parent</b>		<b>6,047,329</b>	5,994,802
<b>Non-controlling interests</b>		<b>180,527</b>	172,673
<b>Total owners' equity</b>		<b>6,227,856</b>	6,167,475
<b>Total liabilities and owners' equity</b>		<b>64,885,597</b>	67,631,850

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

Unit: RMB'000

	Note	2023	2022
Revenue	7	33,492,866	40,006,018
Less: Cost of sales		31,697,268	38,371,416
Taxes and surcharges		98,055	116,072
Selling expenses		1,126	1,542
Administrative expenses		527,733	570,825
Research and development costs		148,139	150,126
Finance costs		305,027	297,487
Including: Interest expenses		347,501	343,031
Interest income		45,626	39,238
Add: Other income		3,977	2,285
Investment income		(2,854)	24,740
Including: Share of profits of associates and joint ventures		(1,932)	2,866
Income on derecognition of financial assets at amortised cost		(3,852)	(14,679)
Gains on fair value changes		(418)	(37,447)
Credit impairment losses	8	(339,084)	131,355
Impairment losses on assets		(148,197)	(179,498)
Income from disposal of assets		66	(85)
Operating profit		229,008	439,900
Add: Non-operating income		1,612	3,512
Less: Non-operating expenses		3,344	14,531
Profit before tax		227,276	428,881
Less: Income tax expenses	10	69,207	113,442
Net profit		158,069	315,439



## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

#### Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, which truly and completely reflect the financial position of the Company and the Group as at 31 December 2023, as well as its operating results and cash flows in 2023.

### 2. ACCOUNTS RECEIVABLE

The accounts receivable of the Group are mainly receivables for construction contracting business.

The ageing analysis of accounts receivable is as follows:

	<i>Unit: RMB'000</i>	
	2023	2022
Within 1 year	6,323,895	6,342,449
1 to 2 years	1,246,093	1,472,920
2 to 3 years	668,913	452,479
Over 3 years	687,655	667,174
	<u>8,926,556</u>	<u>8,935,022</u>
Less: Impairment allowance	1,447,583	1,119,455
Total	<u><u>7,478,973</u></u>	<u><u>7,815,567</u></u>

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.

### 3. 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.

*Unit: RMB'000*

	2023			2022		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	<u>44,214,025</u>	<u>(2,105,989)</u>	<u>42,108,036</u>	<u>44,883,409</u>	<u>(1,966,341)</u>	<u>42,917,068</u>
Including:						
Non-current assets	<u>3,079,625</u>	<u>(94,828)</u>	<u>2,984,797</u>	<u>2,986,680</u>	<u>(83,645)</u>	<u>2,903,035</u>

### 4. LONG-TERM RECEIVABLES

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

*Unit: RMB'000*

	2023	2022
Long-term concession project receivables	210,224	213,251
Project receivables	<u>12,533</u>	<u>–</u>
	222,757	213,251
Less: Long-term impairment allowance	<u>794</u>	<u>–</u>
	221,963	213,251
Less: Long-term receivables due within one year	<u>44,394</u>	<u>43,128</u>
Total	<u>177,569</u>	<u>170,123</u>

The ageing of long-term receivables shall be calculated since the date upon satisfaction for the completion of concession project. As of 31 December 2023, the management of the Group made bad debt provisions of RMB794,000 for the long-term receivables based on the lifetime expected credit losses (31 December 2022: nil).





## 7. REVENUE

*Unit: RMB'000*

	2023	2022
Revenue from primary business	32,941,805	39,134,786
Revenue from other business	551,061	871,232
	<u>33,492,866</u>	<u>40,006,018</u>
Total	<u><u>33,492,866</u></u>	<u><u>40,006,018</u></u>

The revenue is as follows:

*Unit: RMB'000*

	2023	2022
Revenue from contracts with customers	33,471,799	39,969,607
Rental income	21,067	36,411
	<u>33,492,866</u>	<u>40,006,018</u>
Total	<u><u>33,492,866</u></u>	<u><u>40,006,018</u></u>

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

2023

Unit: RMB'000

Reporting segment	Construction	Others	Total
Major products			
Building construction	20,490,784	–	20,490,784
Infrastructure construction	8,633,258	1,049,924	9,683,182
Specialized and other construction	2,767,839	–	2,767,839
Sewage and reclaimed water treatment	–	43,423	43,423
Sales of goods and others	363,127	123,444	486,571
Total	<u>32,255,008</u>	<u>1,216,791</u>	<u>33,471,799</u>
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	32,202,417	1,216,791	33,419,208
Other countries and regions	<u>52,591</u>	<u>–</u>	<u>52,591</u>
Total	<u>32,255,008</u>	<u>1,216,791</u>	<u>33,471,799</u>
Timing of revenue recognition			
At a point of time	363,127	123,444	486,571
Within a period of time	<u>31,891,881</u>	<u>1,093,347</u>	<u>32,985,228</u>
Total	<u>32,255,008</u>	<u>1,216,791</u>	<u>33,471,799</u>

2022

*Unit: RMB'000*

Reporting segment	Construction	Others	Total
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	<u>589,273</u>	<u>199,633</u>	<u>788,906</u>
Total	<u><u>38,687,729</u></u>	<u><u>1,281,878</u></u>	<u><u>39,969,607</u></u>
Major operating regions			
Mainland China			



**8. CREDIT IMPAIRMENT LOSSES***Unit: RMB'000*

	<b>2023</b>	2022
Losses from impairment of account receivable	<b>(328,128)</b>	138,489
Losses from impairment of other receivables	<b>(12,148)</b>	(5,148)
Losses from impairment of long-term receivables	<b>(794)</b>	–
Impairment losses on financial guarantee contracts	<b>1,986</b>	(1,986)
	<hr/>	<hr/>
Total	<b>(339,084)</b>	131,355
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**9. 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:

*Unit: RMB'000*

	<b>2023</b>	2022
Construction costs	<b>31,697,268</b>	38,371,416
Employee benefits included in administrative expenses and selling expenses	<b>331,156</b>	363,575
Research and development costs	<b>148,139</b>	150,126
Depreciation and amortization included in administrative expenses and selling expenses	<b>26,557</b>	26,658
Audit fees	<b>6,000</b>	6,000
Others	<b>165,146</b>	176,134
	<hr/>	<hr/>
Total	<b>32,374,266</b>	39,093,909
	<hr/> <hr/>	<hr/> <hr/>

**10. INCOME TAX EXPENSES***Unit: RMB'000*

	<b>2023</b>	2022
Current income tax	<b>212,936</b>	155,767
Deferred income tax	<b>( 143,729)</b>	(42,325)
	<hr/>	<hr/>
Total	<b>69,207</b>	113,442
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The relationship between income tax expenses and the total profit is as follows:

	<i>Unit: RMB'000</i>	
	<b>2023</b>	2022
Profit before tax	<b>227,276</b>	428,881
Income tax expenses at the statutory tax rate ( <i>Note</i> )	<b>56,819</b>	107,220
Tax effect of share of profits and losses of joint ventures and associates	<b>1,588</b>	3,054
Effect of non-taxable income	<b>(1,221)</b>	(9,593)
Effect of non-deductible expenses	<b>1,670</b>	4,434
Effect of utilisation of unrecognised deductible tax losses	<b>(21,448)</b>	(20,689)
Effect of unrecognized deductible temporary differences and deductible tax losses	<b>36,024</b>	33,3ang 5tar41dn14Tng (en

The calculation of the basic earnings per share and diluted earnings per share is as follows:

	<i>Unit: RMB'000</i>	
	<b>2023</b>	2022
Earnings		
Net profit for the year attributable to owners of the Company		
Continuing operations	<u><b>171,395</b></u>	<u>326,725</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u><b>1,761,383,500</b></u>	<u>1,761,383,500</u>

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

## **12. DIVIDENDS**

The Company plans not to distribute any dividend for the year ended 31 December 2023.



## II. MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

- Construction contracting business. The Group mainly provides construction project contracting services 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 2023, the Group's new contract value amounted to RMB31,964 million, as compared with RMB43,732 million for the corresponding period of last year. Our outstanding contract value was RMB59,849 million, as compared with RMB69,722 million for the corresponding period of last year.

New contract value (by region):

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	319.64	100%	437.32	100%
Beijing-Tianjin-Hebei	241.95	75.69%	332.90	76.12%
Other	77.69	24.31%	104.42	23.88%

New contract value (by segment):

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	319.64	100%	437.32	100%
Building construction	172.92	54.10%	282.95	64.70%
Infrastructure construction	104.36	32.65%	116.93	26.74%
Specialized and other construction	42.36	13.25%	37.44	8.56%

## 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 2023, the new contract value from the building construction business was RMB17,292 million, compared with RMB28,295 million for the corresponding period of last year.

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

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	<b>172.92</b>	<b>100%</b>	282.95	100%
Residential construction	<b>36.26</b>	<b>20.97%</b>	90.80	32.09%
Public building construction	<b>109.42</b>	<b>63.28%</b>	141.98	50.18%
Industrial building construction	<b>27.24</b>	<b>15.75%</b>	43.24	15.28%
Commercial building construction	<b>0</b>		6.93	2.45%

## Infrastructure Construction Business

The Group provides construction contracting services for municipal and transportation infrastructure projects, including water supply and water treatment, gas and heating, urban pipelines, roads, bridges and airport runways facilities. The Group undertakes most of such construction projects as general contractor. The Group's infrastructure construction customers are primarily local governments. In 2023, the new contract value from the infrastructure construction business was RMB10,436 million, compared with RMB11,693 million for the corresponding period of last year.

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

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	<b>104.36</b>	<b>100%</b>	116.93	100%
Municipal infrastructure construction	<b>82.22</b>	<b>78.78%</b>	105.54	90.26%
Transportation infrastructure construction	<b>22.14</b>	<b>21.22%</b>	11.39	9.74%

## 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 projects generally include the supply, installation and maintenance of equipments 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 2023, new contracts from the specialized and other construction contracting business were valued at RMB4,236 million, compared with RMB3,744 million for the corresponding period of last year.

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

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	<b>42.36</b>	<b>100%</b>	37.44	100%
Electrical and mechanical installation	<b>9.87</b>	<b>23.31%</b>	3.39	9.06%
Steel structures	<b>1.79</b>	<b>4.22%</b>	1.37	3.66%
Decoration	<b>5.37</b>	<b>12.67%</b>	7.90	21.10%
Other construction business	<b>25.33</b>	<b>59.80%</b>	24.78	66.18%

## FINANCIAL REVIEW

### Revenue, Cost of Sales and Gross Profit

The revenue of the Group for 2023 amounted to RMB33,493 million, representing a decrease of approximately RMB6,513 million as compared with last year, which was mainly due to the decrease in revenue from construction contracting segment of RMB6,193 million.

In particular:

#### (1) Operating Results of Construction Contracting Segment

	As at 31 December 2023				As at 31 December 2022			
	Revenue	Cost	Gross profit		Revenue	Cost	Gross profit	
	<i>RMB100</i>	<i>RMB100</i>	rate	Percentage	<i>RMB100</i>	<i>RMB100</i>	rate	Percentage
	<i>million</i>	<i>million</i>	%	%	<i>million</i>	<i>million</i>	%	%
Building construction business	204.91	196.26	4.2	62.2	262.04	253.76	3.2	67.0
Infrastructure construction business	96.83	90.30	6.7	29.4	100.29	94.71	5.6	25.6
Specialized and other construction business	27.68	25.88	6.5	8.4	29.02	28.08	3.2	7.4
Total	<u>329.42</u>	<u>312.44</u>	5.2		<u>391.35</u>	<u>376.55</u>	3.8	

The revenue from construction contracting segment for 2023 decreased by RMB6,193 million, which was mainly due to (i) the trend of the Group to undertake projects with higher quality and guaranteed payment collection from party A during the year, leading to a decrease in the newly undertaken projects compared with previous years; and (ii) the constant completion of the Group's existing projects in previous years in 2023, resulting in a decrease in revenue.

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 Major Pandemic Treatment Base Project of the Affiliated Hospital of Hebei University, General Contracting for Section II of Xi'an Jinlin Tianzuanyuan Construction Project during the Reporting Period, which resulted in a decrease in revenue from building construction business of RMB5,713 million as compared to last year. During the Reporting Period, the impact of the pandemic was weakened, which resulted in decrease in labor costs and fixed costs, and thus the gross profit rate of the building construction business was increased as compared to last year.

- (2) The revenue from infrastructure construction business decreased by RMB346 million as compared to last year. During the Reporting Period, certain large-scale infrastructure construction projects, such as PPP Project of Southern Section of Da'nan Highway (Jialiu Line) in Zhongshan City and National Highway G205 Yanshan County Round-town Section Renovation Project, were completed during the Reporting Period, resulting in lower revenue of the infrastructure business for the year as compared to last year.
- (3) The revenue from specialized and other construction business decreased by RMB134 million in 2023 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, certain projects, such as Construction, Installation and Procurement Project for the Dry Coal Shed of Yudean Coal Terminal in Bohe New Port Zone of Maoming Port in Guangdong, were completed, and the Phase I of Huagou Operation Area in Gaoqing Port Area of Zibo Port was nearly completed, resulting in a slight decrease of 5% in revenue as compared with last year.

### **Administrative Expenses**

Administrative expenses amounted to RMB528 million in 2023, representing a decrease of RMB43 million as compared with that of 2022, which was mainly due to the decrease in wages and salaries expenses for the year as compared with last year.

### **Research and Development Costs**

Research and development costs amounted to RMB148 million in 2023, representing a decrease of RMB2 million as compared with that of 2022. The research and development costs mainly include the Group's costs incurred for research of special projects or production process. During the year, the research and development costs of the Group remained basically stable as compared with last year.

### **Credit Impairment Losses**

Credit impairment losses amounted to RMB339 million in 2023, representing an increase of RMB470 million as compared with that of 2022, which was mainly due to the increase in individual bad debt provision for customers with significant risk of default based on the Group's assessment on customer's operating conditions.

## **Asset Impairment Losses**

Asset impairment losses amounted to RMB148 million in 2023, representing a decrease of RMB31 million

## **Financial Policy**

The Group regularly monitors cash flow and cash balances, and 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 2023, the long-term equity investment was RMB501 million, representing a decrease of RMB15 million as compared with that at the end of 2022, which was mainly due to the change in profit or loss of the Group's investments under the equity method and the provisions for impairment.

## **Receivables Financing**

As at 31 December 2023, the receivables financing of the Group was RMB205 million, representing a decrease of RMB144 million compared with the end of 2022, which was mainly due to the fact that the Group prefers to settle by bank deposits instead of accepting bank acceptance bills issued by real estate enterprises.

## **Accounts Receivable and Long-term Receivables**

As at 31 December 2023, the net value of accounts receivable was RMB7,480 million, representing a decrease of approximately RMB337 million as compared with that at the end of 2022 without significant overall change.

The balance of long-term receivables (including the portion due within one year) was RMB220 million, representing an increase of RMB9 million as compared with that at the end of 2022 without significant change.

## **Other Receivables**

As at 31 December 2023, balance of other receivables of the Group was RMB2,300 million, representing a decrease of approximately RMB63 million as compared with that at the end 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 2023 was RMB42,108 million, representing a decrease of approximately RMB809 million as compared with that at the end of 2022, which was mainly due to the settlement of certain performance progress of relevant construction contracts. Contract liabilities as at 31 December 2023 were RMB6,704 million, representing a decrease of approximately RMB235 million as compared with that at the end of 2022, which was mainly due to the decrease in contract liabilities as a result of the deduction of advanced payments for construction projects by progress payments for certain projects during the year.

### **Other Equity Instrument Investment**

The carrying value of other equity instrument investment as at 31 December 2023 was RMB589 million, representing a decrease of approximately RMB155 million as compared with that at the end of 2022, 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 2023, the Group's interest-bearing borrowings were approximately RMB5,736 million (31 December 2022: approximately RMB5,989 million).

### **Bills and Accounts Payable**

The balance of accounts payable as at 31 December 2023 was RMB34,488 million, representing a decrease of RMB2,099 million or 6% as compared with that at the end of 2022, which was mainly due to the decrease in project volume during the year, resulting in lower procurement volume. The balance of bills payable increased by RMB208 million as compared with that at the end of last year, which was mainly due to the increase in the amount of bills limit of the Company by banks this year, resulting in a corresponding increase in proportion of bill payments.

### **Capital Expenditures**

Capital expenditures in 2023 were approximately RMB45 million, representing a decrease of RMB36 million as compared to that of 2022, with a slight change.



## Capital Commitment

As at 31 December 2023, the Group did not have any material capital commitment.

## Financial Ratios

	<b>31 December 2023</b>	31 December 2022
Current ratio (times) <sup>(1)</sup>	<b>1.00</b>	1.00
Quick ratio (times) <sup>(2)</sup>	<b>1.00</b>	1.00
Gearing ratio <sup>(3)</sup>	<b>92.1%</b>	97.1%
Return on assets <sup>(4)</sup>	<b>0.2%</b>	0.5%
Return on equity <sup>(5)</sup>	<b>2.6%</b>	5.2%

### Notes:

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

## Significant Acquisition or Disposal

During the Reporting Period, the Group did not have any significant acquisition or disposal.

## Contingent Liabilities

As at 31 December 2023, the Group had contingent liabilities arising from external guarantees amounting to RMB678 million and contingent liabilities arising from pending litigation or arbitration amounting to RMB36 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.

## **Acquisitions and Disposals of Subsidiaries**

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

## **Significant Subsequent Events**

The Company has won the bid for 51% equity interest in Zhongwei Construction Engineering Co., Ltd. through public auction, and entered into the Equity Transfer Agreement with the government platform company on 19 March 2024 (after trading hours) at a consideration of RMB51,510,000. For details, please refer to the announcement of the Company dated 20 March 2024. As at the date of this announcement, the Acquisition has not been completed.

## **OUTLOOK**

The year of 2024 is a crucial year both for the Company's "14th Five-Year Plan" and for us to advance and consolidate at every step to cross the economic cycle and achieve healthy development. At present, the world's unprecedented change in a hundred years is accelerating, and the global economy is facing multiple risk challenges. However, China continues the economic recovery and pick-up, with the growth rate remaining leading among major economies. In the short term, the construction industry will have further intensifying competition, but still and will maintain its pillar position for the national economy in long term. The construction industry still has a broad market.

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 organization guarantee, brace talent development, and adopt a digital and innovation driven approach. We will focus on simulated joint-stock system for organizational construction and economic assessment, strengthen confidence, practice internal strength, maintain stable operation while seeking progress, promote stability through progress, and strive to achieve stable and healthy development.

In 2024, we will continue to focus on major market development targets, continuously optimize the market layout and conduct sound regional market development. We will keep increasing market development efforts in key cities such as Xiong’an New Area, Shijiazhuang, Tangshan, Cangzhou, Handan and Langfang. We will seize the opportunity to strengthen and build excellence in Inner Mongolia regional market. We will maintain strategic resilience and realize the intensive development of branches (subsidiaries) outside Hebei Province.

We will continuously improve the project sites. With a sense of responsibility, we will solidly promote the safe production work, persistently improve the project site standardized management level. We will always keep in mind the mission of “creating a space full of love”, strive to develop high-quality buildings, green buildings and humanity space that satisfy customers and the whole society, and actively build more quality and high-quality projects.

We will continuously improve our capability to stick to tradition and be innovative. Around the industry upstream and downstream, we will take root in own work, continuously learn to improve efficiency and product and service quality. Led by technology development, we will anchor to the greening, industrialization and intelligence trend, and make full use of high-end platforms such as National Enterprise Technology Center, postdoctoral workstation, academician workstation and National Prefabricated Construction Industrial Base.

In 2024, the Company will, as always, actively fulfill its social responsibilities, care for the environment, pay taxes according to law, and operate in good faith, so that the Company could highly align the interests of its development with the interests of the society. We will continue to uphold the modest, prudent and hard-working style, bear in mind the tone of improving quality and efficiency to go steady and go far, and make unremitting efforts to realize the beautiful vision of being a long-lasting business!

### **III. OTHER INFORMATION**

#### **Dividend**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

## **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, the Company Law, and the relevant laws, regulations and regulatory documents, as well as the relevant provisions of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") , so as to do a good job in corporate information disclosure, investor relationship management and service.

During the year ended 31 December 2023, the Company had complied with all the code provisions under the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and had adopted most of the recommended best practices as set out therein.

## **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 C3 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 2023.

## **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.

## **AUDITORS**

The Company has appointed Ernst & Young Hua Ming LLP ("**EY Hua Ming**") as the auditor of the Company for the audit of annual financial report for the year ended 31 December 2023 under the Chinese Accounting Standards for Business Enterprises. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, EY Hua Ming, as consistent with the amounts set out in the Group's consolidated financial statements. The work performed by EY Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY Hua Ming on the results announcement.

## **AUDIT COMMITTEE**

The audit committee of the Board has reviewed the annual results of the Group for 2023 and the audited consolidated financial report for the year ended 31 December 2023 prepared under the Chinese Accounting Standards for Business Enterprises.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement will be published on the HKEXnews website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.hebjs.com.cn](http://www.hebjs.com.cn). The annual report of the Company for 2023 will be published on the aforesaid website of the HKEXnews of the Hong Kong Stock Exchange and the website of the Company in due course.

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

Hebei, the PRC  
27 March 2024

*As of the date of this announcement, the executive directors are Mr. LI Baozhong, Mr. SHANG Jinfeng,*