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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTERESTS IN THE TARGET COMPANY

DISPOSAL

The Board announces that on 20 May 2024 (after trading hours), the Company (as seller) entered into the Equity Transfer Agreement with Baoding Qiande and Baoding Qian Yao (as purchasers), pursuant to which the Company agreed to sell and Baoding Qiande and Baoding Qian Yao agreed to purchase an aggregate of 100% equity interests in Zhongwei Construction. Upon Completion of the Disposal, the Company will cease to hold any equity interest in the Target Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but all relevant ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given that the transactions contemplated under the Disposal are subject to certain conditions and may or may not be completed, Shareholders and investors are advised to exercise caution when dealing in the H Shares of the Company.

INTRODUCTION

References are made to the announcements of the Company dated 5 May 2022, 12 May 2022 and 20 March 2024.

On 5 May 2022 (after trading hours), the Company (as purchaser) entered into an equity transfer agreement with Baoding Qiande and Baoding Qian Yao (as sellers), pursuant to which the Company agreed to purchase and Baoding Qiande and Baoding Qian Yao agreed to sell 100% equity interests in Zhongwei Construction at a consideration of RMB101,000,000 (the “**Previous Acquisition**”). As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Previous Acquisition is more than 5% but less than 25%, the Previous Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from the circular and Shareholders’ approval requirements. For details, please refer to the announcements of the Company dated 5 May 2022 and 12 May 2022.

On 29 June 2022 (after trading hours), the Company (as seller) entered into an equity transfer agreement with a government platform company (as purchaser), pursuant to which the Company agreed to sell and government platform company agreed to purchase 51% equity interests in Zhongwei Construction at a consideration of RMB51,510,000 (the “**Previous Disposal**”, together with the Previous Acquisition, collectively, the “**Previous Transactions**”). On 29 June 2023, the Company introduced the government platform company to participate in investment in Zhongwei Construction, and the Previous Transactions

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

1. Date

20 May 2024

2. Parties

The Company (as seller); and

Baoding Qiande and Baoding Qian Yao (as purchasers).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the purchasers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

3. Target Equity Interest

100% equity interests in Zhongwei Construction held by the Company.

4. Consideration, Basis of Determination and Payment

The total consideration for disposal of the Target Equity Interest is RMB101,000,000. In particular, Baoding Qiande acquired 90% equity interests in Zhongwei Construction held by the Company at a consideration of RMB90,900,000 and Baoding Qian Yao acquired 10% equity interests in Zhongwei Construction held by the Company at a consideration of RMB10,100,000. The consideration for the Disposal was negotiated among the parties on an arm's length basis after taking into account certain factors, including (i) the nominal value of net assets of the Target Company as at 31 December 2023, being RMB104,739,680; (ii) the existing business operations of the Target Company; and (iii) the consideration for the Previous Acquisition of RMB101,000,000, the consideration for the Previous Disposal of RMB51,510,000 and the consideration for the Acquisition of RMB51,510,000.

The purchasers and the seller agree that the purchasers will pay the consideration for acquisition of the Target Equity Interest to the seller in cash no later than 31 December 2024 or a later date as may be agreed in writing by the seller and the purchasers.

5. Conditions Precedent

Completion of the Disposal is conditional upon, among other things, the fulfillment or waiver of the following conditions precedent:

- (1) the completion of the internal decision-making process of the Disposal by the purchasers and the seller in accordance with the requirements of the Listing Rules, the articles of association of the Company and relevant laws and regulations; and
- (2) each of the purchasers and the seller having obtained and made all necessary consents, approvals or declarations (where applicable) from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or elsewhere in connection with the entering into and the execution of the Equity Transfer Agreement.

6. Completion

Completion of the Disposal will be completed after (i) the seller has transferred 100% equity interests in the Target Company to the purchasers; (ii) the industrial and commercial registration in respect of the equity transfer has been completed; and (iii) the consideration has been duly paid by the purchasers to the seller.

Upon Completion of the Disposal,

The following table sets out the consolidated total assets and net assets of Zhongwei Construction as at 31 December 2022 and 31 December 2023 prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

	As at 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	2,498,693.46	2,964,417.98
Net assets	113,173.53	104,739.68

The following table sets out the consolidated total revenue and profit of Zhongwei Construction for the two financial years ended 31 December 2022 and 31 December 2023 prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	1,543,741.67	760,571.65
Profit before income tax expense	8,505.40	-8,322.57
Profit after income tax expense	6,371.23	-8,401.38

INFORMATION ON THE PARTIES

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.

Baoding Qiande is a limited liability company incorporated in the PRC on 27 September 2019 and is principally engaged in the business of trading services, and its ultimate beneficial owner is Mr. Cai Xudong.

Baoding Qian Yao is a limited liability company incorporated in the PRC on 18 October 2019 and is principally engaged in the business of trading services, and its ultimate beneficial owner is Mr. Cai Xudong.

FINANCIAL IMPACT OF THE DISPOSAL

The Company expects to record an unaudited gain before taxation of approximately RMB0 on the Disposal. Such unaudited gain before taxation is calculated with reference to the net proceeds from the Disposal less the nominal value of the Group's investment in the Target Company, without taking into account the effect of taxation and transaction expenses. The Board intends to utilize the net proceeds from the Disposal for replenishment of working capital for daily operation of the Company.

Based on the above, the Disposal is not expected to have a material impact on the consolidated financial position of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The disposal of 100% equity interests in the Target Company is made based on the needs of the Company's business layout and the need to account for past transactions, which is in line with the Company's overall strategic plan for long-term development without prejudice to the interests of minority investors of the Company.

The Directors of the Company (including the independent non-executive Directors) have considered and approved the resolution in relation to the Disposal. They consider that (i) the Disposal is on normal commercial terms or better; (ii) the terms and conditions of the Disposal are fair and reasonable; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but all relevant ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement and the transactions contemplated thereunder, although not carried out in the ordinary and usual course of business of the Company due to their transactional nature, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the transactions contemplated under the Disposal are subject to certain conditions and may or may not be completed, Shareholders and investors are advised to exercise caution when dealing in the H Shares of the Company.

DEFINITIONS

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

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company” or “Zhongwei Construction”	Zhongwei Construction Engineering Co., Ltd. (中為建築工程有限公 司), a company incorporated in the PRC with limited liability on 13 November 2009, which is owned as to 100% equity interests by the Company as at the date of this announcement
“Target Equity Interest”	100% equity interests in Zhongwei Construction held by the Company
“%”	per cent

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