



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)



2023

Annual Report

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CHAIRMAN'S STATEMENT

Dear Shareholders,

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

In 2023, we upheld the general keynote of “Improving Quality and Efficiency, and Achieving Stability for Sustainable Development”, continued the stable and orderly development and made new but extremely difficult achievements.

We dared to compete and took new bold steps in market development. During the year, we won bid for 470 projects, with a total contract value of RMB31.964 billion. We continued to optimize our market structure, with RMB29.46 billion of state-owned investment projects accounting for 92.2%, and many excellent projects becoming the “ballast stone” for the Group’s steady development. Meanwhile, the Company seized the opportunity to improve the layout, and registered and established multiple new branches all over the country.

We strictly adhered to the safety bottom line and made new progress in production safety. We persistently created a “zero casualties” safe and happy enterprise, and guarded the overall enterprise safety production. We realized an annual income of RMB33.493 billion, and established five national standardized safety production construction sites and 35 provincial standardized construction sites.

We pursued excellence and won various quality and technology related awards. We won two Lu Ban Awards for the non-registration VIP reception center of Zhangjiakou Winter Olympics and Guan Hanqing Grand Theatre and Museum in Baoding. Meanwhile, we also won Lu Ban Awards for three participated projects, China Construction Project Decoration Awards for two projects, Landscape Engineering Award of Chinese Society of Landscape Architecture for one project, National Highway Traffic Quality Project Award for one project, Provincial Quality Project for 89 project and Hebei Provincial Government Science and Technology Award for one project.

We persevered to strengthen our profitability. With the increasing proportion of high-quality projects and the continuous promotion of simulated joint-stock system and refined management, we realized net profit of RMB0.158 billion for the whole year, and steadily increased the output value and profit margin.

We never forgot our initial inspiration and improved our corporate image. We actively fulfilled social responsibilities and paid taxes of RMB0.796 billion for the whole year. Facing the once-in-a-century flood in Baoding, we donated money and materials for nearly RMB1.5 million. The CPC Baoding Municipal Committee and Municipal Government sent a special thank-you letter, highly praising our dedication and responsibility of “bringing a heart and returning without a blade of grass”.

The background of the page is a light blue-tinted image. The top portion shows a white truck with a box trailer parked in front of a large industrial building with vertical corrugated metal siding. The bottom portion shows a modern architectural complex with a large, curved, white structure and a spherical building in the distance.

CHAIRMAN'S STATEMENT

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”, rely on the economic recovery, seize the major opportunity of constantly promoting Beijing-Tianjin-Hebei coordinated development, ride the trend and continue struggling, thereby delivering excellent performance to serve the society, reward our shareholders and benefit our employees.

Li Baozhong

Chairman

27 March 2024

CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY SUPERVISORS³

河北建設集團股份有限公司

Mr. Wang Feng
(Chairman of the Board of Supervisors)⁴
Mr. Yue Jianming
Mr. Chen Qinghan⁵

ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

JOINT COMPANY SECRETARIES

DIRECTORS

Executive Directors¹

Mr. Li Baozhong (Chairman of the Board)
Mr. Shang Jinfeng (President)
Mr. Zhao Wensheng
Mr. Tian Wei²
Mr. Zhang Wenzhong²

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

AUTHORIZED REPRESENTATIVES

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

Non-executive Director

Mr. Li Baoyuan (Honorary Chairman)

BOARD COMMITTEES

Audit Committee

Independent Non-executive Directors

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

Ms. Shen Lifeng
(Chairwoman of the committee)
Mr. Li Baoyuan
Ms. Chen Xin
Mr. Chan Ngai Sang Kenny

- Notes:
1. Due to the imminent retirement, Mr. Liu Yongjian did not seek re-election as a Director upon the expiry of his term of office as a Director, and ceased to serve as an executive Director of the Company with effect from 26 June 2023.
 2. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company. The above proposals were considered and approved by way of ordinary resolutions at the 2022 AGM held on 26 June 2023 and their terms of office became effective on 26 June 2023. For details, please refer to the announcements of the Company dated 27 March 2023 and 26 June 2023 respectively, and the circular of the 2022 AGM dated 25 May 2023.
 3. Due to reaching retirement age, Mr. Yu Xuefeng and Mr. Liu Jingqiao did not seek re-election as Supervisors upon the expiry of their terms of office as Supervisors. Due to work commitment, Ms. Feng Xiujian did not seek re-election as a Supervisor upon the expiry of her term of office as a Supervisor. They ceased to serve as Supervisors of the Company with effect from 26 June 2023.
 4. At the meeting of the Board of Supervisors held on 26 June 2023, the Board of Supervisors resolved to elect Mr. Wang Feng as the chairman of the third session of the Board of Supervisors of the Company, whose term of office became effective from 26 June 2023. For details, please refer to the announcement of the Company dated 26 June 2023.
 5. At the employee representative meeting of the Company held on 29 December 2022, Mr. Chen Qinghan was elected as an employee representative Supervisor of the third session of the Board of Supervisors of the Company, whose term of office became effective from 26 June 2023.

Remuneration and Appraisal Committee

Ms. Chen Xin (*Chairwoman of the committee*)
Mr. Li Baozhong
Mr. Shang Jinfeng
Ms. Shen Lifeng
Mr. Chan Ngai Sang Kenny

Nomination Committee

Ms. Chen Xin (*Chairwoman of the committee*)
Mr. Li Baozhong
Mr. Shang Jinfeng
Ms. Shen Lifeng
Mr. Chan Ngai Sang Kenny

Strategic Committee

Mr. Li Baozhong (*Chairman of the committee*)
Mr. Shang Jinfeng
Mr. Zhao Wensheng

REGISTERED OFFICE

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
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Hong Kong

COMPANY WEBSITE

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INVESTOR RELATIONS CONTACT

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CORPORATE INFORMATION

LEGAL ADVISORS

As to Hong Kong law

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

As to PRC law

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

AUDITOR

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

FINANCIAL HIGHLIGHTS

In 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.

BUSINESS OVERVIEW

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

A substantial majority of the Group's revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In 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	172.92	100%	282.95	100%
Residential construction	36.26	20.97%	90.80	32.09%
Public building construction	109.42	63.28%	141.98	50.18%
Industrial building construction	27.24	15.75%	43.24	15.28%
Commercial building construction	0	0%	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.

BUSINESS OVERVIEW

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

Year	2023		2022	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	104.36	100%	116.93	100%
Municipal infrastructure construction	82.22	78.78%	105.54	90.26%
Transportation infrastructure construction	22.14	21.22%	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 cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 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 the 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	42.36	100%	37.44	100%
Electrical and mechanical installation	9.87	23.31%	3.39	9.06%
Steel structures	1.79	4.22%	1.37	3.66%
Decoration	5.37	12.67%	7.90	21.10%
Other construction business	25.33	59.80%	24.78	66.18%

Representative projects of the building construction business are as follows:

Representative projects of new contracts

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Residential building	Gaoyang County Dongwangcaozhuang Shanty Town Renovation and Supporting Infrastructure Construction Project	5.61	Hebei
Residential building	Construction Project of Relocation Housing for Renovation of Xidayuan Area in Baoding	3.35	Hebei
Residential building	General Contracting Construction of Yuqi Huixi Avenue Affordable Rental Housing Project	3.26	Jiangsu
Residential building	General Contracting of Construction of the Residential Project on the Land of Jinbinbao (Gua) No. 2022-17	3.03	Tianjin
Residential building	EPC General Contracting of the Jinhujiayuan Project	3.12	Hebei
Residential building	Hongyayuan Project	2.28	Tianjin
Public building	Phase II Construction of Fuxing Campus of Affiliated Hospital of Hebei University of Engineering	7.03	Hebei
Public building	EPC General Contracting of Health Station Project in Jingxiu District of Baoding City	6.72	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Public building	Design-Construction (EPC) General Contracting of Lixian County Maternal and Child Hospital Construction Project	6.07	Hebei
Public building	High-quality Dairy Cow Ecological Breeding and Farming Zone Project in Jining District of Ulanqab	4.88	Inner Mongolia Autonomous Region
Public building	New Construction Project (Phase II) Construction of the Second Hospital of Wanquan District of Zhangjiakou City (High-tech Branch of Wanquan District Hospital of Zhangjiakou City)	4.57	Hebei
Public building	Cangzhou Economic and Trade Vocational Education Park Project - Cangzhou Industry and Trade School	4.32	Hebei
Public building	Tsinghua University Science Museum and Service Building Project	3.95	Beijing
Public building	General Contracting of Design and Construction of Lixian County Vocational and Technical Education Center Construction Project	3.21	Hebei
Industrial building	General Contracting for Construction of Hua'an Industrial Baoding Hi-Tech Digital Intelligence Valley Project	2.92	Hebei
Industrial building	Construction Project of North Zone of Dezhou Vegetable Basket Cold Chain Logistics Industrial Park	2.90	Shandong
Industrial building	EPC General Contracting of the First Bid Section of Infrastructure Renovation and Upgrading Project in Mancheng Economic Development Zone, Hebei Province	2.56	Hebei
Industrial building	General Contracting of Phase II of Infrastructure Construction in Qingyuan Economic Development Zone, Hebei Province	2.44	Hebei

Representative projects of the infrastructure construction business are as follows:

Representative projects of new contracts

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Municipal infrastructure construction	EPC General Contracting of Baoding South Second Ring Pipeline Network and Supporting Municipal Infrastructure Upgrading and Transformation Project	8.81	Hebei
Municipal infrastructure construction	Gaoyang County Urban Pipe Network and Supporting Facilities Construction Project (Section II)	2.78	Hebei
Municipal infrastructure construction	Baoding Baigou New Town Drainage Pipe Network Renewal Project	2.39	Hebei
Municipal infrastructure construction	General Contracting of Infrastructure Upgrading and Reconstruction and New Supporting Road Network Project of Anguo Modern Chinese Medicine Industrial Park in Hebei Province	2.19	Hebei
Municipal infrastructure construction	Bid Section 6 of Rural Revitalization Environment Comprehensive Improvement Project in Gaoyang County	2.07	Hebei
Transportation infrastructure construction	Construction of Runway of the West Airfield of Guangzhou Baiyun International Airport Phase III Expansion Project (Section II)	6.81	Guangdong
Transportation infrastructure construction	Flight Area Foundation Treatment and Earthwork Works of Kunming Changshui International Airport Reconstruction and Extension Project (W8 Section)	5.73	Yunnan
Transportation infrastructure construction	Panzhou Guanshan Civil Airport Flight Area Track Engineering Construction Project (Section III)	2.69	Guizhou
Transportation infrastructure construction	Baoshui Avenue South Extension (Yongsheng Road-Bake Line) Phase I Project	2.13	Zhejiang
Transportation infrastructure construction	First Bid Section of Flight Area Track Project of Yangzhou-Taizhou International Airport Phase II Extension Project	2.01	Jiangsu

BUSINESS OVERVIEW

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

Representative projects of new contracts

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Electrical and mechanical installation	EPC General Contracting Project of Electromechanical Engineering of High-efficiency Solar Cell Material Project with annual 5GW output of Yingli Energy Development (Baoding)	3.84	Hebei
Water and electricity	Baoding City Water System Construction Project - Water Network Protection and Water Quality Improvement Project (General Contracting)	11.5	Hebei
Decoration	2023 EPC Project of Chizhou City Old Residential District Renovation Project	2.31	Anhui
Others	EPC General Contracting of Baoxiong Grain Storage and Emergency Support Center Project	2.75	Hebei

Representative projects under construction

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Public building	General Contracting of Construction of Baoding Hospital under China Academy of Chinese Medical Sciences Guang'anmen Hospital	19.43	Hebei
	Construction Project of Phase II of the New Campus of Baoding Qingyuan District People's Hospital	5.18	Hebei
	General Contracting (EPC) of Design and Construction of the Construction Project of the New Campus of Shunping County Hospital	6.07	Hebei
	Project of Overall Relocation of Wen'an County Hospital	6.57	Hebei
	EPC General Contracting of Phase II Construction Project of Gu'an People's Hospital New County Hospital	4.33	Hebei
	General Contracting of Construction for Design and Construction of Dacheng County Hospital Relocation Project	6.37	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
	Beijing New Airport Administrative Comprehensive Business Building, Police Station and Business Building Project	6.35	Beijing, Hebei
	Construction of Area A of Diangu Financial Center	6.82	Hebei
	Construction Project of Outpatient Complex and Ophthalmology Building of the East Campus of Baoding No.1 Central Hospital	4.00	Hebei
	Construction of 101 Medical General Building, Zhengding New District Hospital (North Phase I) of the No. 2 Hospital of Hebei Medical University	7.68	Hebei
	Cangzhou Economic and Trade Vocational Education Park Project - Cangzhou Polytechnic University	4.32	Hebei
	Medical complex building, scientific research building, medical isolation building, etc. of the relocation project of Hohhot Second Hospital Construction	7.11	Inner Mongolia Autonomous Region
	General contracting for the construction of the inpatient complex project of the Affiliated Hospital of Hebei University	4.30	Hebei
	Tsinghua University Science Museum and Service Building Project	3.95	Beijing
	Shanghai Jiaotong University Minhang Campus New Engineering Museum Project	3.70	Shanghai

BUSINESS OVERVIEW

Business segment	Name of project	Contract value	Region
		<i>(in RMB100 million)</i>	
Residential building	Phase II Project of Renovation of Urban Villages in Longtun New Town of Botou	9.54	Hebei
	General Contracting Project of Hengshui Yongjin Peninsula North Zone Phase II Project	6.12	Hebei
	Section I of Construction Project of Relocation Housing for Renovation of Xidayuan Area in Baoding	3.35	Hebei
	General Contracting of Zizaifengjing Project	4.86	Hebei
	EPC General Contracting of the Construction Project of South Zone of Lot A in the West Side of Beihu Core Area, Tianqiao District, Jinan	10.97	Shangdong
	Landun Shangpin Garden Project (Residential Buildings 1#-19#, Ancillary Buildings 1#-4#, Kindergarten and Underground Parking Lot)	4.52	Hebei
	General Contracting of Phase II of Changlingju Commercial and Residential Project	4.23	Guangdong
	General Contracting (EPC) for Survey, Design and Construction of CPPQ-A4-5 Plot Project in Huangpu District	9.08	Guangdong
	Resettlement Housing Construction Project in Sifeng District, Pingshui	3.75	Zhejiang
	General Contracting Construction of Yuqi Huixi Avenue Affordable Rental Housing Project	3.26	Jiangsu

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Commercial building	General Contracting (EPC) for Survey, Design and Construction of Phase I Construction Project of Knowledge City Fortune Plaza	2.40	Guangdong
	Hengbai International Plaza Construction Project	2.35	Hebei
Industrial building	General Contracting for Construction of Hua'an Industrial Baoding Hi-Tech Digital Intelligence Valley Project	2.98	Hebei
	Construction of the Project of Hebei Laiyuan Economic Development Zone Standardized Technology Innovation Park	4.36	Hebei
	EPC General Contracting of the Dezhou Emergency Supplies Reserve and Cold Chain Logistics Supporting Base Project	3.00	Shandong
	Project of Scientific Research Building No. 101 of Phase II of Testing and Inspection Center	2.56	Beijing
	General Contracting of Construction of New Plant No. 2401 of the Non-metallic Thermal Structures High-end Manufacturing Capability Enhancement Project	2.19	Tianjin
Transportation infrastructure construction	Construction of Runway of the West Airfield of Guangzhou Baiyun International Airport Phase III Expansion Project (Section II)	6.81	Guangdong
	New Hohhot Airport Airfield Runway Project (FXQ-CD-03) Section Construction	4.88	Inner Mongolia Autonomous Region
	Section 003 of the Airfield Project of T3B Terminal and Fourth Runway of Chongqing Jiangbei International Airport	6.16	Chongqing
	Lianghu Avenue Phase I (Liangjing Section) and Connecting Line Reconstruction Project (Connecting Line Section)	1.70	Guangdong

BUSINESS OVERVIEW

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Municipal infrastructure construction	EPC General Contracting of the Innovative Manufacturing Industrial Park Infrastructure Construction Project	13.62	Hebei
	General Contracting of Design and Construction of Urban and Rural Integrated Pipeline Network and Ancillary Facilities Transformation Project in Jingxiu District of Baoding (Section II)	3.02	Hebei
	Section Two of General Contracting of Road Construction (Phase I) of the Baoding Culture and Sports New City and Supporting Infrastructure Construction Project	3.49	Hebei
	Shaxi Town Area (Including Management Area) of Section Four of Taicang Drainage Pipeline Network Leakage Repair Project (EPC General Contracting)	2.61	Jiangsu
	EPC General Contracting for Water Quality Upgrading and Ancillary Facilities Construction Project of Chengxi Sewage Plant in Laishui County	1.46	Hebei
Electrical and mechanical installation	EPC General Contracting of 50MW Wind Farm Project in Chenzui Town, Wuqing District, Tianjin	2.57	Tianjin
	EPC General Contracting Project of Electromechanical Engineering of High-efficiency Solar Cell Material Project with annual 5GW output of Yingli Energy Development (Baoding)	3.84	Hebei
Steel structures	Steel Structure Subcontracting of Section One of Phase II of the Hebei Mancheng Economic Development Zone Infrastructure Transformation and Upgrade Project	2.15	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Contract value (in RMB100 million)	Region
Specialized and other construction business	Comprehensive Treatment of Baoding Fu River Water System (Phase II) - Huanghuagou Ecological Facility Comprehensive Improvement Project (General Contracting)	9.06	Hebei
	General Contracting of Ecological and Greenery Engineering of the Baoding Shenzhen High-Tech Innovation Industrial Park Infrastructure Construction Project	4.32	Hebei
	Construction of New Surface Water Plant and Ancillary Works in Qingyuan District of Baoding (Water Supply Pipeline and Water Plant Foundation Treatment Work Section)	1.70	Hebei
	EPC General Contracting Project of Electromechanical Engineering of High-efficiency Solar Cell Material Project with annual 5GW output of Yingli Energy Development (Baoding)	11.6	Hebei

Representative completed projects

Business segment	Name of project	Contract value (in RMB100 million)	Region
Public building	Construction Project of Shengzhou Culture and Media Center	5.64	Zhejiang
	EPC General Contracting of Cultural Supporting House in Hangzhou Economic and Technological Development Zone	5.49	Zhejiang
	New Construction Project of High School Affiliated to Changzhou Institute of Educational Science (General Contracting of New Construction Project of High School Affiliated to Changzhou Institute of Educational Science)	3.67	Jiangsu
	People's Medical Publishing Digital R&D Comprehensive Service Demonstration Project (Phase I)	2.48	Hebei

BUSINESS OVERVIEW

Business segment	Name of project	Contract value	Region
		<i>(in RMB100 million)</i>	
	Reconstruction and Extension Project of Jiyu Experimental School Canal Branch in Liangxi District, Wuxi City	2.31	Jiangsu
	General Contracting of Major Pandemic Treatment Base Project of the Affiliated Hospital of Hebei University	2.37	Hebei
Residential building	Phase IV of Resettlement Housing Project in Huangqu New Village, Pingfang Town (36 items including residential building 1#)	14.50	Beijing
	Phase I of the Project of Transformation of Carpark of BAIC Group Off-road Vehicle into Designated Relocation Housing in Beijing (Plot SY00-0007-6032)	3.85	Beijing
	General Contracting for Section II of Xi'an Jinlin Tianzuanyuan Construction Project	3.43	Shaaxi
	Yuejunfu Qingzhuyuan Construction Project	1.86	Hebei
Industrial building	Section I of Shuiyuehuajun Project in Leting County	1.67	Hebei
	Electronic Industrial Plant Project of Beijing Electronic City IT Industrial Park (D3 Plant (Hi-Tech Industrial Building) and B4 Plant (Hi-Tech Industrial Building))	2.68	Beijing
	General Contracting of Design, Procurement and Construction of Changjiang District High-standard Intelligent Factory Construction Project	1.34	Jiangxi
Transportation infrastructure construction	PPP Project of Southern Section of Da'nán Highway (Jialiu Line) in Zhongshan City	4.08	Guangdong
	National Highway G205 Yanshan County Round-town Section Renovation Project	2.90	Hebei
	Section 1 of Runway of Yantai Penglai International Airport Phase II Project	1.12	Shandong

Business segment	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Steel structures	Construction, Installation and Procurement Project for the Dry Coal Shed of Yudean Coal Terminal in Bohe New Port Zone of Maoming Port in Guangdong	2.34	Guangdong
	General Contracting of Design and Construction of Multifunctional Comprehensive Teaching and Training Base in Hebei Institute of International Business and Economics	1.33	Hebei

PART II: RESEARCH AND DEVELOPMENT ACHIEVEMENTS AND AWARDS

Science and Technology Research and Development

- On 17 February 2023, the People's Government of Hebei Province issued the decision on science and technology awards in 2022, and the Group won the third prize of Scientific and Technological Progress Award from the provincial government for "Research on Meso-damage Mechanism of Concrete and Key Detection and Repair Technologies" and "Research on Traffic Tunnel Frost Heave Characteristics in Cold Regions and Key Frost Injury Prevention and Control Technologies". On 3 November 2023, the Provincial Department of Science and Technology issued an announcement on the overall evaluation results of the 2023 Hebei Science and Technology Award. The 2023 Hebei Science and Technology Cooperation Award (Professor Cheng Ping of Tongji University) declared by the Installation Company passed the overall evaluation, and it is suggested to be granted the Award.
- We won one bronze prize in the Hebei Province Venue of the Second National Postdoctoral Innovation and Entrepreneurship Competition, 34 Scientific and Technological Progress Awards in the provincial construction industry and 15 Science and Technology Awards in the Hebei Construction Industry Association.
- In 2023, we complied and participated in 13 codes, standards and regulations, and obtained 17 provincial-level production process in Hebei Province.
- In 2023, we applied 191 new patents and were granted 152 new patents (including 11 invention patents). At present, the Group has 1,238 effective patents, including 53 invention patents.

BUSINESS OVERVIEW

Quality Work

1. We won Lu Ban Awards for two mainly contracted projects and for three participated projects.
2. We won China Construction Project Decoration Awards for two projects, National Highway Traffic Quality Project Award (Li Chun Award) for one project and One bronze award of the Landscape Engineering Award of Chinese Society of Landscape Architecture.
3. We won Provincial Quality Project for 104 projects.

PART III: 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!

MANAGEMENT DISCUSSION AND ANALYSIS

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 <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %	Revenue <i>RMB100</i> <i>million</i>	Cost <i>RMB100</i> <i>million</i>	Gross profit rate %	Percentage %
Building construction business	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	329.42	312.44	5.2		391.35	376.55	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 as compared with that of 2022, which was mainly due to the fact that the Group accelerated the settlement process and the provision for asset impairment losses decreased accordingly.

Investment Losses

Investment losses amounted to RMB3 million in 2023, representing a decrease of RMB28 million as compared with that of 2022, which was mainly due to the decrease in dividend income from other equity instrument investment still held this year as compared with last year.

Income Tax Expenses

Income tax expenses amounted to RMB70 million in 2023, representing a decrease of RMB44 million as compared with that of 2022, which was mainly due to the decrease in income tax expense as a result of the decrease in profit before tax for the year as compared with the previous year.

Net Profit

Based on the above factors, net profit amounted to RMB158 million in 2023, representing a decrease of approximately RMB157 million as compared with that of last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 31 December 2023 and 31 December 2022, the Group had cash and cash equivalents of approximately RMB6,528 million and approximately RMB8,488 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the financial ratios below.

Currency Funds

As at 31 December 2023, the currency funds of the Group were RMB7,689 million, representing a decrease of RMB1,434 million as compared with that at the end of 2022, which was mainly due to the net cash outflows from operating activities.

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

	31 December 2023	31 December 2022
Current ratio (times) ⁽¹⁾	1.00	1.00
Quick ratio (times) ⁽²⁾	1.00	1.00
Gearing ratio ⁽³⁾	92.1%	97.1%
Return on assets ⁽⁴⁾	0.2%	0.5%
Return on equity ⁽⁵⁾	2.6%	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%.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Acquisition or Disposal

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

Significant Investments

As at 31 December 2023, the Group did not hold any significant investments.

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.

Employee and Remuneration Policies

As at 31 December 2023, the Group had a total of 8,128 full-time employees (31 December 2022: 9,104).

In previous period, the Group did not use any forfeited contributions under the defined contribution schemes to reduce the existing level of contributions as set out in paragraph 26(2) of Appendix D2 to the Listing Rules, and such matter will not have a material impact on the financial position and operating results of the Group.

Acquisitions and Disposals of Subsidiaries

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

Asset Pledge

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

Significant Subsequent Events

The 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 (the “**Acquisition**”). For details, please refer to the announcement of the Company dated 20 March 2024. As at the date of this report, the Acquisition has not been completed.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presents this report of the Board of Directors, this annual report, and the audited consolidated financial statements of the Group for 2023, which have been prepared in accordance with the CASBE, to the Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

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

Basic information of the Company is set out in “Corporate Information” on page 4 to page 6 of this report.

BUSINESS REVIEW

The Company is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. Rooted in Hebei Province for 72 years, the Company is well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

The Company is principally engaged in the following businesses:

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

The discussion and analysis of the Group’s results and performance, major factors affecting the results and financial condition during the Year, and future development are set out in “Business Overview” on page 8 to page 23, “Management Discussion and Analysis” on page 24 to page 31, this “Report of the Board of Directors” and “Significant Events” on page 71 to page 72 of this report.

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

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

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

For further details of the environmental policy and performance of the Company, please refer to the Environmental, Social and Governance Report separately published by the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE BOARD OF DIRECTORS

The Group strictly abides by the following laws and regulations:

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

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

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2023 are set out in the audited Consolidated Income Statement on page 126 to page 127 of this report. The financial condition of the Group as at 31 December 2023 is set out in the audited Consolidated Balance Sheet on page 124 to page 125 of this report.

According to the Profit Distribution Proposal of the Company for 2022 considered and approved by the Shareholders at the 2022 annual general meeting on 26 June 2023, in order to ensure the continuous and stable operation of the Company and to safeguard the long-term interests of all Shareholders, and taking into account the Company's business plan and capital requirements for 2023, the Company did not pay a final dividend to Shareholders for the year ended 31 December 2022. For details, please refer to the circular of 2022 annual general meeting dated 25 May 2023 and the announcement dated 26 June 2023 issued by the Company on the website of the Hong Kong Stock Exchange.

PROPOSAL AND POLICY FOR THE DISTRIBUTION OF THE FINAL DIVIDEND

Final Dividend

The Board does not recommend the distribution of final dividend to the Shareholders for the year ended 31 December 2023.

For the year ended 31 December 2023, the Company was not aware of any Shareholders who have waived or agreed to waive any dividend arrangements.

Dividend Policy

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

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

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

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

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

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

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

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

SHARE CAPITAL IN ISSUE

As of 31 December 2023, the total share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 Shares with a nominal value of RMB1.00 each. Details of the movement of the share capital of the Company during the Reporting Period are set out in Note VI-28 to the financial statements.

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2023 are set out in Note VI-14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, total sales to the five largest customers of the Company accounted for approximately 6% of the total revenue for the year.

For the year ended 31 December 2023, total purchase from the five largest suppliers of the Company accounted for approximately 17% of the cost of sales for the year.

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



REPORT OF THE BOARD OF DIRECTORS

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

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

EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Supervisors, Senior Management and Employees - Staff Information" on page 112 to page 113.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2023 are set out in Notes VI-20 and VI-26 to the financial statements.

EXTERNAL DONATION

In 2023, the Company donated a total of RMB1.4559 million to local charities and governments of impoverished counties.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors and senior management of the Company during the year of 2023 and as at the Latest Practicable Date:

Name	Position in the Company	Date of Appointment
Directors, Supervisors and senior management currently in office		
Directors		
<i>Executive Directors</i>		
Mr. Li Baozhong	Chairman and executive Director	25 October 2010
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Tian Wei	Executive Director and vice president	26 June 2023
Mr. Zhao Wensheng	Executive Director, vice president, chief accountant and director of finance	25 February 2019
Mr. Zhang Wenzhong	Executive Director and vice president	26 June 2023
<i>Non-executive Director</i>		
Mr. Li Baoyuan	Honorary chairman and non-executive Director	26 October 1997
<i>Independent Non-executive Directors</i>		
Ms. Shen Lifeng	Independent non-executive Director	15 December 2017
Ms. Chen Xin	Independent non-executive Director	15 December 2017
Mr. Chan Ngai Sang Kenny	Independent non-executive Director	15 December 2017
Supervisors		
Mr. Wang Feng	Chairman of the Board of Supervisors and non-employee representative Supervisor	31 March 2017
Mr. Yue Jianming	Non-employee representative Supervisor	26 June 2023
Mr. Chen Qinghan	Employee representative Supervisor	26 June 2023

REPORT OF THE BOARD OF DIRECTORS

Name	Position in the Company	Date of Appointment
Senior Management		
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Liu Yongjian	Vice president	17 January 2008
Mr. Zhao Wensheng	Executive Director, vice president, chief accountant and director of finance	23 January 2013
Mr. Zhang Wenzhong	Executive Director and vice president	26 March 2018
Mr. Li Wutie	Board secretary and assistant to president	31 March 2017
Mr. Tian Wei	Executive Director and vice president	23 June 2020
Mr. Lü Qian	Vice president	30 December 2020
Mr. Liu Xingyue	Vice president	29 August 2022
Mr. Chen Liewei	Vice president and chief economist	26 December 2022
Departed Directors, Supervisors and Senior Management		
Mr. Liu Yongjian	Former executive Director	20 December 2013 to 26 June 2023
Mr. Yu Xuefeng	Former Chairman of the Board of Supervisors and non-employee representative Supervisor	25 June 2018 to 26 June 2023
Mr. Liu Jingqiao	Former employee Supervisor	31 March 2017 to 26 June 2023
Ms. Feng Xiujian	Former non-employee representative Supervisor	23 January 2013 to 26 June 2023

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Due to the imminent retirement, Mr. Liu Yongjian did not seek re-election as a Director upon the expiry of his term of office as a Director, and ceased to serve as an executive Director of the Company with effect from 26 June 2023.
2. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company. The above proposals were considered and approved by way of ordinary resolutions at the 2022 AGM held on 26 June 2023 and their terms of office became effective on 26 June 2023. For details, please refer to the announcements of the Company dated 27 March 2023 and 26 June 2023 respectively, and the circular of the 2022 AGM dated 25 May 2023.
3. Due to reaching retirement age, Mr. Yu Xuefeng and Mr. Liu Jingqiao did not seek re-election as Supervisors upon the expiry of their terms of office as Supervisors. Due to work commitment, Ms. Feng Xiujian did not seek re-election as Supervisor upon the expiry of her term of office as a Supervisor. They ceased to serve as Supervisors of the Company with effect from 26 June 2023.
4. At the meeting of the Board of Supervisors held on 26 June 2023, the Board of Supervisors resolved to elect Mr. Wang Feng as the chairman of the third session of the Board of Supervisors of the Company, whose term of office became effective from 26 June 2023. For details, please refer to the announcement of the Company dated 26 June 2023.
5. At the employee representative meeting of the Company held on 29 December 2022, Mr. Chen Qinghan was elected as an employee representative supervisor of the third session of the Board of Supervisors of the Company, with effect from 26 June 2023.

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

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and senior management of the Company are set out on page 100 to page 112 of this report.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

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

As at 31 December 2023, save as disclosed in “Directors, Supervisors, Senior Management and Employees” in this report, none of the Directors, Supervisors and chief executives of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix C3 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Hong Kong Stock Exchange.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

For the year ended 31 December 2023, the Company, its holding company, or any of its subsidiaries or fellow subsidiaries did not have or has participated at any time during the Year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or debentures of the Company or any other entities.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2023.

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

For details of shareholding of substantial Shareholders in the Company, please refer to “Changes in Share Capital and Information of Shareholders – Interests and Short positions of Substantial Shareholders in the Shares and Underlying Shares of the Company” on page 77.

PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During the year ended 31 December 2023, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive rights.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as the above, as of 31 December 2023, none of the Directors of the Company were benefited from any effective permitted indemnity provisions.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company did not have any reserves available for distribution to Shareholders.

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

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company received the confirmation letters from Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment, confirming that, in 2023, Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment have fully complied with all undertakings given by them in favor of the Company under the non-competition undertakings.

PUBLIC FLOAT

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Labor Subcontract Framework Agreement

Parties

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

REPORT OF THE BOARD OF DIRECTORS

Principal Terms

The Company entered into a labor subcontract framework agreement with Baoding Tianli on 26 May 2022 (the “**Labor Subcontract Framework Agreement**”), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which, Baoding Tianli and its associates provide labor subcontract services to the Group in the ordinary course of business of the Group, including but not limited to contracting for building construction projects and infrastructure construction projects, for which they charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The principal terms of the Labor Subcontract Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Labor Subcontract Framework Agreement; and
- (3) the Labor Subcontract Framework Agreement is valid from 1 January 2023 up to and including 31 December 2025, which may be renewed for another three years upon expiry by agreement of the relevant parties.

Pricing Policy

In accordance with the Labor Subcontract Framework Agreement, the total subcontract fee paid by the Group to Baoding Tianli and its associates is determined based on the following pricing policy:

When the Group subcontracts labor supply for the construction projects, public bidding procedures will be applied. Prior to the bidding procedures, the Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders who are Independent Third Parties attending the bidding procedures, otherwise the bidding will be canceled, and the Company will publish new bidding information and perform the bidding procedures again.

The review panel for any bidding will consist of experts selected by the Group as well as the project manager, and the comparable quoted bidding prices (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees) is an important but not the only factor to be considered. The review panel 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 the 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 and its associates under the Labor Subcontract Framework Agreement.

Listing Rules Implications

Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye, which is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Therefore, Baoding Tianli is a connected person of the Company. Pursuant to the Listing Rules, the transactions contemplated under the Labor Subcontract Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

In terms of the 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.

Reasons for the transaction

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.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Labor Subcontract Framework Agreement was capped at RMB4,000 million for 2023. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB2,970 million for 2023.

For details of the transaction above, please refer to the Company's announcements dated 26 May 2022 and 28 June 2022 and the circular dated 9 June 2022.

Engineering Construction Service Framework Agreement

Parties

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

Principal Terms

On 22 November 2021, the Company and Zhongming Zhiye entered into an engineering construction service framework agreement (“**Engineering Construction Service Framework Agreement**”) and formulated the annual caps for transactions under such agreement for 2022, 2023 and 2024. Pursuant to it, the Group provides engineering construction services, including but not limited to engineering procurement construction, decoration and landscape engineering, to Zhongming Zhiye and its associates in the daily business process, and Zhongming Zhiye and its associates will pay service fees to the Group. Principal terms of the Engineering Construction Service Framework Agreement include:

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

Pricing Policy

According to the Engineering Construction Service Framework Agreement, the cost for the Group to provide construction services to Zhongming Zhiye and its associates is determined based on arms-length negotiation with Zhongming Zhiye and its associates. The main reference factors include: (i) availability and cost of raw materials and equipment and machinery, labor and subcontractors; (ii) the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed by the Company from the cost units under the local housing and urban-rural construction bureaus; (iii) the project progress schedule, the complexity and scale of the construction project, and the potential revision of the scope of work; (iv) the geographical location and environmental conditions of the project site; (v) the Group’s estimate of competitive bidding; and (vi) contractual risks.

REPORT OF THE BOARD OF DIRECTORS

Regarding the evaluation and analysis of competitive bidding, the Company has mainly formulated the following mechanisms: (i) the competitive quotation analysis mechanism, which is based on collecting bid opening records, network data, competitors' usual quotation methods and the importance attached to the project, which provides a comprehensive and overall analysis basis for quotation decision-making procedures; (ii) the bidding decision-making process mechanism led by the market operation department with the overall participation of each functional department (including but not limited to the production and technology department, the material procurement department and the financial and funding department), where the bidding documents will be interpreted and the bidding strategic plan, division of responsibilities and specific timetable will be formulated through the pre-bidding meeting with the participation of the management of the above departments; and (iii) the final quotation decision-making team comprising the Company's general manager and market operation manager will determine the final quotation of the project with reference to the relevant information of competitors, the specific needs of the project and impacts of the project on the Company's macro strategy.

In order to ensure that the fees charged by the Group for the provision of construction services are fair and reasonable and conform to market practices, the Group will closely follow the current level of market fees and market conditions and Independent Third Party cost consultation institutions will review the pricing. In addition, the Group will also refer to the fees charged historically for providing similar construction services to Independent Third Party customers.

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions contemplated under the Engineering Construction Service Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 5%, therefore, it shall comply with the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Engineering Construction Service Framework Agreement was capped at RMB1,000 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB245 million for 2023.

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

Construction Auxiliary Service Framework Agreement

Parties

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

Principal Terms

On 22 November 2021, the Company and Zhongming Zhiye entered into a construction auxiliary service framework agreement (“**Construction Auxiliary Service Framework Agreement**”) and formulated the annual caps for transactions under such agreement for 2022, 2023 and 2024, pursuant to which the Group shall provide construction auxiliary services, including but not limited to design and consultancy, etc., to Zhongming Zhiye and its associates in the ordinary course of business, and Zhongming Zhiye and its associates shall pay service fees to the Group. Principal terms of the Construction Auxiliary Service Framework Agreement include:

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

Pricing Policy

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

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

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions contemplated under the Construction Auxiliary Service Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Construction Auxiliary Service Framework Agreement was capped at RMB2 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB0.43 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 22 November 2021.

Property Leasing Framework Agreement

Parties

The Company (as the lessee) and Zhongming Zhiye (as the lessor)

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a property leasing framework agreement (“**Property Leasing Framework Agreement**”), and proposed the annual caps for 2023, 2024 and 2025 thereunder. Pursuant to which 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. Principal terms of the Property Leasing Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Property Leasing Framework Agreement; and
- (3) the term of the Property Leasing Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

REPORT OF THE BOARD OF DIRECTORS

Pricing Policy

According to the 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 based on arm's-length negotiations between the lessor and the lessee with reference to the prevailing market price (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.

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Property Leasing Framework Agreement was capped at RMB9 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB4.47 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 26 May 2022.

Leased Property Framework Agreement

Parties

The Company (as the lessor) and Zhongming Zhiye (as the lessee)

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a leased property framework agreement ("**Leased Property Framework Agreement**"), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which 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. Principal terms of the Leased Property Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Leased Property Framework Agreement; and
- (3) the term of the Leased Property Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

REPORT OF THE BOARD OF DIRECTORS

Pricing Policy

According to the 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 negotiation between the lessor and the lessee with reference to the prevailing market price (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.

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions contemplated under the Leased Property Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Leased Property Framework Agreement was capped at RMB5 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB4.47 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 26 May 2022.

Comprehensive Services Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a comprehensive services framework agreement (“**Comprehensive Services Framework Agreement**”), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which 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. Principal terms of the Comprehensive Services Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Comprehensive Services Framework Agreement; and
- (3) the term of the Comprehensive Services Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

Pursuant to the 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.

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions contemplated under the Comprehensive Services Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Comprehensive Services Framework Agreement was capped at RMB32 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB14.88 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 26 May 2022.

Goods Procurement Framework Agreement

Parties

The Company (as goods purchaser) and Zhongming Zhiye (as goods seller)

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a goods procurement framework agreement ("**Goods Procurement Framework Agreement**"), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which 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. Principal terms of the Goods Procurement Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Goods Procurement Framework Agreement; and
- (3) the term of the Goods Procurement Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

In accordance with the Goods Procurement Framework Agreement, the payment made by the Group to Zhongming Zhiye and its associates for the goods purchased will be determined based on the following pricing policies:

- (i) Where the goods purchased are subject to government-guided prices (if any), such as the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed from the cost units under the respective housing and urban-rural construction bureaus in the places where the projects are located, the transaction price shall be reasonably determined within the scope of the latest guided prices published by the government authority of the place where the government is located.
- (ii) In addition to the government-guided prices, where comparable independent third party market prices or pricing standards are available for the goods purchased, 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 goods purchased, the pricing of the goods purchased shall be determined with reference to the price of unrelated transactions between the seller's group and independent third party.
- (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.

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions under the Goods Procurement Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, therefore, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

Zhongming Zhiye and its associates have certain resources of goods, especially construction raw materials such as sand and gravel, and such goods have certain advantages in terms of factors such as product quality, price, supply channels and payment methods in the regions where certain projects of the Group are located, and based on the friendly cooperation between the two parties in the past three years, the Company renewed the Goods Procurement Framework Agreement with Zhongming Zhiye.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Goods Procurement Framework Agreement was capped at RMB5 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB3.78 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 26 May 2022.

Property Services Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a property services framework agreement (“**Property Services Framework Agreement**”) and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which 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 environment 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 paid total service fees to Zhongming Zhiye and its associates. The principal terms of the Property Services Framework Agreement include:

- (1) the pricing policy (see below);
- (2) relevant subsidiaries or associated companies of both contracting parties will separately enter into relevant agreements and specify specific terms and conditions according to the principles stipulated in the Goods Procurement Framework Agreement; and
- (3) the term of the Property Services Framework Agreement starts from 1 January 2023 until 31 December 2025 (inclusive), and can be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

In accordance with the Property Services Framework Agreement, the service fees 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 unrelated transaction is available for reference for the property services provided, 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 types, sizes, locations and conditions of the relevant property, the nature and standard of services required and the expected operating costs (e.g. labour costs, material costs and administrative costs).

Listing Rules Implications

As Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively, therefore, Zhongming Zhiye is a connected person of the Group. According to the Listing Rules, the transactions under the Property Services Framework Agreement constitute continuing connected transactions of the Company. As its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, therefore, it shall be subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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 have a good reputation in the local 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.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Property Services Framework Agreement was capped at RMB8.50 million for 2023. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB5.92 million for 2023.

For details of the transaction above, please refer to the Company's announcement dated 26 May 2022.

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

Confirmation by Independent Non-executive Directors

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

Auditor's Letter

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

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

RELATED PARTY TRANSACTIONS

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

Ernst & Young Hua Ming LLP has audited the 2023 annual financial report of the Company and issued a standard unqualified audit report, indicating that the 2023 annual financial report prepared by the Company has given a fair view of the financial position and operating results of the Company.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the annual results and annual report of the Company for 2023 and the audited consolidated financial statements for the year ended 31 December 2023 prepared under the CASBE.

ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the audited consolidated financial statements for 2023 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2022.

AUDITOR

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

In June 2022, upon consideration and approval at the 2021 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2022 under the CASBE for a term commencing from the date of conclusion of the 2021 annual general meeting of the Company to the date of conclusion of the 2022 annual general meeting of the Company.

In June 2023, upon consideration and approval at the 2022 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2023 under the CASBE for a term commencing from the date of conclusion of the 2022 annual general meeting of the Company to the date of conclusion of the 2023 annual general meeting of the Company.

In March 2024, the Board proposed to re-appoint Ernst & Young Hua Ming LLP as the auditor of the Company for the audit of the annual financial report for 2024 under the CASBE for a term commencing from the date of conclusion of the 2023 annual general meeting of the Company to the date of conclusion of the 2024 annual general meeting of the Company. At the same time, the Board submitted to the general meeting to grant authorization to the Board to further delegate such authority to the President, to determine the remunerations of the above-mentioned auditor appointed. The above proposals are subject to consideration and approval of the Shareholders at the 2023 annual general meeting of the Company.

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

By order of the Board

Hebei Construction Group Corporation Limited

Li Baozhong

Chairman

REPORT OF BOARD OF SUPERVISORS

In 2023, the Board of Supervisors of the Company adhered to the principle of good faith, diligently performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, the Shareholders and employees based on the principle of accountability to all Shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association, the Rules of Procedure of the Board of Supervisors, and other relevant regulations. The work report of the Board of Supervisors is as follows:

1. MEETINGS

- (1) On 27 March 2023, the eighth meeting of the second session of the Board of Supervisors was convened by the Company onsite. Of the 5 Supervisors entitled to attend the meeting, 5 Supervisors were present. At the meeting, seven proposals, including the Proposal on the 2022 Annual Report and Results Announcement, the Proposal on the 2022 Financial Report, the Proposal on the 2022 Working Report of the Board of Supervisors, the Proposal on the 2022 Profit Distribution Plan and the Proposal on the Salary of Supervisors in 2022, the Proposal on the Nomination of Non-employee Representative Supervisors of the Third Session of the Board of Supervisors, and the Proposal on the Amendments to the Rules of Procedure for the Board of Supervisors of Hebei Construction Group Corporation Limited (《河北建設集團股份有限公司監事會議事規則》) were considered and approved.
- (2) On 26 June 2023, the first meeting of the third session of the Board of Supervisors was convened by the Company onsite. Of the 3 Supervisors entitled to attend the meeting, 3 Supervisors were present. At the meeting, the Proposal on the Election of the Chairman of the Third Session of the Board of Supervisors of the Company was considered and approved.
- (3) On 28 August 2023, the second meeting of the third session of the Board of Supervisors was convened by the Company onsite. Of the 3 Supervisors entitled to attend the meeting, 3 Supervisors were present. At the meeting, the Proposal on the 2023 Interim Results Announcement and Interim Report of Hebei Construction Group Corporation Limited was considered and approved.

2. ATTENDANCE/PRESENCE OF IMPORTANT MEETINGS

In 2023, the Supervisors attended 1 general meeting as required and were present at seven Board meetings as non-voting delegates. By attending these important meetings, the Supervisors not only developed insights into the operation and management of the Company, but also actively participated in the consideration and discussion of resolutions and put forward their opinions and suggestions in a responsible manner, thus effectively supervised the procedures for convening these meetings, the discussion of proposals, etc.

3. ROUTINE INSPECTIONS AND RESEARCHES

In 2023, the Board of Supervisors continually monitored the compliance of the Company's operation to ensure that the internal operation was in line with regulations and listing requirements.

4. INDEPENDENT OPINIONS AND SPECIAL EXPLANATIONS

- (1) Having monitored the performance of duties of the Directors and senior management members of the Company and the legal compliance of the operation of the Company, the Board of Supervisors was of the view that the Board of the Company was able to make decisions according to the laws and in strict compliance with various requirements such as the Company Law and the Articles of Association and the major business decision-making procedures of the Company were lawful and valid; that the Company further optimized and improved various internal management systems and internal control mechanisms; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information disclosure was in compliance with regulations and the securities trading system for the informed parties of insider information was in place properly; that the Directors and senior management members of the Company were able to implement diligently and thoroughly relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the performance of the duties for the Company in a faithful, pioneering and ambitious manner; and that no Directors or senior management members of the Company were found to have violated the laws, regulations or the Articles of Association or harmed the interests of the Company and the rights and interests of the Shareholders when performing their duties for the Company.
- (2) By communicating with the accounting firms in charge of the audit and review services for the Company, the Board of Supervisors examined the Company's financial statements, considered its periodic reports of the Company and the audit report of the accounting firm, regularly listened to the report of the internal audit department of the Company on the progress of internal audit work, and carried out effective supervision and inspection on the Company's financial management and operation through on-site inspection, research, etc. The Board of Supervisors was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2023. Ernst & Young Hua Ming LLP has audited the 2023 annual financial report of the Group and issued a standard unqualified audit report. It was of the view that the 2023 annual financial report prepared by the Group has given a fair view of the financial position and operating results of the Group.

REPORT OF BOARD OF SUPERVISORS

- (3) The Board of Supervisors monitored the related party transactions and connected transaction conducted by the Company. It was of the view that such transactions were conducted in accordance with the Company Law, the Hong Kong Listing Rules as well as the Articles of Association and the Rules Governing Related Party Transactions (《關聯交易管理制度》), and that the pricings of these related party transactions and connected transaction were fair, without violating the principles of openness, fairness and impartiality, and did not harm the interests of the Company and its minority Shareholders.
- (4) The Board of Supervisors made a special explanation of the Company's internal control. It was of the view that in 2023, the internal control system of the Company underwent continuous enhancement, the evaluation of the internal control was effectively implemented and the internal control continued to improve as a whole, hence it was able to provide a reasonable assurance regarding the achievement of the internal control objective.

By order of the Board

Hebei Construction Group Corporation Limited

Wang Feng

Chairman of the Board of Supervisors

SIGNIFICANT EVENTS

CONVENING THE 2023 ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company will be convened at 8:30 a.m. on Monday, 24 June 2024 at Meeting Room, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding, Hebei Province, the PRC. The notice and circular of convening the 2023 annual general meeting will be dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

THE 2023 ANNUAL GENERAL MEETING

In order to ascertain the entitlements of the Shareholders to attend the 2023 annual general meeting, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Monday, 24 June 2024 (both days inclusive), during which period no transfer of Shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2024 will be eligible to attend the 2023 annual general meeting. To be eligible to attend and vote at the 2023 annual general meeting, all duly completed and signed share transfer documents together with relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Monday, 17 June 2024.

MAJOR LITIGATION, ARBITRATION AND ISSUES GENERALLY QUESTIONED BY THE MEDIA

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



SIGNIFICANT EVENTS

MAJOR TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

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

EQUITY INCENTIVES SCHEME OF THE COMPANY AND ITS IMPACT

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

MATERIAL CONTRACTS

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

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

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

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

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

As at 31 December 2023, the total registered share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00 each, including 1,300,000,000 Domestic Shares and 461,383,500 H Shares. During the Reporting Period, there was no change in the share capital of the Company.

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

As at 31 December 2023, the interests and short positions of the Directors, the Supervisors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

Name of the Directors, Supervisors and chief executives	Capacity	Number of Shares interested		Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2023	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2023
			Class of Shares			
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.80%

Note:

- As at 31 December 2023, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.95% of the equity interests in Zhongru Investment. In addition, each of the 138 individuals holding in aggregate the remaining 65.05% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO. As at 31 December 2023, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly or indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 5.54% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 289,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

Name of the Directors, Supervisors and chief executives		Name of associated corporation	Capacity	Number of ordinary shares interested in the associated corporation	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 31 December 2023
Directors						
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner		45,000,000 shares	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation		289,000,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner		5,000,000 shares	Long position	10.00%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner		5,000,000 shares	Long position	1.73%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner		3,000,000 shares	Long position	1.04%
Mr. Tian Wei	Zhongru Investment ³	Beneficial owner		3,000,000 shares	Long position	1.04%
Mr. Zhang Wenzhong	Zhongru Investment ³	Beneficial owner		3,000,000 shares	Long position	1.04%
Supervisors						
Mr. Chen Qinghan	Zhongru Investment ³	Beneficial owner		1,000,000 shares	Long position	0.35%
Mr. Wang Feng	Zhongru Investment ³	Beneficial owner		1,000,000 shares	Long position	0.35%
Mr. Yue Jianming	Zhongru Investment ³	Beneficial owner		1,000,000 shares	Long position	0.35%

Notes:

- As at 31 December 2023, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 34.95% of the equity interests in Zhongru Investment. In addition, each of the 138 individuals holding in aggregate the remaining 65.05% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meeting of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan (through Qianbao Investment) is deemed to be interested in 100% of the equity interests, or 289,000,000 shares, in Zhongru Investment.
- As at 31 December 2023, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 31 December 2023, the total share capital of Zhongru Investment is 289,000,000 shares.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as any Directors, Supervisors or chief executives of the Company are aware, as at 31 December 2023, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2023, none of the Directors or Supervisors or their respective spouses or children under the age of 18 was granted any rights to acquire benefits by means of acquisition of Shares or debentures of the Company, nor exercised any such rights. The Company or any of its subsidiaries did not make any arrangement to enable the Directors or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

As at 31 December 2023, the following persons (not being the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be recorded in the register kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2023	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2023
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
Qianbao Investment ¹	Interest in controlled corporation	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
	Beneficial owner	97,500,000	Domestic Shares	Long position	7.50%	5.54%

Note:

- As at 31 December 2023, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.95% of the equity interests in Zhongru Investment. In addition, each of the 138 individuals holding in aggregate the remaining 59.69% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Domestic Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2023.

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the Corporate Governance Code is referred to the provisions contained in the Appendix C1 to the Listing Rules in force during the year ended 31 December 2023.

For the year ended 31 December 2023, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules. It has established a set of corporate governance system with respect to Board composition, Board diversity policy, duties and procedures, remuneration structure of the Directors and senior management and appraisal of the Board, internal control and audit, joint company secretaries and communication between the Company and Shareholders.

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

CORPORATE CULTURE

The Company is committed to cultivating corporate culture. Based on the cultural theme of “Creating a harmonious family, and becoming a responsible person”, and based on the corporate mission of “Creating a space full of love” and the corporate value of “Commitment to excellent, dedication, boundless organization, co-creating value”, the Group’s employees at all levels can grow up and give full play to their potential through law-abiding, ethical and responsible actions, so that the Company can provide sustainable long-term performance, operate in a way that is beneficial to the society and the environment, and strive to achieve the beautiful vision of “People-oriented happy enterprise with vibrant and long-lasting business”.

The Company's corporate mission and corporate value guide employees' conduct and behavior, ensuring they are embedded in the Company's operating practices, workplace policies and practices, and stakeholder relationships. Considering that corporate culture is embodied in various environments issues, such as workforce engagement, employee retention and training, legal and regulatory compliance, employee safety, welfare and support, the Group's culture, mission, values and strategies are aligned.

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

Corporate Culture

CORPORATE GOVERNANCE PRACTICES

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

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

BOARD

Responsibilities

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

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

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

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

The Company has established relevant mechanisms to ensure that independent views and opinions are available to the Board, including but not limited to:

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

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

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

BOARD COMPOSITION

During the year ended 31 December 2023 and up to the Latest Practicable Date, the Directors were as follows:

Executive Directors¹

Mr. Li Baozhong² (*Chairman*)
Mr. Shang Jinfeng (*President*)
Mr. Zhao Wensheng
Mr. Tian Wei³
Mr. Zhang Wenzhong³

Non-executive Director

Mr. Li Baoyuan⁴

Independent Non-executive Directors

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

Notes:

1. Due to the imminent retirement, Mr. Liu Yongjian did not seek re-election as a Director upon the expiry of his term of office as a Director, and ceased to serve as an executive Director of the Company with effect from 26 June 2023.
2. Mr. Li Baozhong is the brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie.
3. At the Board meeting held on 27 March 2023, the Board proposed to nominate Mr. Tian Wei and Mr. Zhang Wenzhong as candidates for the executive Directors of the third session of the Board of Directors of the Company. The above proposals were considered and approved by way of ordinary resolutions at the 2022 AGM held on 26 June 2023 and their terms of office became effective on 26 June 2023.
4. Mr. Li Baoyuan is the brother of Mr. Li Baozhong and the father of Mr. Li Wutie.

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

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

During the year ended 31 December 2023, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing the appropriate professional accounting qualifications or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to the factors set out in Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the key methods of attaining continuous professional development by each of the Directors are summarised as follows:

Name of Directors	Attending courses/ seminars	Reading regulatory materials
Executive Directors		
Mr. Li Baozhong	✓	✓
Mr. Shang Jinfeng	✓	✓
Mr. Zhao Wensheng	✓	✓
Mr. Tian Wei	✓	✓
Mr. Zhang Wenzhong	✓	✓
Non-executive Director		
Mr. Li Baoyuan	✓	✓
Independent non-executive Directors		
Ms. Shen Lifeng	✓	✓
Ms. Chen Xin	✓	✓
Mr. Chan Ngai Sang Kenny	✓	✓

CHAIRMAN AND PRESIDENT

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

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

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of key senior officers of the Company, supervise and evaluate the internal audit of the Company and formulate the medium-to-long-term audit plan, annual working plan and the plan on structure of the internal audit system of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of the external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

CORPORATE GOVERNANCE REPORT

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of financial reporting and risk management and internal control; and
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

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

During the year ended 31 December 2023, the Audit Committee convened 2 meetings to review the annual results announcement and annual report for the year ended 31 December 2022, the Financial Report for Year 2022 and the Financial Budget for Year 2023, to approve and review the internal control and risk management system of the Group and to oversee the audit process, and to review the interim results announcement and interim report for the six months ended 30 June 2023.

Nomination Committee

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

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

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

During the year ended 31 December 2023, the Nomination Committee convened 1 meeting, to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and the diversity of the Board.

Board Diversity Policy

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

Overview of the policy

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

Measurable objectives and progress on achieving such objectives

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

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

CORPORATE GOVERNANCE REPORT

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

Nomination policy

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

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

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

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

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

Remuneration and Appraisal Committee

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

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2023, the Remuneration and Appraisal Committee convened 1 meeting, to review the policies of the remuneration of the Directors and senior management and the remunerations of the Directors and senior management in 2022.

Strategic Committee

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

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

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

During the year ended 31 December 2023, the Strategic Committee convened 1 meeting, to review the investment budget plan for 2023; the financing plan for 2023; issuance of debt financing instruments in 2023; to propose to the general meeting to grant the general mandate to the Board to issue additional Domestic Shares and H Shares, and review the annual environmental, social and governance report of the Company.

CORPORATE GOVERNANCE FUNCTION

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

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

During the year ended 31 December 2023, the above corporate governance function was performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND THE GENERAL MEETING

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the Company convened seven Board meetings and one general meeting.

During the year ended 31 December 2023, the attendance record of individual Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee and the general meetings is set out below:

Name of Directors	Board meeting	Number of attendance/meeting(s)				
		Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Strategic Committee meeting	General meeting
Executive Directors						
Mr. Li Baozhong	7/7	-	1/1	1/1	1/1	1/1
Mr. Shang Jinfeng	7/7	-	1/1	1/1	1/1	1/1
Mr. Liu Yongjian ¹	3/3	-	-	-	-	1/1
Mr. Tian Wei ²	4/4	-	-	-	-	0/0
Mr. Zhao Wensheng	7/7	-	-	-	0/1	1/1
Mr. Zhang Wenzhong ²	4/4	-	-	-	-	0/0
Non-executive Director						
Mr. Li Baoyuan	7/7	2/2	-	-	-	1/1
Independent non-executive Directors						
Ms. Shen Lifeng	7/7	2/2	1/1	1/1	-	1/1
Ms. Chen Xin	7/7	2/2	1/1	1/1	-	1/1
Mr. Chan Ngai Sang Kenny	7/7	2/2	1/1	1/1	-	1/1

Notes:

1. Mr. Liu Yongjian retired as an Executive Director of the Company with effect from 26 June 2023.
2. Mr. Tian Wei and Mr. Zhang Wenzhong have served as Executive Directors of the Company since 26 June 2023.

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS

Each of Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment (the Controlling Shareholders of the Company as defined in the Listing Rules) has confirmed to the Company that he/it has complied with the non-competition undertakings given to the Company on 23 November 2017 during the year ended 31 December 2023. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that the undertakings thereunder have been complied with for the year ended 31 December 2023.

REMUNERATIONS OF THE SENIOR MANAGEMENT

Details of Directors' remuneration are set out in note XIV-1 to the audited consolidated financial statements. Remunerations paid to a total of 4 senior management (excluding the Directors) by bands for the year ended 31 December 2023 are set out below:

Remuneration band	Number of individuals
RMB200,001 to RMB500,000	1
RMB500,001 to RMB1,000,000	3

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established the Inspection and Auditing Department to assist in supervision of the performance of duties and implementation of basic work system of headquarters' functional departments of the Group and oversee the internal operation and implementation of basic work system of subsidiaries of the Group. In particular, the Board acknowledges its responsibilities for overseeing the risk management and internal control system of the Group. It also supervises and inspects the works and the risk management and internal control of the Company through the Audit Committee, and reviews the effectiveness at least once annually. Considering that the purpose of risk management and internal control system monitoring is to manage rather than eliminate the risk of failure to achieve business objectives, the Board can only reasonably, not absolutely guarantee that the above system and internal control can prevent any material misrepresentation or loss. For the year ended 31 December 2023, the Board had annually reviewed the effectiveness of the risk management and internal control system and considers that, the design and function of the risk management and internal control system remain effective and appropriate in all material aspects.

CORPORATE GOVERNANCE REPORT

Based on the “Basic Standard of Corporate Internal Control” and its implementation guidelines, and with reference to the requirements of the SFC and the actual conditions of the Company, the Company formulated the “Internal Control Appraisal Management System of Hebei Construction Group (《河北建設集團內部控制評價管理制度》)”, “Articles of the Risk Management Committee of Hebei Construction Group (《河北建設集團風控委員會章程》)” and the “Plan on Establishment and Implementation of “Three Lines of Defense” of Internal Control (《內部控制「三道防線」建設實施方案》)”. This facilitated the establishment of a more comprehensive internal control and risk management system aiming at upgrading the operation management and risk management capabilities of the Company, promoting the sustainability of the Company and safeguarding the legal rights and interest of the investors.

The “internal control” of such systems refers to the business systems and operating processes implemented by the Board, Board of Supervisors, management and all staff of the Company for attaining management goals of internal control. Business systems under such systems include all individual business units of the Group managed with the top-down approach, such as the market development system, operation management system, human resources system and financial management system, as well as the wholly-owned subsidiaries, controlled subsidiaries, branches and project groups under direct management. The Board of the Company is in charge of building and maintaining the internal control and risk management system. It has established the Audit Committee for reviewing the formulation and implementation of the internal control and risk management system. The management of the Company has established the risk management committee, which leads the internal control and risk management of the Company, while the supervision and audit department evaluates the construction and implementation of the internal control system. Based on the internal control and risk management system, the Company organizes risk assessment on a yearly basis to collect information on risks for rectification or elimination. In 2023, the Company performed relatively comprehensive risk assessment and internal control evaluation, which covered the headquarters and the subsidiaries of the Group. It also prepared the 2023 Risk and Internal Control Work Report. The Board and the senior management of the Company attach great importance to the problems and risks identified and carried out rectification and improvement one by one, which ensured compliant and efficient business operation of the Company. In view of the above, the Company has a complete internal control structure in place, and an appropriate set-up for the internal audit department and staff, which effectively ensure the supervision and implementation of internal control procedures. The internal control and evaluation of the Company give a full and fair view of the actual situation and play an important role in supporting the compliant operation of the Company in the long run.

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

- (i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practicable if it is the subject of a decision;
- (ii) conducts its affairs with close regard to the applicable laws and regulations; and
- (iii) has communicated to all relevant staff regarding the requirement under the applicable laws and regulations.

During the Reporting Period, no person with knowledge of inside information was found using inside information to buy and sell the Company's Shares.

JOINT COMPANY SECRETARIES

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

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

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

For the year ended 31 December 2023, each of Mr. Li and Ms. Wong has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 in accordance with statutory requirements and applicable accounting standards.

CORPORATE GOVERNANCE REPORT

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

The Audit Committee has reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2023. The Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue as a going concern.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the independent auditor's report on page 114 to page 123.

AUDITORS

Ernst & Young Hua Ming LLP was the auditor of the Company for the year ended 31 December 2023, and shall retire at the 2023 annual general meeting and, be eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young Hua Ming LLP as the auditor of the Company will be proposed at the 2023 annual general meeting. The remuneration paid to Ernst & Young Hua Ming LLP in respect of the audit services rendered for the year ended 31 December 2023 was RMB6.0 million. Ernst & Young Hua Ming LLP did not provide any non-audit services to the Company for the year ended 31 December 2023.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

Email: hebeijianshe@hebjs.com.cn

SHAREHOLDERS' RIGHTS

Requisition of Convening Extraordinary General Meeting by Shareholders

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Putting Forward Proposals at General Meetings

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

A Shareholder alone or Shareholders together holding at least 3 percent of the Shares of the Company may submit extempore motions in writing to the convener at No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC, 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such extempore motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 27 March 2023, the Board considered and approved, among other things, the proposal in respect of amendments to the Articles of Association, which was for the amendments on certain articles in the Articles of Association involving the appointment, removal and remuneration of accounting firm, and the composition of the Board of Directors and the Board of Supervisors. The above proposal was considered and approved as special resolution at the 2022 annual general meeting convened on 26 June 2023. The revised Articles of Association took effect from 26 June 2023. The whole text of the revised Articles of Association has been published on the HKEXnews website of Hong Kong Stock Exchange and the website of the Company. For details, please refer to the announcements of the Company dated 27 March 2023 and 26 June 2023, and the circular of the 2022 annual general meeting dated 25 May 2023.

Other than the above, there was no other major changes on the Articles of Association by the Company during the Reporting Period.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Mr. Li Baozhong (李寶忠), aged 54, is the Chairman of the Board and an executive Director of the Company since 22 December 2015. Mr. Li is also the chairman of the Strategic Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company, and has served as the secretary to the Party Committee of the Company since January 2021. Mr. Li also serves as the chairman of Zhongming Zhiye Group Co., Ltd., Zhongru Investment Co., Ltd. and Shenzhen Zhongru Investment Co., Ltd., an executive director and the general manager of Baoding Zhongcheng Investment Management Co., Ltd., a supervisor of Qianbao Investment Co., Ltd. and a director of Bank of Baoding Co., Ltd. (保定銀行股份有限公司). Mr. Li is a vice president of Hebei Construction Industry Association and the president of Baoding Construction Industry Association. Mr. Li has over 31 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015. Mr. Li was elected as a Deputy of the thirteenth session to the National People's Congress in March 2018.

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shang Jinfeng (商金峰), aged 47, is an executive Director and the President of the Company since 31 March 2017. Mr. Shang is also a member of the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee under the Board of the Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering Co., Ltd., Hebei Lvjian Investment Company (河北綠建投資股份公司), Zhongru Investment Co., Ltd., Inner Mongolia Construction Investment Group Co., Ltd. (內蒙古建設投資集團有限公司) and Zhongcheng Real Estate Development Co., Ltd. Mr. Shang has over 26 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering Co., Ltd. from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering Co., Ltd. from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering Co., Ltd. from December 2010 to January 2017; and a vice President and a standing vice President of the Company from December 2013 to March 2017.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhao Wensheng (趙文生), aged 54, is the chief accountant and the director of finance of the Company since 23 January 2013 and an executive Director of the Company since 25 February 2019. Mr. Zhao serves as a director of Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司), and the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), HCG Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), HCG Decoration Engineering Co., Ltd. (河北建設集團裝飾工程有限公司) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), and a supervisor of HCG Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司), Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司) and Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司) respectively. Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司) from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering Co., Ltd. from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

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

Mr. Tian Wei (田偉), aged 54, is a Vice President of the Company since 10 October 2019. Mr. Tian's previous primary work experience includes working in the First Branch and Inner Mongolia Branch of the Company from December 1991 to October 2019. Mr. Tian also serves as a director of HCG Tianchen Construction Engineering Co., Ltd., HCG Installment Engineering Co., Ltd., Hebei Haikuo Environmental Technology Co., Ltd. and Hebei Zhiping Construction Equipment Leasing Co., Ltd.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Wenzhong (張文忠), aged 48, is a Vice President of the Company since 31 March 2017. He also serves as a director of Hebei Haikuo Environmental Technology Co., Ltd., Hebei Zhiping Construction Equipment Leasing Co., Ltd. and Rongcheng County Xinrong City Development Co., Ltd (容城縣鑫融城市發展有限公司). Mr. Zhang's previous primary work experience includes working in Tianli Labor Company, Tianchen Construction Engineering Company Limited and the Third Branch of the Company from July 1998 to December 2020.

Mr. Zhang obtained an academic diploma in industrial and civil construction from Agricultural University of Hebei in July 1998; and obtained an undergraduate degree (adult education) in industrial and civil construction from Tianjin University in August 2011 and in accounting from Northeastern University in 2020. Mr. Zhang obtained the qualification of national first-class certified constructor from the MOHURD of the PRC in January 2011, and obtained the qualification of senior engineer from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2020.

NON-EXECUTIVE DIRECTOR

Mr. Li Baoyuan (李寶元), aged 73, is the honorary Chairman of the Board and a non-executive Director of the Company since 22 December 2015. Mr. Li is also a member of the Audit Committee under the Board of the Company. Mr. Li also serves as a director of Zhongru Investment Co., Ltd. and the chairman of the board of directors of Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment Co., Ltd., and a director of Zhongming Zhiye Group Co., Ltd. Mr. Li is the president of the SME Committee of China Construction Industry Association. Mr. Li has over 53 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company from October 1997 to January 2021. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Lifeng (申麗鳳), aged 58, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairwoman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Ms. Shen also serves as the chief advisor of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司); and a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會). Ms. Shen was a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) and her term ended on 31 December 2017. Ms. Shen served as a founding arbitrator of the Arbitration Committee of Shijiazhuang City (石家莊市仲裁委員會) and her term ended on 31 December 2018. Ms. Shen has more than 34 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖倫國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has served as an executive director and vice president of China Tianbao Group Development Company Limited since 11 November 2018; an external director of Shenzhen SEZ Construction and Development Co., Ltd. (深圳市特區建設發展有限公司) as appointed by Shenzhen SASAC since November 2021, and an non-executive director of China South City Holdings Limited as appointed by Shenzhen SEZ Construction and Development Co., Ltd. since January 2023. Ms. Shen has also been appointed as a committee member (special invitee) of Hong Kong and Macau of the Chinese People's Political Consultative Conference of Hebei Province in January 2023.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Ms. Chen Xin (陳欣), aged 41, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairwoman of the Nomination Committee and the Remuneration and Appraisal Committee and a member of the Audit Committee under the Board of the Company. Ms. Chen is currently the director of human resources consultant of Talentpool (HK) Limited. Ms. Chen has more than 16 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016. Ms. Chen was the Hong Kong director of human resources of Fortune Fountain Capital Limited in 2017.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan Ngai Sang Kenny (陳毅生), aged 59, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Nomination Committee, Remuneration and Appraisal Committee and Audit Committee of the Board of the Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. Mr. Chan has served as an independent non-executive director of CMIC Ocean En-Tech Holding Co., Ltd. (stock code: 0206) since October 2005 and an independent director of Jinshang Bank Co., Ltd. (stock code: 2558) since 29 June 2023. All the companies above are listed on the Main Board of the Hong Kong Stock Exchange.

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

SUPERVISORS

Mr. Chen Qinghan, aged 42, has been the employee representative supervisor of the Company since December 29, 2022. Mr. Chen is also the director of the Party and Government Office, the vice chairman of the trade union and the deputy secretary of the Disciplinary Committee of the Company. Mr. Chen's previous work experience includes serving as a member of the Political Work Department from July 2011 to October 2014, serving as secretary of the Youth League Committee from October 2014 to April 2017, serving as deputy director of the Party and Government Office and secretary of the Youth League Committee from April 2017 to October 2021, serving as deputy director of the Party and Government Office, deputy secretary of the Disciplinary Committee and vice chairman of the trade union from October 2021 to June 2022, and serving as director of the Party and Government Office, deputy secretary of the Disciplinary Committee and vice chairman of the trade union since June 2022.

Mr. Chen obtained a master's degree in literature from Hebei University in 2011 and the title of senior political work officer in 2022.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yue Jianming (岳建明), aged 51, is a Supervisor of the Company since 31 March 2017. Mr. Yue also serves as the general manager of the Market Development Department of the Company, the legal representative and executive director of Beijing Zhongjian Zhilian Management Consulting Co., Ltd. (北京中建智聯管理諮詢有限公司), a director of Inner Mongolia Xinglifeng Construction Management Co., Ltd. (內蒙古興利豐建設管理有限公司), a director of Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司), a supervisor of Beijing Tianjia Construction Engineering Co., Ltd. (北京天佳建築工程有限公司) and a supervisor of HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Ecological Environment Company, respectively. He is also a consultation expert of NDRC, a mediator of Mediation Centre of China Construction Industry Association, an arbitrator of China International Economics and Trade Arbitration Commission and Shanghai Arbitration Commission, a consultant expert of Hebei Urban Construction Investment & Financing Association, an editor of textbook for the National Grade I Practising Qualification Certificate Constructor Examination, a vice director committee member of the Real Estate and Construction Engineering Law Profession Committee of China Legal Consulting Centre (中國法律諮詢中心房地產與建築工程法律專業委員會), an expert in the NDRC PPP expert pool (國家發改委PPP專家庫), a council member of China Experts Association (中國專家學者協會), an adjunct professor at the College of Political Science and Law of Hebei University, a researcher of Real Estate Law Research Centre of China University of Political Science and Law, a member of the Legal Expert Consulting Committee of the People's Government of Baoding (保定市人民政府法制專家諮詢委員會), a researcher of the China Behavior Law Association and Joint Major and Difficult Cases Research Centre (中國行為法學會、法聯重大疑難案件研究中心), an arbitrator of Harbin Arbitration Commission and a researcher of China Arbitration Law Research Association. Mr. Yue's previous primary work experience includes: serving as the legal counsel of the Company from September 1995 to March 2006; and a deputy head of the Economic Contract Department of the Company from April 2006 to March 2009.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wang Feng (王豐), aged 44, is a non-employee representative Supervisor of the Company since 31 March 2017. Mr. Wang also serves as the general manager of the Inspection and Auditing Department of the Company, and a supervisor of Zhongru Investment Co., Ltd., HCG Tianchen Construction Engineering Co., Ltd., HCG Decoration Engineering Co., Ltd., HCG Zhuocheng Road and Bridge Engineering Co., Ltd., HCG Installment Engineering Co., Ltd., HCG Ecological Environment Co., Ltd., respectively. Mr. Wang's previous primary work experience includes: serving as a teacher at No.10 Middle School of Dalad Qi, Inner Mongolia from September 2003 to August 2004, an information commissioner of the office of the Party Committee of Dalad Qi, Inner Mongolia from September 2004 to August 2005, the human resource manager of Aishengya (Baoding) Package Company Limited (愛生雅(保定)包裝有限公司) from September 2008 to June 2010, the human resource manager of Baoding International Paper Package Company Limited (保定國際紙業包裝有限公司) from September 2010 to December 2013, and the secretary to the vice Chairman of the Board of the Company from January 2014 to September 2014.

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

SENIOR MANAGEMENT

Mr. Shang Jinfeng (商金峰). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Shang.

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

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

Mr. Tian Wei (田偉). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Tian.

Mr. Zhang Wenzhong (張文忠). Please refer to “Directors – Executive Directors” above for the biographical details of Mr. Zhang.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lü Qian (呂謙), aged 58, is a Vice President of the Company since 1 September 2020. Mr. Lü also serves as a director of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. Mr. Lü's previous primary work experience includes working in the 11th Working Area, the Fifth Branch and the Airport Branch of the Company from July 1987 to September 2020.

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

Mr. Chen Liewei (陳列偉), aged 54, is a Vice President and chief economist of the Company since 26 December 2022. Mr. Chen also serves as a director of Zhongcheng Real Estate Development Co., Ltd., the deputy secretary general of China Construction Enterprise Summit Forum, the executive vice president of Hebei Chamber of Commerce in Tianjin, the president of Baoding Baojin Chamber of Commerce and the deputy secretary of Tianjin Work Committee of Hebei Provincial Youth League Committee. Mr. Chen's previous primary work experience includes: working in Baoding Architectural Design Institute from July 1992 to June 1996; serving as the general manager of the Infrastructure Branch of Hebei Construction Group from March 1999 to March 2001; assistant to the president and director of marketing department of Hebei Construction Group Co., Ltd. from March 2001 to January 2005; group vice president and chairman of the board of directors of the branch and general manager of Hebei Construction Group Qianqiu Management Co., Ltd. from January 2005 to October 2006; group vice president and general manager of branch of Tianjin Branch of Hebei Construction Group from October 2006 to September 2019; and the vice president of Zhongming Zhiye Group Co., Ltd. since October 2019.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Liu Xingyue (劉興月), aged 55, is a Vice President of the Company since 29 August 2022. Mr. Liu's previous primary work experience includes: working in No. 1 Construction Engineering Company of Hebei Province in July 1989; serving as the director of Langfang Engineering Division of the Installation Branch and deputy general manager and general manager of the Installation Branch of Hebei Construction Group from 2002 to 2009; the manager of Construction Installation Branch of the Company since January 2009; and a Vice President (non-standing) of the Company since December 2013. Mr. Liu also serves as the chairman of the board of directors of Sanhe Jinshibang Real Estate Development Co., Ltd., an executive director of Hebei Xingxi Corporate Management Co., Ltd., the chairman of the board of directors of Inner Mongolia Xinglifeng Construction Management Co., Ltd., a director of Dacheng County Zhongzhou Water Supply Co., Ltd. and a director of Dacheng County Zhongyu Water Supply Co., Ltd.

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

Mr. Li Wutie (李武鐵), aged 37, is the Board secretary of the Company since 31 March 2017, the joint company secretary of the Company since 15 December 2017 and the assistant to the President of the Company since January 2015, and served as the head of the Financial and Securities Department of the Company since 4 June 2018. Mr. Li also serves as a director and the general manager of Shenzhen Zhongru Investment Co., Ltd. (深圳中儒投資有限公司), a director of Zhongru Investment Co., Ltd. and a director of Zhongming Zhiye Group Co., Ltd. Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014 and concurrently serving as the head of the Financial Securities Department of the Company from 4 June 2018 to December 2020.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

JOINT COMPANY SECRETARIES

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

Ms. Wong Wai Ling (黃慧玲), is one of the joint company secretaries of the Company. Ms. Wong has more than 19 years of experience in corporate secretarial affairs. Ms. Wong is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong obtained a Bachelor of Arts degree in marketing and public relations from the Hong Kong Polytechnic University and a master’s degree in corporate governance from the Open University of Hong Kong (now known as The Hong Kong Metropolitan University). Ms. Wong is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

STAFF INFORMATION

Staff Composition

As at 31 December 2023, the Group had 8,128 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	6,148
The subsidiaries of the Company	<u>1,980</u>
Total	<u>8,128</u>

As of 31 December 2023, the percentage of male employees and female employees (including senior management) were 82.47% and 17.53%, respectively. The Company fully respects individual differences in talent, creates a professional, inclusive and diverse work environment in the workplace, and is committed to providing equal opportunities for its employees. The Company believes that the current gender ratio of employees (including senior management) is appropriate to the characteristics of the industry and is reasonable. The Company expects to continue to maintain a reasonable level of gender diversity with respect to its employees, including senior management.

STAFF INCENTIVE

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

STAFF TRAINING

The Group attaches great importance to building a sound corporate culture, strives to improve the overall quality of employees and actively conducts comprehensive staff training at different levels. During the Reporting Period, it has pushed forward the development of systems, training courses, trainer qualification and training management in accordance with corporate strategy and arrangement of key undertakings of the year, and with the support of the Company's training system. On that basis, it coordinated and planned Company-level training programs for different departments and subordinate companies. As at 31 December 2023, the Group has provided 778 training sessions for a total of 33,538 employees in 67,874 days with total training expenditure amounting to approximately RMB4.26 million.

EMPLOYEE EVALUATION AND REMUNERATION

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

PENSION SCHEME

A total of 77 employees of the Company retired in 2023. Such employees are entitled to the social pension insurance scheme approved by local labour and social security authorities, which is a defined contribution plan and should be made monthly contribution by the Group. Details of the pension scheme are set out in note III-16 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No. 70025454_B01
Hebei Construction Group Corporation Limited

To the Shareholders of Hebei Construction Group Corporation Limited:

I. OPINION

We have audited the financial statements of Hebei Construction Group Corporation Limited (the “Company”), which comprise the consolidated and company balance sheets as at 31 December 2023, and the consolidated and company income statements, the consolidated and company statements of changes in owners’ equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of Hebei Construction Group Corporation Limited present fairly, in all material respects, the consolidated and the Company’s financial position as at 31 December 2023, and the consolidated and the Company’s financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (“ASBEs”).

II. BASIS FOR OPINION

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

III. KEY AUDIT MATTERS

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

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

III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
<i>Revenue recognition on construction contracts</i>	
<p>In 2023, Hebei Construction Group Corporation Limited recognized revenue of RMB32,941,805,000 from construction contracts based on the performance progress of the construction contracts. Recognising revenue in accordance with the progress of the completion involves significant judgements and estimates of contract revenue and total contract costs, including the management's continuous evaluation and corresponding adjustment on the estimated contract revenue and total contract costs based on factors such as the scope of contract delivery and costs for unfinished works during contract execution. In addition, due to changes in circumstances, the estimated contract revenue and total contract costs may vary from the original estimates.</p> <p>For the accounting policies and related disclosures for the recognition of construction contract revenue, please refer to Notes III-18, VI-34 and XV-5 to the financial statements.</p>	<p>The procedures relating to the revenue recognition of construction contracts which we have implemented mainly included:</p> <ul style="list-style-type: none"> (1) We understood and tested the internal control of the revenue recognition process of Hebei Construction Group Corporation Limited, including the internal control relating to the estimated total contract revenue and estimated contract cost preparation and calculation of revenue in accordance with the progress of the completion; (2) We selected major construction contracts and reviewed the key contract terms including the contract price; (3) We checked the contract costs incurred by selecting samples to check against supporting documents such as delivery and acceptance notes and invoices;

III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
	<p>(4) We evaluated management's judgement and estimates in the determination of estimated total contract costs by selecting samples to discuss the progress of the construction contracts with those in charge of the projects and comparing actual contract costs incurred with budgeted contract cost;</p> <p>(5) We re-calculated the progress of the completion and the revenue based on the costs incurred and the estimated total contract costs and performed analytical review procedures according to different construction contract types; and</p> <p>(6) We assessed the adequacy of disclosures on revenue from construction contracts in the financial statements.</p>

III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
<i>Provision for expected credit losses on accounts receivable, other receivables and contract assets</i>	
<p>As at 31 December 2023, Hebei Construction Group Corporation Limited had accounts receivable, other receivables and contract assets amounting to RMB55,839,822,000. The provisions for impairment of accounts receivable, other receivables and contract assets are recognised based on expected credit losses and involve significant judgements and estimates.</p> <p>The management of Hebei Construction Group Corporation Limited assesses the credit risk of accounts receivable, other receivables and contract assets by analysing the historical collection of accounts receivable and other receivables and the historical settlement of contract assets, the credit ratings of counterparties and future economic conditions.</p> <p>The accounting policies and related disclosures for accounts receivable, other receivables and contract assets are included in Notes III-7, VI-3, 6, 8, 10 and XV-2, 3 to the financial statements.</p>	<p>The procedures relating to the assessment of expected credit losses for accounts receivable, other receivables and contract assets which we have implemented mainly included:</p> <ol style="list-style-type: none"> (1) We understood and tested the internal control relating to the accounting process of provision for expected credit losses for accounts receivable, other receivables and contract assets of Hebei Construction Group Corporation Limited; (2) We evaluated the expected credit losses for accounts receivable, other receivables and contract assets by selecting samples to check the historical collection of accounts receivable and other receivables and the historical settlement of contract assets; (3) We tested the accuracy of the ageing of balances of accounts receivable, other receivables and contract assets by tracing details in the supporting documents of the selected samples, such as invoices and contracts with debtors;

III. KEY AUDIT MATTERS (Continued)

Key audit matters:	How our audit addressed the key audit matter:
	<p>(4) We reviewed bank advice for the payments received subsequent to the end of the reporting period by selecting samples;</p> <p>(5) We evaluated the credit risk assessment on the accounts receivable, other receivables and contract assets conducted by management; and</p> <p>(6) We assessed the adequacy of disclosures on accounts receivable, other receivables and contract assets in the financial statements.</p>

IV. OTHER INFORMATION

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process of Hebei Construction Group Corporation Limited.

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

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

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

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

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

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

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

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountants:
Song Congyue
(Engagement Partner)

Chinese Certified Public Accountants:
Chen Zhiwang

Beijing, the PRC

27 March 2024

CONSOLIDATED BALANCE SHEET

31 December 2023

Unit: RMB'000

Assets	Note VI	31 December 2023	31 December 2022
Current assets			
Currency funds	1	7,688,715	9,123,019
Financial assets held for trading	2	15,329	3,118
Accounts receivable	3	7,478,973	7,815,567
Receivables financing	4	205,246	349,485
Prepayments	5	713,757	733,145
Other receivables	6	2,297,617	2,360,433
Inventories	7	190,400	182,032
Contract assets	8	39,123,239	40,014,033
Current portion of non-current assets	10	44,394	43,128
Other current assets	9	540,540	501,931
Total current assets		<u>58,298,210</u>	<u>61,125,891</u>
Non-current assets			
Long-term receivables	10	177,569	170,123
Long-term equity investments	11	501,063	515,706
Contract assets	8	2,984,797	2,903,035
Other equity instrument investments	12	589,069	744,459
Investment property	13	98,600	99,200
Fixed assets	14	948,472	981,409
Construction in progress	15	169,423	155,975
Right-of-use assets	16	19,004	17,969
Intangible assets	17	94,125	96,332
Deferred income tax assets	18	1,005,265	821,751
Total non-current assets		<u>6,587,387</u>	<u>6,505,959</u>
Total assets		<u>64,885,597</u>	<u>67,631,850</u>

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

CONSOLIDATED BALANCE SHEET

31 December 2023

Unit: RMB'000

Liabilities and owners' equity	<i>Note VI</i>	31 December 2023	31 December 2022
Current liabilities			
Short-term borrowings	20	2,469,425	2,415,411
Bills payable		1,035,601	827,662
Accounts payable	21	34,488,055	36,587,127
Contract liabilities	22	6,704,485	6,939,618
Employee benefits payable	23	283,365	202,120
Taxes payable	24	888,270	773,370
Other payables		5,706,782	6,184,596
Current portion of non-current liabilities		423,082	896,633
Other current liabilities	25	3,796,630	3,943,783
Total current liabilities		55,795,695	58,770,320
Non-current liabilities			
Long-term borrowings	26	2,849,897	2,684,830
Lease liabilities	27	12,149	9,225
Total non-current liabilities		2,862,046	2,694,055
Total liabilities		58,657,741	61,464,375
Owners' equity			
Share capital	28	1,761,384	1,761,384
Capital reserve	29	1,662,063	1,662,063
Other comprehensive income	30	33,608	152,476
Surplus reserve	32	600,053	545,068
Retained profit	33	1,990,221	1,873,811
Total equity attributable to owners of the Parent		6,047,329	5,994,802
Non-controlling interests		180,527	172,673
Total owners's equity		6,227,856	6,167,475
Total liabilities and owners's equity		64,885,597	67,631,850

The financial statements have been signed by:

Legal Representative:

Financial controller:

Accounting supervisor:

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

CONSOLIDATED INCOME STATEMENT

2023

Unit: RMB'000

	Note VI	2023	2022
Revenue	34	33,492,866	40,006,018
Less: Cost of sales		31,697,268	38,371,416
Taxes and surcharges		98,055	116,072
Selling and distribution expenses		1,126	1,542
General and administrative expenses		527,733	570,825
Research and development costs		148,139	150,126
Finance costs	35	305,027	297,487
Including: Interest expenses		347,501	343,031
Interest income		45,626	39,238
Add: Other income	36	3,977	2,285
Investment income	37	(2,854)	24,740
Including: Share of profits of associates and joint ventures		(1,932)	2,866
Gains on derecognition of financial assets at amortised cost		(3,852)	(14,679)
Gains on fair value changes	38	(418)	(37,447)
Credit impairment losses	39	(339,084)	131,355
Impairment losses on assets	40	(148,197)	(179,498)
Gains 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	42	69,207	113,442
Net profit		158,069	315,439

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

CONSOLIDATED INCOME STATEMENT

2023

Unit: RMB'000

	<i>Note VI</i>	2023	2022
Classified by the continuity of operation			
Net profit from continuing operations		158,069	315,439
Classified by the ownership			
Net profit attributable to shareholders of the parent		171,395	326,725
Net profit or loss attributable to non-controlling interests		(13,326)	(11,286)
Other comprehensive income, net of tax	30	(118,868)	(25,616)
Other comprehensive income attributable to shareholders of the parent, net of tax		(118,868)	(25,616)
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(120,408)	(26,501)
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables financing		1,540	885
Total comprehensive income		39,201	289,823
Including:			
Total comprehensive income attributable to owners of the Parent		52,527	301,109
Total comprehensive income attributable to non-controlling interests		(13,326)	(11,286)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	43	0.10	0.19

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2023

Unit: RMB'000

2023

	Attributable to owners of the parent							Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. Opening balance of the current year	1,761,384	1,662,063	152,476	-	545,068	1,873,811	5,994,802	172,673	6,167,475
II. Changes for the year									
(I) Total comprehensive income	-	-	(118,868)	-	-	171,395	52,527	(13,326)	39,201
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	21,180	21,180
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	54,985	(54,985)	-	-	-
(IV) Special reserve									
1. Appropriation for the year	-	-	-	837,322	-	-	837,322	-	837,322
2. Use in the year	-	-	-	(837,322)	-	-	(837,322)	-	(837,322)
III. Closing balance of the year	1,761,384	1,662,063	33,608	-	600,053	1,990,221	6,047,329	180,527	6,227,856

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2023

Unit: RMB'000

2022

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

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

CONSOLIDATED CASH FLOW STATEMENT

2023

Unit: RMB'000

	Note VI	2023	2022
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		37,687,969	44,838,694
Other cash receipts related to operating activities		4,478,607	5,098,827
Subtotal of cash inflows from operating activities		42,166,576	49,937,521
Cash paid for goods and services		36,298,840	42,753,763
Cash paid to and for employees		681,873	865,446
Taxes paid		795,664	1,102,430
Other cash payments related to operating activities		5,720,814	5,180,718
Subtotal of cash outflows from operating activities		43,497,191	49,902,357
Net cash flows from operating activities	44	(1,330,615)	35,164
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from return of investment		3,436	3,843
Cash received from investment income		30,018	84,959
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,753	1,869
Subtotal of cash inflows from investing activities		35,207	90,671
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		44,625	81,233
Cash paid to acquire investments		15,725	9,950
Subtotal of cash outflows from investing activities		60,350	91,183
Net cash flows from investing activities		(25,143)	(512)

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

CONSOLIDATED CASH FLOW STATEMENT

2023

Unit: RMB'000

	Note VI	2023	2022
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash proceeds from investments by others		21,180	5,060
Including: Cash received from capital contributions from minority shareholders of subsidiaries		21,180	5,060
Cash received from borrowings		3,538,483	3,411,001
Subtotal of cash inflows from financing activities		3,559,663	3,416,061
Cash paid for repayments of debts		3,790,934	2,901,782
Cash paid for interest repayment		344,507	338,840
Other cash payments related to financing activities		26,045	35,206
Subtotal of cash outflows from financing activities		4,161,486	3,275,828
Net cash flows from financing activities		(601,823)	140,233
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(3,152)	6,306
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,960,733)	181,191
Add: Opening balance of cash and cash equivalents		8,488,419	8,307,228
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	45	6,527,686	8,488,419

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

BALANCE SHEET

31 December 2023

Unit: RMB'000

Assets	<i>Note XV</i>	31 December 2023	31 December 2022
Current assets			
Currency funds	1	6,054,893	6,836,634
Financial assets held for trading		13,932	2,130
Accounts receivable	2	5,920,265	6,115,320
Receivables financing		120,996	264,790
Prepayments		543,673	589,786
Other receivables		1,776,512	1,859,525
Inventories		70,491	125,825
Contract assets	3	31,043,055	31,366,876
Other current assets		275,279	261,952
Total current assets		45,819,096	47,422,838
Non-current assets			
Long-term receivables		11,738	-
Long-term equity investments	4	3,235,700	3,111,693
Contract assets	3	76,134	-
Other equity instrument investments		583,915	744,459
Investment property		98,600	99,200
Fixed assets		712,312	733,077
Construction in progress		81,037	80,343
Right-of-use assets		12,690	9,659
Intangible assets		356	420
Deferred income tax assets		713,012	594,810
Total non-current assets		5,525,494	5,373,661
Total assets		51,344,590	52,796,499

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

BALANCE SHEET

31 December 2023

Unit: RMB'000

Liabilities and owners' equity	31 December 2023	31 December 2022
Current liabilities		
Short-term borrowings	1,546,345	1,986,040
Bills payable	426,903	426,178
Accounts payable	28,742,813	29,553,083
Contract liabilities	5,185,811	5,411,042
Employee benefits payable	234,758	146,351
Taxes payable	673,543	530,493
Other payables	5,142,783	5,191,153
Current portion of non-current liabilities	134,146	412,726
Other current liabilities	3,042,547	3,092,255
Total current liabilities	45,129,649	46,749,321
Non-current liabilities		
Long-term borrowings	228,902	302,812
Lease liabilities	10,724	5,314
Total non-current liabilities	239,626	308,126
Total liabilities	45,369,275	47,057,447
Owners' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,447,379	1,447,379
Other comprehensive income	34,165	153,389
Surplus reserve	355,498	319,950
Retained profit	2,376,889	2,056,950
Total owners' equity	5,975,315	5,739,052
Total liabilities and owners' equity	51,344,590	52,796,499

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

INCOME STATEMENT

2023

Unit: RMB'000

	Note XV	2023	2022
Revenue	5	25,657,442	30,721,135
Less: Cost of sales		24,343,817	29,725,882
Taxes and surcharges		65,172	77,599
Selling and distribution expenses		479	652
General and administrative expenses		404,638	443,380
Research and development costs		143,358	106,743
Finance costs		60,307	76,396
Including: Interest expenses		75,453	100,609
Interest income		19,964	17,907
Add: Other income		101	466
Investment income		3,068	28,621
Including: Share of profits of associates and joint ventures		1,317	3,245
Gains on derecognition of financial assets at amortised cost		(1,878)	(10,691)
Gains on fair value changes		(232)	(37,706)
Credit impairment losses		(153,903)	168,764
Impairment losses on assets		(60,365)	(120,640)
Gains from disposal of assets		3	12
Operating profit		428,343	330,000
Add: Non-operating income		41,142	28,757
Less: Non-operating expenses		1,094	11,142
Profit before tax		468,391	347,615
Less: Income tax expenses		112,904	77,305
Net profit		355,487	270,310

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

INCOME STATEMENT

2023

Unit: RMB'000

	<i>Note XV</i>	2023	2022
Other comprehensive income, net of tax		(119,224)	(25,634)
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(120,408)	(26,501)
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables financing		1,184	867
Total comprehensive income		236,263	244,676

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2023

Unit: RMB'000

2023

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the current year	1,761,384	1,447,379	153,389	-	319,950	2,056,950	5,739,052
II. Changes for the year							
(I) Total comprehensive income	-	-	(119,224)	-	-	355,487	236,263
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	35,548	(35,548)	-
(III) Special reserve							
1. Appropriation for the year	-	-	-	641,436	-	-	641,436
2. Use in the year	-	-	-	(641,436)	-	-	(641,436)
III. Closing balance of the year	1,761,384	1,447,379	34,165	-	355,498	2,376,889	5,975,315

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2023

Unit: RMB'000

2022

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

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

CASH FLOW STATEMENT

2023

Unit: RMB'000

	2023	2022
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	28,425,851	35,219,283
Other cash receipts related to operating activities	3,537,227	3,456,543
	<u>31,963,078</u>	<u>38,675,826</u>
Subtotal of cash inflows from operating activities		
Cash paid for goods and services	26,893,861	33,747,325
Cash paid to and for employees	603,962	711,644
Taxes paid	573,539	811,306
Other cash payments related to operating activities	4,305,407	3,171,373
	<u>32,376,769</u>	<u>38,441,648</u>
Subtotal of cash outflows from operating activities		
Net cash flows from operating activities	<u>(413,691)</u>	<u>234,178</u>
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from return of investment	50	1,735
Cash received from investment income	23,643	74,243
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,001	397
	<u>24,694</u>	<u>76,375</u>
Subtotal of cash inflows from investing activities		
Cash paid for the purchase and construction of fixed assets	17,165	7,021
Cash paid to acquire investments	89,043	81,221
	<u>106,208</u>	<u>88,242</u>
Subtotal of cash outflows from investing activities		
Net cash flows from investing activities	<u>(81,514)</u>	<u>(11,867)</u>

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

CASH FLOW STATEMENT

2023

Unit: RMB'000

	2023	2022
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	<u>1,819,632</u>	<u>1,993,130</u>
Subtotal of cash inflows from financing activities	<u>1,819,632</u>	<u>1,993,130</u>
Cash paid for repayments of debts	<u>2,612,348</u>	1,923,240
Cash paid for interest repayment	<u>74,178</u>	96,424
Other cash payments related to financing activities	<u>6,666</u>	<u>19,077</u>
Subtotal of cash outflows from financing activities	<u>2,693,192</u>	<u>2,038,741</u>
Net cash flows from financing activities	<u>(873,560)</u>	<u>(45,611)</u>
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(3,152)</u>	<u>6,306</u>
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,371,917)</u>	183,006
Add: Opening balance of cash and cash equivalents	<u>6,401,993</u>	<u>6,218,987</u>
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	<u>5,030,076</u>	<u>6,401,993</u>

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

FINANCIAL STATEMENTS AND NOTES

2023
RMB'000

I. BASIC INFORMATION

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

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

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

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

Statement of compliance with the Accounting Standards for Business Enterprises

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the 2023 financial statements of the Group has been prepared based on the following significant accounting policies and estimates formulated in accordance with Accounting Standards for Business Enterprises.

1. Accounting period

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

2. Functional currency

Renminbi is the functional currency of the Group, which is used in the preparation of these financial statements. Unless otherwise stated, the unit of the currency is RMB'000.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company. An investor has control over an investee if and only when the investor has three elements: the investor has power over the investee; the investor is exposed, or has rights, to variable returns from its involvement with the investee; and the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Where the accounting policies or accounting periods adopted by a subsidiary are inconsistent with those of the Company, necessary adjustments shall be made to the financial statements of the subsidiary in accordance with the accounting policies and accounting periods of the Company when preparing the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Consolidated financial statements (Continued)

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

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

4. Joint arrangement classification and joint operation

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

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

5. Cash and cash equivalents

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments

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

The recognition and derecognition of financial instruments

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

The recognition and derecognition of financial instruments

(Continued)

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

Classification and measurement of financial assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortised cost

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

Debt instrument investments measured at fair value through other comprehensive income

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity instrument investments measured at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial liabilities

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

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at amortised cost

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

Impairment of financial instruments

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Impairment of financial instruments (Continued)

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

The Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group compares the default risk of the financial instrument at the balance sheet date with the default risk at the date of initial recognition to determine the change in the default risk over the duration period of the financial instrument.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Elimination of financial instruments

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

Financial guarantee contracts

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

Transfer of financial assets

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Inventories

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

On the balance sheet date, the inventories shall be calculated at the lower of cost and net realisable value. When the cost is higher than the net realisable value, inventory impairment allowance shall be provided and the inventories shall be included in current profit or loss. The net realisable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities.

9. Long-term equity investments

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

9. Long-term equity investments (Continued)

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. Investment property

Investment property is any property held for rental earnings or capital appreciation or both.

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

11. Fixed assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

12. Construction in progress

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

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

13. Intangible assets

Intangible assets are amortized using the straight-line method over their useful life as follows:

	Useful life
Land use rights	50 years

14. Research and development expenditures

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

15. Impairment of assets

The impairment of assets excluding inventories, contract assets, investment properties measured at fair value model, deferred income taxes and finance assets shall be determined using the following methods: The Group determines whether there is any indication that assets have suffered impairment losses at the balance sheet date. If an impairment indication exists, the recoverable amount is estimated and impairment test is carried out. For intangible assets with goodwill, indefinite useful life arising from business combination and intangible assets that have not been ready for intended use, impairment test should be performed at least once at the each year-end to assess whether an impairment indication exists.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

16. Employee benefits

Employee benefits represent all kinds of reward or compensation for service rendered by employees or the termination of employment given by the Group. Employee benefits include short-term remuneration, post-employment benefit, termination benefits and other long-term employee benefits.

Post-employment benefits (defined contribution plans)

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

Termination benefits

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

17. Provisions

Except for a contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when the Group has a present obligation and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date and reflects the current best estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers

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

Construction contracts

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

Contracts for sales of goods

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

Significant financing components

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

Quality assurance obligation

The Group provides quality assurance for the assets constructed pursuant to contractual agreements and laws and regulations. The Group performs accounting treatments in accordance with Note III-7 with a view to providing guarantees to the customers that the assets constructed meet the established quality standards. In addition to providing guarantees to the customers that the assets constructed meet the established quality standards, the Group provided the customers with a separate quality assurance for services, regarding it as a separate performance obligation. Based on the relative proportion of the individual selling prices of providing quality assurance for assets constructed and services, part of the transaction price is allocated to quality assurance of services and revenue is recognised when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantees to the customers that the assets constructed meet the established quality standards, the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

Principal/agent

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

PPP project contract

PPP project contract refers to the contract entered into between the Group and the government party for cooperation of PPP projects in accordance with relevant laws and regulations, which shall also meet the following characteristics (hereinafter referred to as “dual characteristics”):

- (1) The Group provides public goods and services on behalf of the government party using the assets of the PPP project for the period of operation as agreed in the contract;
- (2) The Group is compensated for the public goods and services it provides during the period as agreed in the contract.

PPP project contract shall also meet the following conditions (hereinafter referred to as “dual control”):

- (1) The government party controls or regulates the type, recipients and prices of public goods and services that the Group must provide using the PPP project assets;
- (2) The government party controls a significant residual interest in the PPP project assets through ownership, revenue rights or other forms upon termination of the PPP project contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

PPP project contract (Continued)

Construction, operation and transfer activities are typically included under PPP contracts. During the construction phase, the Group determines whether the Group is the principal or agent in accordance with the accounting policy for construction contracts above and, if the Group is the principal, recognises contract revenue and contract assets for construction services accordingly, with revenue from construction contract measured at the fair value of the consideration received or receivable. During the operational phase, the Group accounts for the corresponding amounts as follows:

- (1) Where the contract provides the Group with the right to receive a definite amount of cash (or other financial asset) during the operation period of the project, the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as a contractual asset until it has the right to receive such consideration (which is dependent only on the passage of time); and the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as a receivable when it has the right to receive such consideration (which is dependent only on the passage of time) and accounts for it in accordance with the provisions of the accounting policy on financial instruments. The Group recognizes the excess of the amount of consideration or the amount of construction revenue recognized for the relevant PPP project asset over the right to receive a definite amount of cash (or other financial assets) as an intangible asset when the PPP project asset becomes ready for intended use;
- (2) Where the contract provides that the Group has the right to charge a fee to the recipients of the public goods and services, but the amount of the fee is uncertain, the right does not constitute an unconditional right to receive cash and the Group recognises the amount of consideration or the amount of construction revenue recognised for the relevant PPP project asset as an intangible asset when the PPP project asset becomes ready for intended use.

In the operational phase, when labour services are provided, the corresponding revenue is recognised; routine maintenance or repair costs incurred are recognised as current expenses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

PPP project contract (Continued)

The portion of the expenditure expected to be incurred by the Group to maintain the infrastructure in a serviceable condition or in a useable condition until it is transferred to the contract owner under relevant contract is recognised as provision.

Build and transfer contract (“BT Contract”)

The activities under the BT contract usually include building and transfer. For the construction services provided by the Group, during the construction phase, the relevant construction service contract revenue is recognised in accordance with the accounting policies of the construction contract mentioned above. Contract assets are recognised at the time of revenue recognition and the significant financing components of the contractual arrangements are accounted for. When the unconditional right to receive the consideration is available, such contract assets are transferred to financial assets and are eliminated upon the receipt of payment from the owner.

19. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between the Group’s fulfilment of performance obligations and customers’ payment. The Group presents contract assets and contract liabilities under the same contract as the net amount after they offset with each other.

Contract assets

The contract assets represent the rights to receive considerations for goods or service transferred to customers (subject to factors other than passage of time).

Please refer to Note III-7 for the Group’s methods for determining and accounting for expected credit losses on contract assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Contract assets and contract liabilities (Continued)

Contract liabilities

The contract liabilities represent the obligations for transfer of goods or services to customers for considerations received or receivable from customers, such as the relevant amounts received by the enterprises before transferring the promised goods or services.

20. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted for as follows: if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or reduced related costs over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be deducted from the carrying amount of the asset; or recognised as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method, except that a government grant measured at a nominal amount is recognised immediately in profit or loss in the current period. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax

For temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and their tax bases, and temporary differences between the carrying amounts and the tax bases of items which have not been recognised as assets and liabilities but the tax bases of which can be determined for tax purposes, deferred income taxes are provided using the liability method in the balance sheet.

A deferred income tax liability is recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a single transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss, and the assets and liabilities initially recognized do not result in equal amount of taxable temporary differences and deductible temporary differences;
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax (Continued)

A deferred tax asset is recognised for deductible temporary differences, and the carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary differences arise from a single transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or loss is affected, and the assets and liabilities initially recognised do not result in equal amount of taxable temporary differences and deductible temporary differences;
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax (Continued)

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are presented as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred income tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed, the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

22. Leases

On the commencement date of contract, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

As lessee

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Leases (Continued)

Right-of-use assets

On the commencement date of the lease term, the Group recognises its right to use the leased assets over the lease term as right-of-use assets, which is initially measured at cost. The costs of right-of-use assets include: the initially measured amount of lease liabilities; the lease payments paid on or before the commencement date of the lease term excluding the lease incentive related amount entitled where lease incentives exist; the initial direct expenses by the lessee; and the cost expected to incur by the lessee to dismantle and remove the leased assets, restore the site where leased assets are located or restore the leased assets to the status agreed in lease terms. If the Group remeasures the lease liability due to changes in lease payments, the carrying amount of the right-of-use asset is adjusted accordingly. The Group subsequently uses the straight-line method to depreciate the right-of-use assets. If it can be reasonably determined that the ownership of the leased assets can be obtained at the expiration of the lease term, the Group shall make depreciation during the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the expiry of the lease term, the leased assets shall be depreciated over the shorter of the lease term or the remaining useful life of the leased assets.

Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the outstanding lease payments as lease liabilities, except for short-term leases and low-value asset leases. Lease payments include fixed payments and substantially fixed payments net of lease incentives, variable lease payments that depend on an index or rate, amounts expected to be payable based on the residual value of the security, and also include the exercise price of a purchase option or amounts to be paid upon exercise of a lease termination option if the Group is reasonably certain that the option will be exercised or the lease term reflects that the Group will exercise the lease termination option.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Leases (Continued)

Lease liabilities (Continued)

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates interest expenses in each period during the lease term based on a constant periodic interest rate, and recognises the interest expenses in profit or loss for the current period, except for those included in the costs of the relevant assets as otherwise specified. Variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss for the current period as incurred, except for those included in the costs of the relevant assets as otherwise specified.

After the commencement date of the lease period, the Group increases the carrying amount of the lease liability when interest is recognized and decreases the carrying amount of the lease liability when lease payments are made. In the event of a change in the actual fixed payment amount, a change in the amounts expected to be payable under a residual value guarantee, a change in an index or a rate used to determine lease payments, or a change in the assessment and actual exercise of an option to purchase the underlying asset, to extend or terminate the lease, the Group shall remeasure the lease liabilities according to the present value of the changed lease payments.

Short-term leases and low-value asset leases

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; leases with low value when single leased assets being a new asset are recognised as leases of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. During different periods in the lease terms, short-term leases and leases of low-value assets shall be recognised in the related asset cost or current profit or loss on a straight-line basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Leases (Continued)

As lessor

On the commencement date of the lease, leases that substantially transfer almost all the risks and rewards related to the ownership of leased assets are classified as finance leases, and all other leases are classified as operating leases. When the Group is an intermediate lessor, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease.

As the lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on a straight-line basis over the lease term through profit or loss for the current period. The variable lease payments not included in the measurement of the lease liability shall be recognised in profit or loss in the period in which it occurs. Initial direct costs are capitalized and amortized over the lease term on the same basis as rental income is recognized, and are recognized in profit or loss in the current period.

23. Profit distribution

Cash dividends of the Company are recognised as a liability when they are approved at the general meeting.

24. Safety production expenses

The safety production expenses accrued in accordance with the regulations are recorded in the relevant product cost or profit or loss of the current period and the special reserve. The treatment for usage of the safety production expenses depends on whether fixed assets are formed or not. If the usage of the safety production expenses is an expenditure, it is directly charged against the special reserve. If the safety production expenses occurred is used to form fixed assets, the expenditure incurred is accumulated and recognised as fixed assets when the intended usage condition is achieved. Meanwhile, an equivalent amount is charged against the special reserve and recognised as accumulated depreciation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

25. Fair value measurement

The Group measures its investment property, other equity instrument investments, receivables at fair value through other comprehensive income and held-for-trading financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the reported amounts and disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimations could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Operating leases – as lessor

The Group has entered into lease contracts on its investment property and fixed assets. The Group has determined, based on the terms of lease contracts, that it retains all the significant risks and rewards of ownership of these properties and fixed assets, which are accounted for as operating leases.

Method for determining the performance progress of a construction contract

The Group determines the performance progress of the construction contract in accordance with the input method. Specifically, the Group determines the performance progress of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost. The accumulated actual costs include the direct and indirect costs incurred for the transfer of goods to customers by the Group. The Group believes that the price of construction contract with the customer is determined on the basis of the construction cost, and the actual construction cost as a percentage of the estimated total cost can accurately reflect the performance progress of the construction service. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses, and adjust the revenue recognition amount accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Business model

The classification of financial assets held by the Group at initial recognition depends on the business model of the Group's management of financial assets. In determining the business model, the Group takes into account the corporate evaluation and ways to report the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management style, and the manner in which relevant business management personnel are paid. In assessing whether the business model is based on the objective of collection of contractual cash flows, the Group needs to make analysis and judgements on the reasons, timing, frequency and value of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to determine whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to determine whether there is a significant difference compared with the benchmark cash flow, and to determine whether the fair value of financial assets with prepayment characteristics is insignificant.

Classification of investment property and self occupied properties

The Group determines that investment property is any property held for rental earnings or capital appreciation or both (including leased property).

Whether the contract is a lease or contains a lease

The Group has entered into equipment lease agreements for certain construction projects. The Group considers that there is no identified asset or asset supplier with substantial right to replace relevant equipment under certain lease agreements and therefore, the lease agreements do not contain leases and the Group treats them as receipt of services.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Entities in which the Group holds less than 20% of voting rights but has a significant influence over them

The Group holds 15%, 5% and 11% equity interests in Jianwei County Yizongliangheng Project Management Company Limited (“Yizongliangheng”), Zhongyuan Environmental (Neihuang) Liangli Ecological Construction Project Management Company Limited (“Zhongyuan Environmental”) and Bozhou Xiangju Construction Company Limited (“Bozhou Xiangju”), respectively. The Directors of the Group considered that despite the less than 20% shareholding in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, the Group appointed three directors, one director and one director in each of Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, respectively, according to the requirements of their respective articles of association, and can participate in the decision making of financial and operational policies. As such, the Group may exercise significant influence over Yizongliangheng, Zhongyuan Environmental and Bozhou Xiangju, and the Group’s equity investments in these companies are accounted for as investments in associates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future accounting periods, are described below.

Impairment of financial instruments and contract assets

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information. In making such judgements and estimations, the Group infers the expected changes in the debtor’s credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment losses. The provision for impairment losses may not be equal to the actual amount of impairment losses in the future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

Unlisted equity investment is estimated using the market-based method and the assumptions on which it is based are unobservable inputs. The estimation requires the management to determine comparable public companies based on industry, scale, gearing ratio and strategy and compute appropriate price multiples in respect of each identified comparable company, such as price to book (“P/B”) ratio or price to earnings (“P/E”) ratio. Such multiples are calculated based on the relevant indexes of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the corresponding profit or asset of the unlisted equity investment to arrive at its fair value. Please refer to Note IX-2 for estimation of fair value of unlisted equity investments.

Deferred income tax assets

Deferred income tax assets are recognised for all unused deductible losses to the extent that it is probable that taxable profit will be available against which the deductible losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Construction and service contracts

The recognition of revenue and costs for construction and service contracts requires management to make relevant estimates. If losses are expected to be incurred on construction and service contracts, such losses are recognised as current costs. The Group’s management anticipates potential losses based on the budget for construction and service contracts. The nature of the infrastructure, design and dredging business results in the contract award date and project completion date often falling within different accounting periods. As contracts progress, the Group reviews and revises the estimated total contract revenue and estimated total contract cost on an ongoing basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Construction and service contracts (Continued)

The Group monitors the payment progress of the owners on an ongoing basis in accordance with the terms of the contracts and regularly assesses the creditworthiness of the owners. If circumstances indicate that it is probable that the owner will default in the payment of all or part of the contract price, or that the owner will not be able to meet its obligations under the terms of the contract, the Group will reassess the impact of the matter on the consolidated financial statements and may revise the amount of the estimated loss on the contract. This revision will be reflected in the Group's financial statements in the period in which the Group reassesses and is required to revise the estimated loss on the contract.

Fair value of investment property

The best evidence of fair value of investment property is given by current prices in an active market for similar lease and other contracts. In the absence of relevant information, the management shall determine the relevant amount within the range of reasonable fair value estimates. The management's judgement will be based on market rental prices of similar properties under current leases in an active market and discounted cash flow projections based on reliable estimates of future cash flows using discount rates that reflect current market assessments of the amount and timing of the cash flows. Principal assumptions adopted by the Group in estimating fair values include market rents for similar properties at the same location and under the same conditions, discount rates, vacancy rates, projected future market rents and maintenance costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Incremental borrowing rate of the lessee

For leases of which the interest rate implicit in the lease cannot be determined, the Group uses the lessee's incremental borrowing rate as the discount rate to calculate the present value of the lease payment. When determining the incremental borrowing rate, the Group uses the observable interest rate as the reference basis for determining the incremental borrowing rate based on the current economic environment. On this basis, the reference interest rate is adjusted according to the specific conditions of the lease business such as its own situation, the underlying asset situation, the lease period and the amount of lease liability in order to calculate the applicable incremental borrowing rate.

Contingent liabilities for litigation and claims

The Group has been involved in a number of litigations and claims in the past in relation to certain construction projects. Management has assessed the contingent liabilities arising from such litigations and claims with reference to the advice of legal advisers. The Group has made provision for possible liabilities based on management's best estimates and judgement.

Depreciation of fixed assets

Depreciation of the Group's fixed assets is provided on a straight-line basis over their estimated useful lives, using the recorded value of the assets less their estimated net residual value. The Group periodically assesses the estimated useful lives and estimated net residual values to ensure that the depreciation methods and rates are consistent with the expected pattern of economic benefits to be realised from the fixed assets. The Group's estimates of the estimated useful lives and net residual values of fixed assets are based on historical experience and take into account expected technological updates. When there is a significant change in the estimated useful life and estimated net residual value, depreciation expense may need to be adjusted accordingly and therefore estimates based on current experience may differ from the actual results in the following year, which may result in significant adjustments to the carrying value and accumulated depreciation amounts of fixed assets.

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IV. TAXATION

Major categories of taxes and respective tax rates of the Group during the year are set out below:

Value-added tax (VAT)	-	The output tax of general taxpayers shall be levied at a tax rate of 6%, 9% or 13% on the taxable income, and the VAT shall be levied after deducting the deductible input tax for the current period. The VAT of small scale taxpayers shall be levied at a tax rate of 3% on the taxable income.
City maintenance and construction tax	-	It is levied at 7%, 5% and 1% on the turnover taxes paid.
Educational surcharge	-	It is levied at 3% on the turnover taxes paid.
Local educational surcharge	-	It is levied at 2% on the turnover taxes paid.
Enterprise income tax (EIT)	-	It is levied at 25% on the taxable income.

V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Tianchen Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	400,000	100	-	100	
Bozhou Qihang Transportation Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	315,787	90	-	90	
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	PRC/PRC	Limited liability	Automobile technology development and sales	300,000	90	-	90	
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	220,000	80	-	80	
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	205,000	100	-	100	
Tibet Jiming Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	200,000	100	-	100	
Hainan Qihui Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability	Supply chain management	200,000	100	-	100	
HCG (Ningbo) Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability	Supply chain management	200,000	100	-	100	
HCG Installment Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	180,000	100	-	100	
Huainan Fengrui Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	161,651	80	-	80	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Hebei Tiansheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	150,000	-	100	100	Note 1
Gaoyang Tianxin Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	125,000	90	-	90	Note 2
HCG Ecological Environment Co., Ltd.	PRC/PRC	Limited liability	Garden engineering	108,000	100	-	100	
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	101,000	100	-	100	
Shaanxi Tianqin Jianan Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	
Dangshan Soaring General Aviation Industry Development Co., Ltd.	PRC/PRC	Limited liability company	Aviation industry	100,000	80	-	80	
Dacheng County Zhongzhou Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Water Plant Operation	100,000	-	100	100	
Hebei Tianying Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	Note 2
Tangshan Yuanzhu Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	Note 2
Yunnan Tianyi Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	100	-	100	Note 2

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Inner Mongolia Jiantou Development Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	60	-	60	Note 2
Inner Mongolia Jiantou Northern Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	100,000	51	-	51	Note 2
Dacheng County Zhongyu Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Water Plant Operation	88,480	20	80	100	
Shandong Juhe Agricultural Service Development Co., Ltd.	PRC/PRC	Limited liability company	Agricultural sale	76,160	89	-	89	
Baoding Zhongcheng Investment Management Co., Ltd.	PRC/PRC	Limited liability company	Investment management	69,000	100	-	100	
Zhongrun Lvgu Ecological Development Co., Ltd.	PRC/PRC	Limited liability company	Urban greening	60,000	-	100	100	
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	PRC/PRC	Limited liability company	Hospital management	60,000	90	-	90	
Hebei Lvjian Investment Company	PRC/PRC	Limited liability company	Investment management	60,000	92	8	100	
Hebei Tianrui Project Management Co., Ltd.	PRC/PRC	Limited liability company	Engineering management services	60,000	100	-	100	Note 2
Baoding Zhongze Water Supply Co., Ltd.	PRC/PRC	Limited liability company	Water Plant Operation	50,000	75	-	75	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Jimu Door and Window Co., Ltd.	PRC/PRC	Limited liability company	Curtain wall engineering	50,000	-	100	100	
HCG Tianding Construction and Installation Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Hebei Tiankai Construction Engineering Co., Ltd. (formerly known as Hebei Construction Group Steel Structure Engineering Co., Ltd.)	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
HCG Zhengyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	50,000	100	-	100	
Hebei Construction Group Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	
Yuncaai Network Technology Co., Ltd.	PRC/PRC	Limited liability company	Internet development and sale	50,000	80	-	80	
HCG Smart Energy Co., Ltd.	PRC/PRC	Limited liability company	Development of new energy technology	50,000	-	95	95	
Shenzhen Zhongru Investment Co., Ltd.	PRC/PRC	Limited liability company	Investment advisory and consultation	50,000	100	-	100	
Beijing Tianjia Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Langfang Ecological Construction Co., Ltd.	PRC/PRC	Limited liability company	Ecological construction	50,000	51	49	100	
HCG Tianyong Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	Note 2
HCG Zhichuang Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	Note 2
HCG Zhuoxin Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	Note 2
HCG Tianmian Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	Note 2
HCG Dayuan Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	50,000	100	-	100	Note 2
Hebei Shangbai Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	40,000	100	-	100	Note 3
Guizhou Tianze Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	40,000	100	-	100	Note 2
Hebei Shenning Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	30,000	95	-	95	
Hebei Haikuo Environmental Technology Co., Ltd.	PRC/PRC	Limited liability company	Environmental engineering	30,000	100	-	100	
Hebei Bingzheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	30,000	100	-	100	Note 2

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
HCG Jianyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	25,000	-	100	100	
Fuping Fuyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	25,000	100	-	100	
Chengde City Fengyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	25,000	100	-	100	Note 2
Hebei Construction Group Deyuan Concrete Co., Ltd.	PRC/PRC	Limited liability company	Concrete production and sale	25,000	-	100	100	Note 1
Baoding Shitongyuan Electricity Sale Co., Ltd.	PRC/PRC	Limited liability company	Electricity sales service	21,000	-	95	95	
Hebei Tuowei Investment Co., Ltd.	PRC/PRC	Limited liability company	Investment and management of new energy industry	21,000	-	100	100	
Hebei Tuo'an Electrical Installation Co., Ltd.	PRC/PRC	Limited liability company	Electrical equipment installation and sales	21,000	-	51	51	
Hebei Xindacheng Real Estate Development Co., Ltd.	PRC/PRC	Limited liability company	Property development and operation	20,010	-	100	100	Note 1
HCG Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	20,000	100	-	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	PRC/PRC	Limited liability company	Lease of machinery equipment	16,060	100	-	100	
Rongcheng County Xinrong City Development Co., Ltd	PRC/PRC	Limited liability company	Urban greening	15,000	80	-	80	
Hebei Xingxi Corporate Management Co., Ltd.	PRC/PRC	Limited liability company	Advisory service	10,000	100	-	100	
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	10,000	-	83	83	
Anping County Xinjian Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	10,000	-	80	80	
Hebei Tuohui New Energy Technology Co., Ltd.	PRC/PRC	Limited liability company	Development of new energy technology	10,000	-	100	100	
Hebei Baina Production Base Co., Ltd.	PRC/PRC	Limited liability company	Park management services	10,000	-	100	100	
Anhui Zhengrui Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	10,000	100	-	100	Note 2
Shunping County Huanzhou Greening Co., Ltd.	PRC/PRC	Limited liability company	Garden engineering	6,600	-	80	80	
Zhuhai Zhongwei Construction Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	6,000	100	-	100	
HCG Jilin Engineering Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	6,000	100	-	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ place of	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	Note
					Direct	Indirect		
Hebei Zhongru Software Technology Co., Ltd.	PRC/PRC	Limited liability company	Construction software development and sale	5,500	70	-	70	
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	PRC/PRC	Limited liability company	Garden engineering	5,000	-	80	80	
Hebei Zhuocheng Engineering Inspection Co., Ltd.	PRC/PRC	Limited liability company	Construction project quality inspection	3,000	100	-	100	
Hebei Zhunwang Smart Technology Co., Ltd.	PRC/PRC	Limited liability company	Technology promotion and application services	3,000	-	100	100	
Baoding Bowang New Material Technology Co., Ltd.	PRC/PRC	Limited liability company	Technology promotion and application services	3,000	100	-	100	Note 2
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	PRC/PRC	Limited liability company	Sewage treatment	1,000	-	100	100	
Hebei Construction Group Harbin Airport Construction Co., Ltd.	PRC/PRC	Limited liability company	Infrastructure construction	500	100	-	100	Note 2
Baoding Yungong Trading Co., Ltd.	PRC/PRC	Limited liability company	Comprehensive sales	100	-	100	100	

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

1. Information about subsidiaries (Continued)

Notes:

Note 1: The above subsidiaries were newly acquired this year.

Note 2: Such subsidiaries were newly established during the year.

Note 3: The registered capital of Hebei Shangbai Construction Engineering Co., Ltd. changed from RMB20 million to RMB40 million during the year.

Note 4: Hebei Construction Group Tianchu Construction Engineering Co., Ltd. was deregistered during the year. HCG transferred its equity interest in HCG Henan Zhongyuan Construction Engineering Co., Ltd. during the year.

Except for the cancelation of subsidiaries and newly established or acquired subsidiaries, the scope of consolidated financial statements is consistent with that of the previous year.

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

2. Material non-controlling interests

Subsidiaries with non-controlling interests that are material to the Group are as follows:

2023

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(4,551)	36,168
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(73)	16,914
Bozhou Qihang Transportation Construction Co., Ltd.	10	(5,467)	6,140
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	20	(78)	3,328

2022

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(2,141)	23,719
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(1)	16,987
Bozhou Qihang Transportation Construction Co., Ltd.	10	(5,555)	11,607
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	20	-	3,406

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

2. Material non-controlling interests (Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2023

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.	Bozhou Qihang Transportation Construction Co., Ltd.	Rongcheng County Rongyu City Garden Engineering Co., Ltd.
Current assets	207,211	10,690	142,930	23,991
Non-current assets	805,106	11,558	1,159,579	-
Total assets	1,012,317	22,248	1,302,509	23,991
Current liabilities	266,677	717	398,645	7,412
Non-current liabilities	555,345	-	808,852	-
Total liabilities	822,022	717	1,207,497	7,412
Operating revenue	2,438	-	-	1,400
Net loss	(18,205)	(427)	(54,672)	(392)
Total comprehensive loss	(18,205)	(427)	(54,672)	(392)
Net cash flows (used in)/ generated from operating activities	(48,577)	(1,435)	(98,103)	1,008

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

2. Material non-controlling interests (Continued)

2022

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.	Bozhou Qihang Transportation Construction Co., Ltd.	Rongcheng County Rongyu City Garden Engineering Co., Ltd.
Current assets	212,416	10,825	204,336	22,983
Non-current assets	718,681	11,309	1,146,692	-
Total assets	931,097	22,134	1,351,028	22,983
Current liabilities	227,336	176	392,426	6,012
Total liabilities	512,261	-	808,918	-
Total liabilities	739,597	176	1,201,344	6,012
Operating revenue	56,122	-	-	5,121
Net (loss)/gain	(8,565)	(4)	(55,550)	1
Total comprehensive (loss)/ income	(8,565)	(4)	(55,550)	1
Net cash flows (used in)/ generated from operating activities	(98,377)	-	(112,124)	3,001

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2023	2022
Cash on hand	4,776	5,424
Bank deposits	6,656,595	7,451,406
Other currency funds	1,027,344	1,666,189
Total	<u>7,688,715</u>	<u>9,123,019</u>

2. Financial assets held for trading

	2023	2022
Financial assets at fair value through profit or loss		
Equity instrument investment	<u>15,329</u>	<u>3,118</u>

FINANCIAL STATEMENTS AND NOTES

2023

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

3. Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

	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
	8,926,556	8,935,022
Less: Impairment allowance of accounts receivable	1,447,583	1,119,455
Total	7,478,973	7,815,567

Except for project quality deposits receivable, the ageing of accounts receivable was calculated since the invoice date. The ageing of the project quality deposits receivable is calculated from the later of the invoice date and the expiry of the warranty period.

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

	Opening balance	Accrual during the year	Recovery or reversal during the year	Closing balance
2023	1,119,455	912,999	(584,871)	1,447,583
2022	1,257,944	329,729	(468,218)	1,119,455

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

3. Accounts receivable (Continued)

Accounts receivable and bad debt provisions are disclosed by category as follows:

	2023			
	Book balance		Bad debt provisions	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	3,160,051	35	1,119,625	35
Provision for bad debts according to credit risk portfolio	5,766,505	65	327,958	6
Total	8,926,556	100	1,447,583	

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

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

3. Accounts receivable (Continued)

The Group's accounts receivable with bad debt provision using the ageing analysis method are as follows:

	2023			2022		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	4,300,585	1.22	52,468	4,720,273	1.01	47,675
1 to 2 years	982,563	6.16	60,526	768,679	4.87	37,434
2 to 3 years	262,144	19.85	52,036	185,338	16.12	29,876
3 to 4 years	88,768	43.20	38,348	135,727	34.79	47,219
4 to 5 years	65,877	88.06	58,012	46,173	72.39	33,425
Over 5 years	66,568	100.00	66,568	72,612	100.00	72,612
Total	5,766,505		327,958	5,928,802		268,241

4. Receivables financing

	2023	2022
Bank acceptance bill	155,882	226,823
Commercial acceptance bill	49,364	122,662
Total	205,246	349,485

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

5. Prepayments

The ageing analysis of prepayments is as follows:

	2023		2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	610,105	85	603,768	83
1 to 2 years	80,455	11	82,137	11
2 to 3 years	18,483	3	37,932	5
Over 3 years	4,714	1	9,308	1
Total	713,757	100	733,145	100

The breakdown of prepayments by nature is as follows:

	2023	2022
Prepayments for subcontracting works	518,739	529,545
Prepayments for materials	195,018	203,600
Total	713,757	733,145

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

6. Other receivables

	2023	2022
Other receivables	2,297,617	2,360,433

The overdue ageing analysis of other receivables is as follows:

	2023	2022
Not overdue and overdue for no more than 1 year	2,361,969	2,404,887
Overdue for 1 to 2 years	29,448	34,765
Overdue for 2 to 3 years	10,597	12,097
Overdue for over 3 years	74,470	75,403
	2,476,484	2,527,152
Less: Bad debt allowance on other receivables	178,867	166,719
Total	2,297,617	2,360,433

The breakdown of other receivables by nature is as follows:

	2023	2022
Performance bond	840,850	873,363
Project advances	834,427	840,497
Security deposit	363,029	352,792
Tender deposit	185,863	199,464
Other deposit	173,485	182,269
Others	78,830	78,767
	2,476,484	2,527,152
Less: Bad debt allowance on other receivables	178,867	166,719
Total	2,297,617	2,360,433

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

6. Other receivables (Continued)

The movements of bad debt allowance on other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

2023

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit Losses (not Credit Impaired)	Stage 3 Lifetime expected credit losses (Credit Impaired)	Total
Opening balance	12,028	75,890	78,801	166,719
Transfer of opening balance among stages during the year	(40)	40	-	-
Provision during the year	18,456	10,830	-	29,286
Reversal during the year	(9,654)	(7,334)	(150)	(17,138)
Closing balance	20,790	79,426	78,651	178,867

2022

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit Losses (not Credit Impaired)	Stage 3 Lifetime expected credit Losses (Credit Impaired)	Total
Opening balance	13,292	69,009	79,270	161,571
Transfer of opening balance among stages during the year	(1,713)	1,713	-	-
Provision during the year	6,435	7,037	-	13,472
Reversal during the year	(5,986)	(1,869)	(469)	(8,324)
Closing balance	12,028	75,890	78,801	166,719

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

7. Inventories

	2023	2022
Raw materials	110,782	182,032
Property development costs	79,618	-
Total	190,400	182,032

As at 31 December 2023, the management of the Group believes that there is no need to make provision for the inventory impairment.

8. Contract assets

Contract assets are mainly generated by the construction project contracting business of the Group. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset while progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

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

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

8. Contract assets (Continued)

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

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2023	1,966,341	439,546	(299,898)	2,105,989
2022	1,786,843	575,252	(395,754)	1,966,341

	2023			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	7,093,488	16.04	1,653,111	23.30
Provision for impairment according to credit risk portfolio	37,120,537	83.96	452,878	1.22
Total	44,214,025	100.00	2,105,989	

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

8. Contract assets (Continued)

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

As at 31 December 2023, part of the performance progress of the Group's relevant construction contracts were settled for work performed, resulting in a decrease in the carrying value of the contract assets.

9. Other current assets

	2023	2022
Assets for debt settlement	185,250	191,401
Prepaid EIT	128,258	108,883
Prepaid VAT and deductible input tax	125,883	114,375
Prepaid surcharges	64,575	51,635
Prepaid land use tax	10,726	10,626
Prepaid stamp duty	7,961	7,795
Prepaid deed tax	3,905	3,905
Prepaid personal income tax	72	93
Others	13,910	13,218
Total	540,540	501,931

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

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

10. Long-term receivables

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

	2023	2022
Long-term concession project receivables	210,224	213,251
Project receivables	12,533	-
	222,757	213,251
Less: Bad debt allowance on long-term receivables	794	-
	221,963	213,251
Less: Long-term receivables due within one year	44,394	43,128
Total	177,569	170,123

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

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

11. Long-term equity investments

	2023	2022
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	356,355	362,349
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	15,742	15,742
Inner Mongolia Construction Investment Group Co., Ltd.	8,938	8,200
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	8,549	12,379
Baoding Nongtou Construction Engineering Co., Ltd.	256	-
Associates		
Yizongliangheng	56,779	56,779
Rongcheng County Hengda Construction Investment Co., Ltd.	29,149	29,140
Bozhou Xiangju	24,588	22,441
Zhongyuan Environmental	9,256	8,676
	509,612	515,706
Less: Provision for impairment of long-term equity investments	8,549	-
Total	501,063	515,706

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

11. Long-term equity investments (Continued)

Provision for impairment of long-term equity investments:

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	-	8,549	-	8,549

Key information of joint ventures and associates:

2023

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Inner Mongolia Construction Investment Group Co., Ltd.	PRC/PRC	Construction investment	100,000	40	Equity method
Baoding Nongtuo Construction Engineering Co., Ltd.	PRC/PRC	Infrastructure construction	100,000	60	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction management	100,000	29	Equity method

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

11. Long-term equity investments (Continued)

2022

	Principal place of business/ place of registration	Nature of business	Registered capital	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	200,000	49.5	Equity method
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	PRC/PRC	Gardening and greenery	50,000	33	Equity method
Inner Mongolia Construction Investment Group Co., Ltd.	PRC/PRC	Construction investment	100,000	40	Equity method
Associates					
Zhongyuan Environmental	PRC/PRC	Construction management	167,380	5	Equity method
Bozhou Xiangju	PRC/PRC	Construction management	150,000	11	Equity method
Yizongliangheng	PRC/PRC	Road management	100,000	15	Equity method
Rongcheng County Hengda Construction Investment Co., Ltd.	PRC/PRC	Construction management	100,000	29	Equity method

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

	2023	2022
Total carrying values of investments	501,063	515,706
Total amounts calculated as per shareholding as follows		
Net (loss)/profit	(1,932)	2,866
Total comprehensive (loss)/income	(1,932)	2,866

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

12. Other equity instrument investments

	2023	2022
Baoding Commercial Bank Co., Ltd.	457,600	607,500
China Risun Group Co., Ltd.	60,431	55,222
Taihang Heyi Environmental Technology Co., Ltd.	58,750	72,500
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	7,000	9,000
Hebei Xiong' an Zangang Commercial Concrete Co., Ltd.	1,957	-
Hebei Xiong' an Rongxi Commercial Concrete Co., Ltd.	1,957	-
Hebei Xiong' an Zhaili Commercial Concrete Co., Ltd.	1,240	-
Xihua County Jijiantongda Construction Co., Ltd.	134	237
Total	589,069	744,459

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

12. Other equity instrument investments (Continued)

2023

	Dividend income in 2023	Accumulated gains through other comprehensive income	Reason of measuring at fair value through other comprehensive income
Taihang Heyi Environmental Technology Co., Ltd.	2,500	18,750	Strategic investment
China Risun Group Co., Ltd.	1,179	12,115	Strategic investment
Baoding Commercial Bank Co., Ltd.	-	12,100	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	-	4,000	Strategic investment
Hebei Xiong' an Zangang Commercial Concrete Co., Ltd.	-	-	Strategic investment
Hebei Xiong' an Rongxi Commercial Concrete Co., Ltd.	-	-	Strategic investment
Hebei Xiong' an Zhaili Commercial Concrete Co., Ltd.	-	-	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	-	(22)	Strategic investment
Total	3,679	46,943	

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

12. Other equity instrument investments (Continued)

2022

	Dividend income in 2022	Accumulated gains through other comprehensive income	Reason of measuring at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	29,700	162,000	Strategic investment
Taihang Heyi Environmental Technology Co., Ltd.	2,500	32,500	Strategic investment
Qinhuangdao Smooth Road Construction and Management Co., Ltd.	-	6,000	Strategic investment
China Risun Group Co., Ltd.	3,886	6,906	Strategic investment
Xihua County Jijiantongda Construction Co., Ltd.	-	81	Strategic investment
Total	<u>36,086</u>	<u>207,487</u>	

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

13. Investment property

Subsequently measured by adopting the fair value model:

2023

	Houses and buildings
Cost	
Opening balance	99,200
Adjustment on the fair value	<u>(600)</u>
Closing balance	<u>98,600</u>

2022

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

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

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

14. Fixed assets

2023

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	997,116	169,591	76,953	111,944	1,355,604
Acquisitions	719	11,958	7,589	936	21,202
Transfer from construction in progress	9,975	-	-	-	9,975
Disposal or retirement	(8,040)	(2,947)	(13,829)	(430)	(25,246)
Closing balance	<u>999,770</u>	<u>178,602</u>	<u>70,713</u>	<u>112,450</u>	<u>1,361,535</u>
Accumulated depreciation					
Opening balance	(101,891)	(104,692)	(65,309)	(102,303)	(374,195)
Provision	(34,094)	(16,804)	(6,251)	(5,278)	(62,427)
Disposal or retirement	7,799	2,808	12,526	426	23,559
Closing balance	<u>(128,186)</u>	<u>(118,688)</u>	<u>(59,034)</u>	<u>(107,155)</u>	<u>(413,063)</u>
Carrying amount					
At the end of the year	<u>871,584</u>	<u>59,914</u>	<u>11,679</u>	<u>5,295</u>	<u>948,472</u>
At the beginning of the year	<u>895,225</u>	<u>64,899</u>	<u>11,644</u>	<u>9,641</u>	<u>981,409</u>

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

14. Fixed assets (Continued)

2022

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

As at 31 December 2023, the management of the Group considers that no impairment provision is required for fixed assets.

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

15. Construction in progress

2023

	Change during the year			Closing balance
	Closing balance	Acquisition and construction	Transfer to fixed assets	
Qingyuan Green Industrial Park	69,839	22,729	-	92,568
New base in Langfang	39,303	694	-	39,997
Tianjin office building	34,708	-	-	34,708
Project of transformation and construction of office building of the Group	2,150	-	-	2,150
Others	9,975	-	(9,975)	-
Total	155,975	23,423	(9,975)	169,423

2022

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

As at 31 December 2023, the management of the Group considers that no impairment provision is required for construction in progress.

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

16. Right-of-use assets

2023

	Buildings	Machinery equipment	Total
Cost			
Opening balance	28,801	32,803	61,604
Addition	14,201	-	14,201
Reduction	(2,439)	(32,803)	(35,242)
Closing balance	40,563	-	40,563
Accumulated depreciation			
Opening balance	(14,419)	(29,216)	(43,635)
Addition	(9,579)	(3,587)	(13,166)
Reduction	2,439	32,803	35,242
Closing balance	(21,559)	-	(21,559)
Carrying amount			
At the end of the year	19,004	-	19,004
At the beginning of the year	14,382	3,587	17,969

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

16. Right-of-use assets (Continued)

2022

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

As at 31 December 2023, the management of the Group considers that no impairment provision is required for right-of-use assets.

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

17. Intangible assets

2023

	Land use rights
Cost	
Opening and closing balance	<u>114,062</u>
Accumulated amortization	
Opening balance	(17,730)
Provision	<u>(2,207)</u>
Closing balance	<u>(19,937)</u>
Carrying amount	
At the end of the year	<u>94,125</u>
At the beginning of the year	<u>96,332</u>

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

17. Intangible assets (Continued)

2022

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

As at 31 December 2023, the management of the Group considers that no impairment provision is required for intangible assets.

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

18. Deferred income tax assets

Certain deferred tax assets and liabilities recognised have been offset and the Group presents such net amount after offsetting in the balance sheet. As at 31 December 2023, the offset amount was RMB41,084,000 (31 December 2022: RMB76,672,000).

Deferred income tax assets recognised:

	2023	2022
Asset impairment provision	860,638	752,331
Withholding expenses	87,002	66,992
Unrealised profit from internal transactions	63,432	63,985
Deductible losses	30,244	14,236
Lease liabilities	4,539	-
Adjustment to change in fair value of receivables financing	494	879
Total	1,046,349	898,423

The Group recognises deferred income tax assets related to deductible losses and tax credits based on the estimation that it will generate sufficient taxable income before the deductible losses and tax credits expire.

As at 31 December 2023, the unrecognised deductible temporary differences for deferred income tax assets of the Group amounted to RMB310,956,000 (31 December 2022: RMB250,846,000) and the deductible loss of unrecognised deferred income tax assets amounted to RMB359,614,000 (31 December 2022: RMB353,584,000), falling due of the deductible loss in 2024 to 2028 (31 December 2022: 2023 to 2027).

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

18. Deferred income tax assets (Continued)

Deferred income tax liabilities recognised:

	2023	2022
Fair value adjustment for investment property	24,650	24,800
Fair value adjustment for other equity instrument investments	11,736	51,872
Adjustment for right-of-use assets	4,698	-
Total	<u>41,084</u>	<u>76,672</u>

19. Assets with restricted ownership

	2023	2022
Currency funds	1,161,029	634,600 <i>Note 1</i>
Accounts receivable	180,166	135,611 <i>Note 2</i>
Receivables financing	3,000	- <i>Note 3</i>
Contract assets	2,314,456	2,757,523 <i>Note 2</i>
Long-term receivables (including long-term receivables due within one year)	210,224	213,251 <i>Note 2</i>
Investment property	98,600	99,200 <i>Note 4</i>
Fixed assets	408,230	162,502 <i>Note 5</i>
Intangible assets	93,770	95,913 <i>Note 5</i>
Total	<u>4,469,475</u>	<u>4,098,600</u>

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

19. Assets with restricted ownership (Continued)

Note 1: As at 31 December 2023, the Group's currency funds with restricted ownership were frozen for judicial and other reasons of RMB1,076,526,000 (31 December 2022: RMB458,611,000), bill deposits of RMB81,268,000 (31 December 2022: RMB172,921,000) and letters of guarantee of RMB3,235,000 (31 December 2022: RMB3,068,000).

Note 2: As at 31 December 2023, the Group obtained a short-term borrowing of RMB144,966,000 secured by accounts receivable with the carrying amount of RMB180,166,000.

As at 31 December 2023, the Group obtained a long-term borrowing of RMB2,102,338,000 jointly secured by contract assets with the carrying amount of RMB2,314,456,000 and long-term receivables with the carrying amount of RMB210,224,000.

As at 31 December 2022, the Group obtained a short-term borrowing of RMB158,392,000 jointly secured by accounts receivable with the carrying amount of RMB135,611,000 and contract assets with the carrying amount of RMB179,620,000.

As at 31 December 2022, the Group obtained a long-term borrowing of RMB2,071,898,000 and a short-term borrowing of RMB19,533,000 jointly secured by contract assets with the carrying amount of RMB2,577,903,000 and long-term receivables with the carrying amount of RMB213,251,000.

Note 3: As at 31 December 2023, the Group obtained a short-term borrowing of RMB3,000,000 secured by receivables at fair value through other comprehensive income with the carrying amount of RMB3,000,000. As at 31 December 2022, the Group did not obtain short-term borrowing secured by receivables at fair value through other comprehensive income.

Note 4: As at 31 December 2023, the Group obtained a short-term bank borrowings of RMB100,100,000 (31 December 2022: RMB100,101,000) secured by investment property with the carrying amount of RMB98,600,000 (31 December 2022: RMB99,200,000).

Note 5: As at 31 December 2023, the Group obtained a short-term borrowings of RMB349,165,000 (31 December 2022: RMB188,236,000) secured by fixed assets with the carrying amount of RMB408,230,000 (31 December 2022: RMB162,502,000) and intangible assets with the carrying amount of RMB93,770,000 (31 December 2022: RMB95,913,000).

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

20. Short-term borrowings

	2023	2022
Unsecured loans	618,848	794,148
Guaranteed loans	1,253,346	1,155,001
Loans secured by mortgages	449,265	288,337
Loans secured by pledges	147,966	177,925
Total	<u>2,469,425</u>	<u>2,415,411</u>

21. Accounts payable

Accounts payable are non-interest bearing and are generally settled within an agreed period.

The ageing analysis of accounts payable is as follows:

	2023	2022
Within 1 year	23,269,785	24,767,196
1 to 2 years	8,134,270	7,595,664
2 to 3 years	1,714,512	2,799,728
Over 3 years	1,369,488	1,424,539
Total	<u>34,488,055</u>	<u>36,587,127</u>

The ageing of accounts payable was calculated since the date the procurement was made.

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

22. Contract liabilities

	2023	2022
Receipts in advance from customers for contract works	6,704,485	6,939,618

As at 31 December 2023, the decrease in contract liabilities was mainly due to the offsetting of advance receipts in accordance with the progress of the completion.

23. Employee benefits payable

2023

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Wages, bonuses, allowances and subsidies	92,808	632,021	594,265	130,564
Contribution to the social insurance	24,809	33,401	23,485	34,725
Including: Medical insurance	18,985	26,917	19,335	26,567
Work-related injuries insurance	3,664	5,211	3,684	5,191
Maternity insurance	2,160	1,273	466	2,967
Housing provident fund	34,163	38,922	24,519	48,566
	151,780	704,344	642,269	213,855
Defined contribution plans	50,340	58,774	39,604	69,510
Including: Basic pension insurance	48,226	56,383	37,977	66,632
Unemployment insurance	2,114	2,391	1,627	2,878
Total	202,120	763,118	681,873	283,365

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

23. Employee benefits payable (Continued)

2022

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Wages, bonuses, allowances and subsidies	96,325	714,427	717,944	92,808
Contribution to the social insurance	24,883	37,277	37,351	24,809
Including: Medical insurance	18,409	30,488	29,912	18,985
Work-related injuries insurance	3,723	5,458	5,517	3,664
Maternity insurance	2,751	1,331	1,922	2,160
Housing provident fund	36,674	41,566	44,077	34,163
	<u>157,882</u>	<u>793,270</u>	<u>799,372</u>	<u>151,780</u>
Defined contribution plans	51,143	65,271	66,074	50,340
Including: Basic pension insurance	49,007	62,433	63,214	48,226
Unemployment insurance	2,136	2,838	2,860	2,114
Total	<u>209,025</u>	<u>858,541</u>	<u>865,446</u>	<u>202,120</u>

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

24. Taxes payable

	2023	2022
Enterprise income tax	833,807	709,929
Value-added tax	30,969	37,557
City maintenance and construction tax	12,123	14,599
Educational surcharge	8,385	10,583
Individual income Tax	2,594	697
Others	392	5
Total	888,270	773,370

25. Other current liabilities

	2023	2022
VAT amounts to be transferred to output	3,776,820	3,920,002
Financial guarantee contracts	19,810	23,781
Total	3,796,630	3,943,783

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

26. Long-term borrowings

	2023	2022
Guaranteed loans	1,164,459	1,501,364
Guaranteed loans and loans secured by pledges	889,915	917,363
Loans secured by pledges	1,212,423	1,154,535
	3,266,797	3,573,262
Less: Long-term borrowings due within one year	416,900	888,432
Total	2,849,897	2,684,830

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

	2023	2022
Within 1 year	416,900	888,432
1 to 2 years	371,994	585,178
2 to 5 years	452,947	87,566
Over 5 years	2,024,956	2,012,086
Total	3,266,797	3,573,262

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

27. Lease liabilities

	2023	2022
Lease liabilities for buildings	18,331	14,254
Lease liabilities for machinery equipment	-	3,172
	18,331	17,426
Less: Lease liabilities due within one year	6,182	8,201
Total	12,149	9,225

The term analysis of lease liabilities is as follows:

	2023	2022
Within 1 year	6,182	8,201
1 to 2 years	548	1,830
2 to 5 years	11,601	6,804
Over 5 years	-	591
Total	18,331	17,426

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

28. Share capital

	2023		2022	
	RMB	Proportion (%)	RMB	Proportion (%)
Zhongru Investment Co., Ltd. H Shares on the Main Board of Hong Kong	1,202,500	68	1,202,500	68
Qianbao Investment Co., Ltd.	461,384	26	461,384	26
	97,500	6	97,500	6
Total	1,761,384	100	1,761,384	100

29. Capital reserve

2023

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

2022

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

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

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

30. Other comprehensive income

Cumulative balance of other comprehensive income attributable to the owners of the parent company in the consolidated balance sheet:

2023

	1 January 2023	Attributable to the parent company after tax	31 December 2023
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	155,615	(120,408)	35,207
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables financing	(3,139)	1,540	(1,599)
Total	152,476	(118,868)	33,608

2022

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

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

30. Other comprehensive income (Continued)

Other comprehensive income incurred:

2023

	Amount before tax	Less: income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	(160,544)	(40,136)	(120,408)
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables financing	1,923	383	1,540
Total	<u>(158,621)</u>	<u>(39,753)</u>	<u>(118,868)</u>

2022

	Amount before tax	Less: income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	(35,334)	(8,833)	(26,501)
Other comprehensive income that will be reclassified to profit or loss			
Changes in fair value of receivables financing	1,268	383	885
Total	<u>(34,066)</u>	<u>(8,450)</u>	<u>(25,616)</u>

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

31. Special reserve

2023

	Safety production costs
Opening balance	-
Appropriation for the year	837,322
Use in the year	(837,322)
Closing balance	-

2022

	Safety production costs
Opening balance	-
Appropriation for the year	800,120
Use in the year	(800,120)
Closing balance	-

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

32. Surplus reserve

2023

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Statutory surplus reserve	545,068	54,985	-	600,053

2022

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

According to the company law and the Articles of Association, the Company shall make an appropriation to the statutory surplus reserve based on 10% of the net profit. Appropriation to the statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% or more of the registered capital of the Company.

After the appropriation to the statutory surplus reserve, the Company may make an appropriation to any surplus reserve. Upon approval, the surplus reserve may be used to make up for the losses from the previous years or increase the share capital.

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

33. Retained earnings

	2023	2022
Retained earnings at the end of last year	1,873,811	1,591,242
Net profit attributable to shareholders of the parent	171,395	326,725
Less: Appropriation to statutory surplus reserve	54,985	44,156
Retained earnings at the end of the year	1,990,221	1,873,811

The Company does not recommend the payment of dividend for the year ended 31 December 2023.

34. Revenue

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

The revenue is as follows:

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

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

34. Revenue (Continued)

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

2023

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	52,591	-	52,591
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	31,891,881	1,093,347	32,985,228
Total	<u>32,255,008</u>	<u>1,216,791</u>	<u>33,471,799</u>

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

34. Revenue (Continued)

2022

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	589,273	199,633	788,906
Total	<u>38,687,729</u>	<u>1,281,878</u>	<u>39,969,607</u>
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	38,602,763	1,281,878	39,884,641
Other countries and regions	84,966	-	84,966
Total	<u>38,687,729</u>	<u>1,281,878</u>	<u>39,969,607</u>
Timing of revenue recognition			
At a point of time	589,273	199,633	788,906
Within a period of time	38,098,456	1,082,245	39,180,701
Total	<u>38,687,729</u>	<u>1,281,878</u>	<u>39,969,607</u>

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

34. Revenue (Continued)

The revenue recognized this year included in the carrying amounts of the contract liabilities at the beginning of the year is as follows:

	2023	2022
Building construction	2,766,528	3,276,391
Infrastructure construction	1,751,202	1,025,819
Specialized and other construction	311,485	291,980
Total	4,829,215	4,594,190

The information related to performance obligations of the Group is as follows:

Construction services

The performance obligation is fulfilled within the time when the service is provided, and the contract price is usually settled within 90 days after the project payment is invoiced. Generally, the customer retains a certain percentage as the warranty money. The warranty money is usually settled after the warranty period expires, because according to the contract, the Group's right to receive the final payment depends on the customer's satisfaction with the service quality over a period of time.

Sale of goods

The performance obligation is fulfilled when the goods is delivered to the customer. For recurring customers, the contract price is usually settled within 90 days of delivery; for new customers, advance payment is usually required.

Sewage and reclaimed water treatment

The performance obligation is fulfilled within the period of provision of relevant services. The contract period for sewage and reclaimed water treatment is 25 years. The contract price is normally paid within 90 days after settlement.

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

35. Finance costs

	2023	2022
Interest expenses	347,501	343,031
Less: Interest income	45,626	39,238
Exchange gains or losses	3,152	(6,306)
Total	<u>305,027</u>	<u>297,487</u>

There were no capitalised borrowing costs during the year (2022: nil).

36. Other income

	2023	2022	Related to assets/ income
Industrial support funds	2,770	-	- Related to income
Research and development project subsidies	600	-	- Related to income
Special Contribution Award for Urban Construction	225	-	- Related to income
Employment stabilization subsidy	117	627	Related to income
Reward funds for county-level construction of Jingxiu District Science and Technology Bureau	100	-	- Related to income
Science and technology bonus	100	-	- Related to income
Others	65	134	Related to income
Central leading local science and technology development fund	-	800	Related to income
Special funds for financial and fiscal cooperation to support enterprise development	-	359	Related to income
Subsidy under enterprise support policy	-	265	Related to income
Incentive funds for outstanding enterprises in economic development	-	100	Related to income
Total	<u>3,977</u>	<u>2,285</u>	

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

37. Investment income

	2023	2022
Dividend income from other equity instrument investments held	3,679	36,086
Long-term equity investment income under the equity method	(1,932)	2,866
Gains from derecognition of financial assets at amortised cost	(3,852)	(14,679)
Others	(749)	467
Total	<u>(2,854)</u>	<u>24,740</u>

During the year, the Group derecognised part of the financial assets measured at amortized cost and recognized a loss of RMB3,852,000 (2022: losses of RMB14,679,000), which was included in investment income, due to the non-recourse factoring of accounts receivable.

38. Gains from changes in fair value

	2023	2022
Financial assets at fair value through profit or loss	182	353
Investment property measured at fair value	(600)	(37,800)
Total	<u>(418)</u>	<u>(37,447)</u>

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

39. Credit impairment losses

	2023	2022
Losses from impairment of account receivable	(328,128)	138,489
Losses from impairment of other receivables	(12,148)	(5,148)
Losses from impairment of long-term receivables	(794)	-
Impairment losses on financial guarantee contracts	1,986	(1,986)
Total	(339,084)	131,355

40. Impairment losses on assets

	2023	2022
Impairment loss for contract assets	(139,648)	(179,498)
Impairment losses on long-term equity investment	(8,549)	-
Total	(148,197)	(179,498)

41. Expenses by nature

The supplemental information of the Group's operating costs, selling expenses, administrative expenses and research and development costs by nature is as follows:

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

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

42. Income tax expenses

	2023	2022
Current income tax	212,936	155,767
Deferred income tax	(143,729)	(42,325)
Total	<u>69,207</u>	<u>113,442</u>

The relationship between income tax expenses and the total profit is as follows:

	2023	2022
Total profit	227,276	428,881
Income tax expenses at the statutory tax rate (Note)	56,819	107,220
Tax effect of share of profits and losses of joint ventures and associates	1,588	3,054
Effect of non-taxable income	(1,221)	(9,593)
Effect of non-deductible expenses	1,670	4,434
Effect of utilisation of unrecognised deductible tax losses	(21,448)	(20,689)
Effect of unrecognized deductible temporary differences and deductible tax losses	36,024	33,394
Adjustments on the income tax of previous periods	(4,225)	(4,378)
Income tax expenses at the Group's effective rate	<u>69,207</u>	<u>113,442</u>

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

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

43. Earnings per share

	2023 RMB per share	2022 RMB per share
Basic earnings per share		
Continuing operations	<u>0.10</u>	<u>0.19</u>

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to the specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

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

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

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

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

44. Cash flows from operating activities

Reconciliation of net profit to cash flows generated from operating activities:

	2023	2022
Net profit	158,069	315,439
Add: Credit impairment losses	339,084	(131,355)
Impairment losses on assets	148,197	179,498
Gains on fair value changes	418	37,447
Depreciation of right-of-use assets	13,166	16,503
Depreciation of fixed assets	62,427	60,296
Amortisation of intangible assets	2,207	2,207
(Gains)/losses on the disposal of fixed assets, intangible assets and other long-term assets	(66)	85
Finance expenses	324,314	308,102
Investment gains	2,854	(24,740)
Increase in deferred income tax assets	(143,729)	(42,325)
(Increase)/decrease in inventories	(8,368)	83,841
Decrease/(increase) in operating receivables	319,524	(669,998)
Decrease in operating payables	(2,548,712)	(99,836)
Net cash flows generated from operating activities	(1,330,615)	35,164

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

45. Cash and cash equivalents

	2023	2022
Cash	7,688,715	9,123,019
Including: Cash on hand	4,776	5,424
Bank deposits	6,656,595	7,451,406
Other currency funds	1,027,344	1,666,189
Less: Restricted cash and cash equivalents of the Company or subsidiaries of the Group	1,161,029	634,600
Closing balance of cash and cash equivalents	6,527,686	8,488,419
	2023	2022
Closing balance of cash for the year	6,527,686	8,488,419
Less: Opening balance of cash for the year	8,488,419	8,307,228
Net increase in cash and cash equivalents	(1,960,733)	181,191

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

46. LEASES

(1) As lessee

	2023	2022
Interest expense on lease liabilities	1,263	695
Short-term lease expense under the simplified approach through profit or loss	8,505	10,454
Revenue from subleasing the right-of-use assets	9,778	14,427
Total cash outflow in relation to leases	<u>21,045</u>	<u>26,965</u>

Assets leased by the Group include buildings and machinery equipment for operation which generally have a lease term of 1 year to 10 years.

Other lease information

For details of right-of-use assets, please refer to Note VI-16; for the simplified approach regarding short-term leases and leases of low-value asset, please refer to Note III-22; and for details of lease liabilities, please refer to Note VI-27.

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

46. LEASES (Continued)

(2) As lessor

The Group leases out certain buildings for a term of 20 years which constitutes operating leases. The Group also leases out certain idle machinery equipment for a term within 1 year, which constitutes operating lease.

Operating leases

Profit or loss related to operating leases are as follows:

	2023	2022
Lease income	21,067	36,411

Pursuant to the lease contracts entered into with the lessees, the undiscounted minimum lease payments are as follows:

	2023	2022
Within 1 year (including 1 year)	4,580	4,334
1 to 2 years (including 2 years)	4,570	4,064
2 to 3 years (including 3 years)	4,073	2,680
3 to 4 years (including 4 years)	3,339	2,680
4 to 5 years (including 5 years)	524	2,457
Over 5 years	-	-
	17,086	16,215

As at 31 December 2023, the carrying amount of investment property under operating leases was RMB98,600,000 (31 December 2022: RMB99,200,000).

VII. SEGMENT REPORT

1. Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (1) The construction contracting segment mainly engages in the construction general contracting and subcontracting business;
- (2) Other segment mainly includes concession arrangements and other services of the Group.

The management monitors the results of the business units separately for the purpose of decision-making regarding resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit. The indicator is measured consistently with the Group's total profit from continuing operations.

2023

	Construction contracting	Other	Adjustment and offset	Total
Sales to external customers	32,255,008	1,237,858	-	33,492,866
Intersegment sales	157,796	37,999	(195,795)	-
Gains on investments in joint ventures and associates	1,898	(3,830)	-	(1,932)
Credit impairment losses	147,888	191,196	-	339,084
Asset impairment losses	105,090	43,107	-	148,197
Depreciation and amortisation	55,024	22,776	-	77,800
Total profit	495,151	(266,249)	(1,626)	227,276
Total assets	60,757,597	7,321,895	(3,193,895)	64,885,597
Total liabilities	54,900,180	5,427,018	(1,669,457)	58,657,741
Other disclosures				
Long-term equity investments in associates and joint ventures	501,063	-	-	501,063
Increase in non-current assets other than long-term equity investments	24,736	34,090	-	58,826

VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

2022

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

VII. SEGMENT REPORT (Continued)

2. Other information

Geographical information

Revenue from external transactions

As the majority of the Group's revenue is derived from customers in Mainland China, no further information of geographical segments is required. Revenue from external transactions is analysed by geographic locations where the customers are located.

Total non-current assets

All non-current assets held by the Group are located in Mainland China. Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

Information about major customers

No operating revenue from a single customer accounted for more than 10% of the Group's revenue.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS

1. Classification of financial instruments

As at 31 December 2023, financial assets at fair value through profit or loss amounted to RMB15,329,000 (31 December 2022: RMB3,118,000), which were mainly presented as financial assets held for trading. Financial assets at fair value through other comprehensive income amounted to RMB794,315,000 (31 December 2022: RMB1,093,944,000), which were mainly presented as receivables financing and other equity instrument investments. Financial assets measured at amortised cost in total amounted to RMB17,687,268,000 (31 December 2022: RMB19,512,270,000), which were mainly presented as cash and bank balances, accounts receivable, other receivables, current portion of non-current assets and long-term receivables. Financial liabilities measured at amortised cost in total amounted to RMB46,984,991,000 (31 December 2022: RMB49,605,484,000), which were mainly presented as short-term borrowings, bills payable, accounts payable, other payables, current portion of non-current liabilities, long-term borrowings and lease liabilities.

2. Financial instruments risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

Credit risk

According to the policies of the Group, credit risk assessment will be conducted when accepting new customers and a credit risk exposure limit for individual customers will be set. There are no significant concentrations of credit risk within the Group.

The maximum credit risk exposure of the Group's financial assets and contract assets equals to their carrying amounts. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Credit risk (Continued)

Criteria for determining significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. When determining whether the credit risk has significantly increased since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers that credit risk of financial instrument has significantly increased when there is a material adverse change in the operating or financial condition of the principal debtor.

Definition of credit-impaired assets

The criteria adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative indicators. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Credit risk (Continued)

Definition of credit-impaired assets (Continued)

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single identifiable event.

Parameters of measurement of expected credit losses

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognises impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of expected credit loss model is a function of the probability of default, the loss given default and the exposure at default as key parameters. The Group establishes the model of the probability of default, the loss given default and the exposure at default by considering the quantitative analysis of historical statistics and forward-looking information.

Definitions are as follows:

- (1) The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic expected credit loss environment conditions, the Group's assessment of the probability of default is based on the calculation of expected credit loss model adjusted by forward-looking information;

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Credit risk (Continued)

Parameters of measurement of expected credit losses (Continued)

- (2) The loss given default refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration;
- (3) The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

The assessment of a significant increase in credit risk and calculation of expected credit losses involve forward-looking information. The Group identifies key economic ratios that affect credit risk and expected credit losses of different businesses by historical data analysis.

As at 31 December 2023, no provision was provided for impairment losses of other receivables which were overdue over one year based on 12-month expected credit losses (31 December 2022: Nil).

For information on exposure at default of accounts receivable, other receivables, contract assets and long-term receivables, please refer to Notes VI-3, 6, 8 and 10. The Group is also exposed to credit risk for providing financial guarantees, details of which are disclosed in Note XI.

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VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Liquidity risk

The Group's objective is to meet the liquidity requirements by maintaining sufficient capital and credit lines. The Group funds its operations by revenue from its operating activities and borrowings.

The maturity analysis of the financial liabilities based on the contractual undiscounted cash flow, is as follows:

2023

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,540,533	-	-	2,540,533
Bills payable	1,035,601	-	-	1,035,601
Accounts payable	34,488,055	-	-	34,488,055
Other payables	5,706,782	-	-	5,706,782
Current portion of non-current liabilities	597,754	-	-	597,754
Long-term borrowings	-	1,334,353	2,661,659	3,996,012
Lease liabilities	-	14,362	-	14,362
Financial guarantee contract	45,509	253,444	378,676	677,629
	44,414,234	1,602,159	3,040,335	49,056,728

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Liquidity risk (Continued)

2022

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

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

2. Financial instruments risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowings with floating interest rates. The Group manages interest rate risk by closely monitoring changes in interest rates and reviewing its borrowings on a regular basis.

As at 31 December 2023, under the assumption that other variables were held constant, if the interest rate of borrowings increased/decreased by 100 basis points, the net profit/loss of the Group would decrease/increase by RMB9,630,000 (31 December 2022: RMB9,627,000) due to the changes in interest expenses of borrowings with floating interest rates.

Price risk of equity instrument investments

The Group's exposure to the price risk of equity instrument investments primarily relates to the shares of listed companies held by the Group.

As at 31 December 2023, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investments increased/decreased by 100 base points, the other comprehensive income (net of tax) of the Group would increase/decrease by RMB453,000 (31 December 2022: RMB414,000) due to the change in the fair value of other equity instrument investments.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to provide returns for the shareholders and to optimise its capital structure in order to minimise the costs of capital.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce liabilities. No changes were made in the objectives, policies or processes for capital management for the years of 2023 and 2022.

The Group monitors capital using the gearing ratio, which is the sum of short-term borrowings, current portion of non-current liabilities and long-term borrowings divided by total equity. The Group's gearing ratio as at the balance sheet date was as follows:

	2023	2022
Gearing ratio	92%	97%

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

4. Transfer of financial assets

Financial assets being transferred but not derecognised as a whole

As at 31 December 2023, the carrying amount of bills endorsed to suppliers for settlement of accounts payable/discount amounted to RMB135,796,000 (31 December 2022: RMB203,289,000). The Group considers that it has retained substantially all the risks and rewards, including default risks relating to such bills. Accordingly, the bills and relevant settled amounts payable are fully recognised and the bank borrowings were recognised. Subsequent to the endorsement/discount, the Group did not retain any rights on the use of the endorsed bills, including the right of sale, transfer or pledge of the bills to any other third parties. As at 31 December 2023, the carrying amount of the bank borrowings settled by the Group and the suppliers with recourse amounted to RMB135,796,000 (31 December 2022: RMB203,289,000).

As part of the daily business, the Group and some financial institutions have reached factoring arrangements for accounts receivable and transferred certain accounts receivable to the financial institutions. Pursuant to such arrangements, if the debtor of the accounts receivable delays payment, the Group is required to repay the amount. For the financial assets which the Group retains almost all of their risks and rewards of ownership, such financial assets will not be derecognised. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 31 December 2023, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB134,966,000 (31 December 2022: RMB158,392,000), and the related liabilities amounted to RMB134,966,000 (31 December 2022: RMB158,392,000), which were included in accounts receivable and short-term borrowings, respectively.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

4. Transfer of financial assets (Continued)

Transferred financial assets that are derecognised as a whole with continuing involvement

As at 31 December 2023, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable/discounted amounted to RMB71,714,000 (31 December 2022: RMB143,391,000). As at 31 December 2023, the bills have a maturity of 1 to 12 months. In accordance with the Negotiable Instruments Law, if the acceptance bank refuses to pay, the holder of bills may exercise recourse against any one, several or all of the debtors of the bills, including the Group, without regard to the order of the debtors of the bills (the “Continuing Involvement”). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, the full carrying amount of accounts payable settled by the bills was derecognised and the discount expenses were recognised. The maximum loss and undiscounted cash flow of the Continuing Involvement and repurchase approximate to their carrying amounts. In the opinion of the Group, the fair value of the Group’s Continuing Involvement is not significant.

In 2023, the Group has not recognised any gain or loss on the date of transfer of the bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement/discount has been made evenly throughout the year.

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IX. FAIR VALUE

1. Assets and liabilities measured at fair value

2023

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	15,329	-	-	15,329
Receivables financing	-	205,246	-	205,246
Other equity instrument investments	60,431	-	528,638	589,069
Investment property	-	-	98,600	98,600
Total	75,760	205,246	627,238	908,244

2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	3,118	-	-	3,118
Receivables financing	-	349,485	-	349,485
Other equity instrument investments	55,222	-	689,237	744,459
Investment property	-	-	99,200	99,200
Total	58,340	349,485	788,437	1,196,262

IX. FAIR VALUE (Continued)

2. Valuation techniques and inputs for fair value measurement

The Group's finance department headed by the finance manager is responsible for developing the policies and processes for the fair value measurement of financial instruments. The finance manager reports directly to the Chief Finance Officer. At each balance sheet date, the finance department analyses the movements in the fair value of the financial instruments and determines the major input applicable to the valuation. The valuation is reviewed and approved by the Chief Finance Officer.

The fair values of listed equity instrument investments are determined by the market value. Investments in unlisted equity instruments are estimated at fair value using the market approach based on unobservable market prices or interest rate assumptions. The Group needs to determine comparable public companies based on industry, size, leverage and strategy, and calculates an appropriate market multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable public company identified. Adjustments are made based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences between comparable public companies. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date. For the fair value of the non-listed equity instrument investment, the Group estimated the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model.

The fair value of receivables financing is calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

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IX. FAIR VALUE (Continued)

2. Valuation techniques and inputs for fair value measurement (Continued)

The following is an overview of the significant unobservable inputs in the fair value measurement categorised within level 3:

	Fair value at the end of the year	Valuation technique	Unobservable inputs	Scope (Weighted average)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	2023: 457,600 2022: 607,500	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2023:0.6-0.8 2022: 0.7-1.0 2023: 30% 2022: 30%
Taihang Heyi Environmental Technology Co., Ltd.	2023: 58,750 2022: 72,500	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2023: 0.7-1.1 2022:0.8-1.3 2023:30% 2022:30%
Qinhuangdao Smooth Road Construction Co., Ltd.	2023: 7,000 2022: 9,000	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2023: 0.6-1.6 2022: 0.9-2.2 2023: 30% 2022: 30%
Xihua County Jijiantongda Construction Co., Ltd.	2023: 133 2022: 237	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2023: 1.0-2.0 2022: 1.6-4.0 2023: 30% 2022:30%
Investment property RT-Mart	2023: 98,600 2022: 99,200	Discounted cash flow method	Yield rate Annual market rental (per square metre)	2023: 6.50% 2022: 6.50% 2023: 100-116 2022: 100-111

IX. FAIR VALUE (Continued)

3. Transfer of hierarchy of continuous fair value measurement

There were no transfers of fair value measurements of the Group's financial assets and financial liabilities between Level 1 and Level 2 and no transfers into or out from Level 3.

4. Financial assets and financial liabilities not measured at fair value

2023

	Carrying amount	Fair value	Inputs used in fair value disclosure		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-rate long-term borrowings	1,565,858	1,518,201	-	1,518,201	-

2022

	Carrying amount	Fair value	Inputs used in fair value disclosure		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-rate long-term borrowings	1,480,547	1,435,906	-	1,435,906	-

IX. FAIR VALUE (Continued)

4. Financial assets and financial liabilities not measured at fair value (Continued)

The management has assessed that the fair values of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, bills and accounts payables, other payables and current portion of non-current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of long-term receivables and long-term borrowings is calculated by discounting the future cash flows using market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 31 December 2023 and 31 December 2022, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 31 December 2023 and 31 December 2022, the fair value of long-term receivables approximates their carrying amount.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Definition of related parties

If a party controls, jointly controls or exerts significant influence over another party, or if two or more parties are under the control or common control, related party relationship is constituted.

Related parties of the Company are as follows:

- (1) Parent companies of the Company;
- (2) Subsidiaries of the Company;
- (3) Other enterprises under common control by the parent company;
- (4) The investor with common control over the Company;

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

1. Definition of related parties (Continued)

- (5) The investor with significant influence over the Company;
- (6) Joint ventures of the Group;
- (7) Associates of the Group;
- (8) Major individual investors of the Company and their close family members;
- (9) Key management personnel of the Company or the parent companies and their close family members;
- (10) Other enterprises under the control or common control of the Company's major individual investors, key management personnel or their close family members;
- (11) Joint ventures or associates of other members (including parent company and subsidiaries) within the same group as the Company;
- (12) Joint ventures of enterprises with significant influence over the Company.

The joint ventures mentioned above include the joint ventures and their subsidiaries, and the associates include the associates and their subsidiaries.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

2. Parent companies and subsidiaries

Name of the parent company	Place of registration	Nature of business	Proportion of shareholding in the Company (%)	Proportion of votes in the Company (%)	Registered capital
Zhongru Investment Co., Ltd.	Beijing	Investment management	68.3	68.3	RMB1,202,500,000
Qianbao Investment Co., Ltd.	Baoding, Hebei	Investment	5.7	5.7	RMB97,500,000

The ultimate controlling party of the Company and the Group is Qianbao Investment Co., Ltd.

Details of the Company's major subsidiaries are set out in Note V-1.

3. Other related parties

Name of related party	Name of related party	Note
Qianbao Investment Co., Ltd.	Ultimate holding company	
Zhongru Investment Co., Ltd.	Parent company	
Yizongliangheng	Associate	
Bozhou Xiangju	Associate	
Rongcheng County Hengda Construction Investment Co., Ltd.	Associate	
Zhongyuan Environmental	Associate	
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	Joint venture	
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	Joint venture	
Zhongming Zhiye Group Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company	

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Name of related party	Note
Hebei Tianbo Construction Technology Co., Ltd.	Other enterprises under common control by the parent company	<i>Note 1</i>
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	Other enterprises under common control by the parent company	
Sanhe Baolan Heat Co., Ltd.	Other enterprises under common control by the parent company	
Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Huailai Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Construction Group Qianqiu Management Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Qianyuan Red Agricultural Group Co., Ltd.	Other enterprises under common control by the parent company	
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Zhongcheng Property Service Co., Ltd.	Other enterprises under common control by the parent company	
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Zitan Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Baoding Zhucheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Chengdu New Era Tiancheng Properties Co., Ltd.	Associate of other enterprises under common control by the parent company	
Datang Baoding Heat Supply Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Baocang Expressway Co., Ltd.	Associate of other enterprises under common control by the parent company	

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Name of related party	Note
Baoding Kangrui Testing Technology Services Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	Note 1
Hebei Baoyu Surveying Service Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	Note 1
Sanhe Jinshibang Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	Note 2
Fuping County Ruifu Building Material Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Hebei Keshengxing Start-up Incubator Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Huailai Shengcheng Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	Note 1
Key management personnel	Key management personnel of the Group	

Note 1: The shareholder of Hebei Tianbo Construction Technology Co., Ltd. was changed to Baoding Hongchou Trading Co., Ltd. in October 2023, and ceased to be a related party outside the scope of consolidation; Hebei Baoyu Surveying Service Co., Ltd., Baoding Kangrui Testing Technology Services Co., Ltd. and Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd. (its subsidiaries), ceased to be the related parties outside the scope of consolidation.

Note 2: The controlling shareholder of Sanhe Jinshibang Real Estate Development Co., Ltd. was changed from Zhongming Zhiye Group Co., Ltd. to Mingli Fengtai Group Co., Ltd. in December 2023, and ceased to be a related party outside the scope of consolidation.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties**(1) Sales or purchases of goods and rendering or receipt of services***Rendering of services to related parties*

	2023	2022
Xi'an Zhongyuan Real Estate Development Co., Ltd.	123,382	319,404
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	73,479	166,662
Zhongyuan Environmental	53,672	76,262
Huailai Jingsheng Real Estate Development Co., Ltd.	38,616	42,983
Huailai Shengcheng Real Estate Development Co., Ltd.	27,079	42,756
Huailai Zhongcheng Real Estate Development Co., Ltd.	12,864	26,434
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	11,398	5,207
Baoding Zhucheng Real Estate Development Co., Ltd.	10,805	9,621
Hebei Zitan Real Estate Development Co., Ltd.	9,169	18,229
Sanhe Jinshibang Real Estate Development Co., Ltd.	8,288	49,876
Zhongcheng Real Estate Development Co., Ltd.	4,348	-
Hebei Baocang Expressway Co., Ltd.	444	2,752
Datang Baoding Heat Supply Co., Ltd.	153	565
Baoding Taiji Real Estate Development Co., Ltd.	-	32,434
	373,697	793,185

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(1) Sales or purchases of goods and rendering or receipt of services (Continued)

Receipt of services from related parties

	2023	2022
Baoding Tianli Labor Service Co., Ltd.	2,969,686	2,824,608
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	13,350	7,534
Hebei Zhongcheng Property Service Co., Ltd.	5,918	7,617
Hebei Qianyuan Red Agricultural Group Co., Ltd.	3,780	855
Hebei Tianbo Construction Technology Co., Ltd.	1,525	2,551
Hebei Baoyu Surveying Service Co., Ltd.	7	356
Fuping County Ruifu Building Material Co., Ltd.	-	3,827
Baoding Kangrui Testing Technology Services Co., Ltd.	-	34
	2,994,266	2,847,382

(2) Related party leases

As lessee

		2023	2022
	Type of leased asset	Leasing fees	Leasing fees
Zhongming Zhiye Group Co., Ltd.	Office buildings	4,469	4,268

Note: The transaction price of property lease between the Group and its related party was determined by both parties through negotiation with reference to market prices and other factors.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(3) Guarantees to/from related parties***Providing guarantees to related parties***2023**

Guaranteed party	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	600,000	2019/8/29	2036/12/20	No	549,000

*Receiving guarantees from related parties***2023**

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2019/12/30	2023/12/29	Yes	-
Zhongru Investment Co., Ltd.	70,000	2020/8/18	2024/2/10	No	-
Zhongming Zhiye Group Co., Ltd.	160,000	2020/11/17	2025/11/16	No	-
Zhongming Zhiye Group Co., Ltd.	25,000	2020/12/22	2023/12/21	Yes	-
Zhongming Zhiye Group Co., Ltd.	140,000	2020/12/28	2025/12/27	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2020/12/31	2024/12/30	No	-
Zhongming Zhiye Group Co., Ltd.	100,000	2021/11/25	2026/11/25	No	-
Zhongming Zhiye Group Co., Ltd.	25,000	2021/12/8	2025/12/9	No	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(3) Guarantees to/from related parties (Continued)

Receiving guarantees from related parties (Continued)

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	200,000	2021/12/31	2025/12/30	No	-
Zhongru Investment Co., Ltd.	70,000	2022/2/17	2023/2/16	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	290,000	2022/3/19	2023/3/18	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	120,000	2022/6/8	2024/6/6	No	105,000
Zhongcheng Real Estate Development Co., Ltd.	30,000	2022/6/14	2024/6/11	No	27,000
Zhongcheng Real Estate Development Co., Ltd.	100,000	2022/6/14	2024/6/11	No	-
Zhongcheng Real Estate Development Co., Ltd.	34,000	2022/6/20	2023/6/20	Yes	-
Zhongming Zhiye Group Co., Ltd.	25,000	2022/12/1	2026/11/29	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2022/12/30	2023/12/29	Yes	-
Zhongming Zhiye Group Co., Ltd.	30,000	2023/8/31	2028/8/30	No	29,250
Zhongming Zhiye Group Co., Ltd.	10,000	2023/8/31	2028/8/30	No	9,750
Zhongming Zhiye Group Co., Ltd.	40,000	2023/12/7	2028/12/6	No	40,000
Zhongru Investment Co., Ltd.	70,000	2023/1/28	2024/1/28	No	70,000
Zhongming Zhiye Group Co., Ltd.	200,000	2023/12/20	2027/12/29	No	200,000
Zhongming Zhiye Group Co., Ltd.	100,000	2023/11/28	2028/11/26	No	100,000
Zhongming Zhiye Group Co., Ltd.	25,000	2023/11/28	2027/11/26	No	25,000
Zhongcheng Real Estate Development Co., Ltd.	100,000	2023/6/12	2024/6/12	No	100,000
Zhongcheng Real Estate Development Co., Ltd.	34,000	2023/6/12	2024/6/12	No	34,000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)**(3) Guarantees to/from related parties** (Continued)*Providing guarantees to related parties*

2022

Guaranteed party	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	600,000	2019/8/29	2036/12/20	No	568,500

Receiving guarantees from related parties

2022

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	108,000	2018/10/26	2022/10/25	Yes	-
Zhongming Zhiye Group Co., Ltd.	399,847	2019/4/1	2024/4/1	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2019/12/30	2023/12/29	No	-
Zhongcheng Real Estate Development Co., Ltd.	150,000	2020/6/15	2022/6/8	Yes	-
Zhongru Investment Co., Ltd.	70,000	2020/8/18	2024/2/10	No	-
Zhongming Zhiye Group Co., Ltd.	160,000	2020/11/17	2025/11/16	No	-
Zhongming Zhiye Group Co., Ltd.	25,000	2020/12/22	2023/12/21	No	-
Zhongming Zhiye Group Co., Ltd.	140,000	2020/12/28	2025/12/27	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2020/12/31	2024/12/30	No	-
Zhongming Zhiye Group Co., Ltd.	30,000	2021/2/1	2022/1/27	Yes	-
Zhongru Investment Co., Ltd.	70,000	2021/7/29	2022/2/10	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	35,000	2021/8/26	2022/8/26	Yes	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

(3) Guarantees to/from related parties (Continued)

Receiving guarantees from related parties (Continued)

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	100,000	2021/11/25	2026/11/25	No	98,000
Zhongming Zhiye Group Co., Ltd.	25,000	2021/12/8	2025/12/9	No	-
Zhongming Zhiye Group Co., Ltd.	200,000	2021/12/31	2025/12/30	No	-
Zhongru Investment Co., Ltd.	70,000	2022/2/17	2023/2/16	No	70,000
Zhongcheng Real Estate Development Co., Ltd.	290,000	2022/3/19	2023/3/18	No	290,000
Zhongcheng Real Estate Development Co., Ltd.	120,000	2022/6/8	2024/6/6	No	115,000
Zhongcheng Real Estate Development Co., Ltd.	30,000	2022/6/14	2024/6/11	No	29,000
Zhongcheng Real Estate Development Co., Ltd.	100,000	2022/6/14	2024/6/11	No	100,000
Zhongcheng Real Estate Development Co., Ltd.	34,000	2022/6/20	2023/6/20	No	34,000
Zhongming Zhiye Group Co., Ltd.	25,000	2022/12/1	2026/11/29	No	25,000
Zhongming Zhiye Group Co., Ltd.	200,000	2022/12/30	2023/12/29	No	200,000

(4) Emolument of key management personnel

	2023	2022
Employee benefits	8,476	10,904

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties

Accounts receivable

Related party	2023		2022	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Accounts receivable				
Baoding Zhucheng Real Estate Development Co., Ltd.	77,378	3,431	50,819	2,070
Huailai Zhongcheng Real Estate Development Co., Ltd.	52,049	635	-	-
Xi'an Zhongyuan Real Estate Development Co., Ltd.	22,763	278	45,297	457
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	19,691	240	4,820	49
Huailai Jingsheng Real Estate Development Co., Ltd.	11,462	140	10,864	277
Baoding Taiji Real Estate Development Co., Ltd.	8,200	100	2,341	24
Huailai Shengcheng Real Estate Development Co., Ltd.	6,762	82	-	-
Zhongcheng Real Estate Development Co., Ltd.	4,606	56	64	3
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	4,076	50	12,230	473
Hebei Zitan Real Estate Development Co., Ltd.	3,488	215	10,826	109
Bozhou Xiangju	1,200	74	1,200	58
Datang Baoding Heat Supply Co., Ltd.	16	1	16	-
Chengdu New Era Tiancheng Properties Co., Ltd.	-	-	9,557	97
Sanhe Jinshibang Real Estate Development Co., Ltd.	-	-	8,000	81
Hebei Baocang Expressway Co., Ltd.	-	-	15	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

Accounts receivable (Continued)

Related party	2023		2022	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Contract assets				
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	136,034	1,660	214,928	2,171
Yizongliangheng	134,943	1,646	134,943	1,363
Xi'an Zhongyuan Real Estate Development Co., Ltd.	131,789	1,608	152,861	1,544
Guangan Zhongcheng Real Estate Development Co., Ltd.	124,261	1,516	124,261	1,255
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	83,587	1,020	95,138	961
Huailai Jingsheng Real Estate Development Co., Ltd.	47,370	578	49,397	499
Huailai Shengcheng Real Estate Development Co., Ltd.	44,695	545	45,913	464
Hebei Zitan Real Estate Development Co., Ltd.	36,332	443	26,338	265
Zhongcheng Real Estate Development Co., Ltd.	18,933	231	26,751	270
Zhongyuan Environmental	15,217	186	16,202	164
Baoding Zhucheng Real Estate Development Co., Ltd.	5,927	72	21,190	214
Bozhou Xiangju	5,711	70	5,711	58
Baoding Taiji Real Estate Development Co., Ltd.	4,582	56	41,377	418
Sanhe Baolan Heat Co., Ltd.	2,030	25	2,030	21
Datang Baoding Heat Supply Co., Ltd.	1,376	17	1,375	14
Hebei Baocang Expressway Co., Ltd.	31	-	-	-
Sanhe Jinshibang Real Estate Development Co., Ltd.	-	-	101,894	1,029
Huailai Zhongcheng Real Estate Development Co., Ltd.	-	-	39,424	398
Hebei Qianyuan Red Agricultural Group Co., Ltd.	-	-	7,432	75

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties (Continued)**Accounts receivable** (Continued)

Related party	2023		2022	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Other receivables				
Huilai Zhongcheng Real Estate Development Co., Ltd.	34,580	422	34,580	348
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	14,512	274	1,964	96
Zhongcheng Real Estate Development Co., Ltd.	8,855	108	12,311	124
Hebei Keshengxing Start-up Incubator Co., Ltd.	626	39	612	29
Baoding Taiji Real Estate Development Co., Ltd.	393	5	5,339	54
Bazhou Hengzhiheng Gardening and Greenery Engineering Co., Ltd.	149	2	56	1
Xi'an Zhongyuan Real Estate Development Co., Ltd.	50	3	50	3
Huilai Jingsheng Real Estate Development Co., Ltd.	49	1	49	-
Qianbao Investment Co., Ltd.	5	-	5	-
Huilai Shengcheng Real Estate Development Co., Ltd.	-	-	44	-
Hebei Zhongcheng Property Service Co., Ltd.	-	-	9	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

Accounts payable

Related party	2023	2022
Accounts payable		
Baoding Tianli Labor Service Co., Ltd.	1,016,511	1,268,121
Hebei Construction Group Qianqiu Management Co., Ltd.	480	480
Fuping County Ruifu Building Material Co., Ltd.	153	4,467
Qinhuangdao Dadi Zhuoyue Geotechnical Engineering Co., Ltd.	-	8,739
Hebei Tianbo Construction Technology Co., Ltd.	-	3,788
Hebei Baoyu Surveying Service Co., Ltd.	-	326
Other payables		
Baoding Zhucheng Real Estate Development Co., Ltd.	60,901	60,901
Key management personnel	10,699	16,364
Qianbao Investment Co., Ltd.	8,650	8,650
Zhongming Zhiye Group Co., Ltd.	5,396	3,715
Hebei Construction Group Qianqiu Management Co., Ltd.	595	2,458
Hebei Qianyuan Red Agricultural Group Co., Ltd.	130	11,575
Contract liabilities		
Baoding Zhucheng Real Estate Development Co., Ltd.	19,734	20,170
Zhongcheng Real Estate Development Co., Ltd.	8,978	9,296
Huailai Jingsheng Real Estate Development Co., Ltd.	8,006	12,812
Guangan Zhongcheng Real Estate Development Co., Ltd.	4,636	4,636
Huailai Shengcheng Real Estate Development Co., Ltd.	3,488	3,488
Datang Baoding Heat Supply Co., Ltd.	1,983	2,130
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	1,534	2,148
Xi'an Zhongyuan Real Estate Development Co., Ltd.	526	157
Laiyuan Zhongcheng Construction Development Co., Ltd.	200	-
Hebei Zhongcheng Property Service Co., Ltd.	75	-
Hebei Baocang Expressway Co., Ltd.	-	266

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

XI. CONTINGENCIES

	2023	2022	Notes
Contingent liabilities arising from providing external guarantees	677,629	718,941	Note 1
Contingent liabilities arising from unresolved litigation or arbitration	36,299	21,361	Note 2
Total	713,928	740,302	

Note 1: As at 31 December 2023, the principal and interest of the banking facilities granted to joint ventures subject to guarantees given to the banks by the Group amounted to RMB677,629,000 (31 December 2022: RMB718,941,000), and other current liabilities related to financial guarantee contracts amounted to RMB19,810,000 (31 December 2022: RMB23,781,000). The Group assessed overdue status of relevant borrowings, financial position of relevant debtors, and economic condition in the debtor's industry as at each balance sheet date, and was of view that the relevant credit risk of such part of financial guarantee contracts has not increased significantly since initial recognition. Therefore, the loss allowance for the Group's financial guarantee contracts is not determined based on the amount of lifetime expected credit losses, but measured at the amount of the future 12-month expected credit losses of the above financial guarantee contracts. In 2023, there was no change in the Group's assessment method and major assumptions. Based on the assessment of the management of the Group, there was no significant expected impairment provision made for the relevant financial guarantees.

Note 2: The Group is involved in disputes, litigations or claims with customers, subcontractors, suppliers and other parties in the course of its operations. After consultation with the relevant legal advisers and after management's careful estimation of the outcome of such outstanding disputes, litigations or claims, the Group has no disputes, litigations or claims that are likely to result in losses. No provision will be made for the abovementioned outstanding disputes, litigations and claims for which the ultimate outcome cannot be reasonably estimated or for which, in the opinion of management, it is not probable that such disputes, litigations or claims will have a material adverse effect on the Group's results of operations or financial position.

XII. COMMITMENTS

As at 31 December 2023, the Group had no material capital commitment (31 December 2022: Nil).

XIII. POST BALANCE SHEET DATE EVENTS

As of the date of approval for publication of these financial statements, the Group has not had any non-adjusting events in material post balance sheet date events that would significantly affect the reading and understanding of these financial statements.

XIV. OTHER IMPORTANT EVENTS

1. Other financial information

Directors' and supervisors' remuneration is disclosed as follows:

	2023	2022
Fees	648	618
Others emoluments:		
Salaries, allowances and benefits in kind	1,332	1,623
Performance-related bonuses	2,925	5,799
Pension scheme contributions	414	399
Total	<u>5,319</u>	<u>8,439</u>

(1) Independent non-executive directors

	2023	2022
Shen Lifeng	216	206
Chen Xin	216	206
Chan Ngai Sang Kenny	216	206
Total	<u>648</u>	<u>618</u>

As at 31 December 2023, there was no other remuneration payable to the independent non-executive directors during the year (31 December 2022: Nil).

XIV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

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

2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Li Baozhong	-	205	884	54	1,143
Shang Jinfeng	-	175	631	54	860
Zhao Wensheng	-	155	456	54	665
Tian Wei (Note 1)	-	79	228	27	334
Liu Yongjian (Note 2)	-	71	228	27	326
Zhang Wenzhong (Note 1)	-	80	-	27	107
Non-executive director					
Li Baoyuan	-	170	-	-	170
Supervisors					
Wang Feng	-	128	161	54	343
Yue Jianming	-	123	161	54	338
Feng Xiujian (Note 2)	-	57	90	27	174
Chen Qinghan (Note 3)	-	49	86	27	162
Yu Xuefeng (Note 4)	-	40	-	9	49
Total	-	1,332	2,925	414	4,671

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XIV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

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

2022

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

XIV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

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

Note 1: Mr. Tian Wei and Mr. Zhang Wenzhong were elected as executive Directors of the Company at the 2022 annual general meeting held on 26 June 2023.

Note 2: Mr. Liu Yongjian retired as an executive Director of the Company with effect from June 2023. Ms. Feng Xiujian retired as a Supervisor of the Company with effect from June 2023.

Note 3: Mr. Chen Qinghan was democratically elected by employees as an employee representative Supervisor in 2023, and has been a Supervisor of the Company since 26 June 2023.

Note 4: Mr. Yu Xuefeng retired from his position as a Supervisor of the Company in February 2023.

During the year, there was no agreement under which a director or chief executive officer waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included five directors (2022: five employees including five directors), details of whose remuneration are set out in Note XIV-1.

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Currency funds

	2023	2022
Cash on hand	4,294	4,908
Bank deposits	5,031,684	5,300,580
Other currency funds	1,018,915	1,531,146
Total	<u>6,054,893</u>	<u>6,836,634</u>

As at 31 December 2023, the Group's currency funds with restricted ownership amounted to RMB1,024,817,000 (31 December 2022: RMB434,641,000).

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

2. Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

	2023	2022
Within 1 year	5,023,125	5,018,425
1 to 2 years	963,734	1,098,285
2 to 3 years	410,606	262,128
Over 3 years	359,390	411,037
	<u>6,756,855</u>	<u>6,789,875</u>
Less: Impairment allowance	<u>836,590</u>	<u>674,555</u>
Total	<u>5,920,265</u>	<u>6,115,320</u>

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

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2023	<u>674,555</u>	<u>554,536</u>	<u>(392,501)</u>	<u>836,590</u>
2022	<u>813,151</u>	<u>223,252</u>	<u>(361,848)</u>	<u>674,555</u>

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

2. Accounts receivable (Continued)

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

	2023			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	2,352,130	35	589,374	25
Provision for bad debts according to credit risk portfolio	4,404,725	65	247,216	6
Total	6,756,855	100	836,590	

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

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

2. Accounts receivable (Continued)

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

	2023			2022		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	3,291,196	1.22	40,153	3,693,103	1.01	37,300
1 to 2 years	766,639	6.16	47,225	565,104	4.87	27,521
2 to 3 years	176,169	19.85	34,970	120,763	16.12	19,467
3 to 4 years	71,508	43.20	30,891	67,683	34.79	23,547
4 to 5 years	43,854	88.06	38,618	39,756	72.39	28,780
Over 5 years	55,359	100.00	55,359	38,016	100.00	38,016
Total	4,404,725		247,216	4,524,425		174,631

3. Contract assets

Contract assets are mainly generated by the construction contracting business of the Company. The Company provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Company make progress billings with the Company based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset while progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

	2023			2022		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	32,777,960	(1,658,771)	31,119,189	32,965,282	(1,598,406)	31,366,876
Including: Non-current assets	81,287	(5,153)	76,134	-	-	-

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

3. Contract assets (Continued)

Changes in impairment provision for contract assets are as follows:

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2023	1,598,406	307,640	(247,275)	1,658,771
2022	1,477,766	418,810	(298,170)	1,598,406

	2023			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	6,510,031	19.86	1,338,297	20.56
Provision for bad debts according to credit risk portfolio	26,267,929	80.14	320,474	1.22
Total	32,777,960	100.00	1,658,771	

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

As at 31 December 2023, part of the performance progress of the Company's relevant construction contracts was settled for work performed, resulting in a decrease in the carrying value of the contract assets.

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

4. Long-term equity investments

	2023	2022
Joint venture		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	356,355	362,349
Inner Mongolia Construction Investment Group Co., Ltd.	8,938	8,200
Baoding Nongtou Construction Engineering Co., Ltd.	256	-
Financial guarantee for joint venture		
Financial guarantee for Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	15,742	15,742
Associates		
Yizongliangheng	56,779	56,779
Rongcheng County Hengda Construction Investment Co., Ltd.	29,149	29,140
Bozhou Xiangju	24,588	22,441
Investment in subsidiaries		
HCG Tianchen Construction Engineering Co., Ltd.	400,000	400,000
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	270,000	270,000
Bozhou Qihang Transportation Construction Co., Ltd.	259,550	259,550
HCG Ecological Environment Co., Ltd.	205,041	205,041
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	205,000	205,000
Tibet Jiming Construction Co., Ltd.	200,000	200,000
HCG Installment Engineering Co., Ltd.	180,000	180,000
Baoding Zhongze Water Supply Co., Ltd.	140,152	140,152
Hebei Construction Group Decoration Engineering Co., Ltd.	101,000	101,000
Dangshan Soaring General Aviation Industry Development Co., Ltd.	80,000	80,000
Baoding Zhongcheng Investment Management Co., Ltd.	69,000	69,000
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	62,250	55,650
Hebei Lvjian Investment Company	58,171	58,171
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	50,000	50,000
Gaoyang Tianxin Construction Co., Ltd.	50,000	-
Huainan Fengrui Infrastructure Construction Co., Ltd.	46,740	28,000
Shandong Juhe Agricultural Service Development Co., Ltd.	29,370	29,370

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

4. Long-term equity investments (Continued)

	2023	2022
Investment in subsidiaries (Continued)		
Rongcheng County Xinrong City Development Co., Ltd.	24,240	24,240
Hebei Tiankai Construction Engineering Co., Ltd. (formerly known as Hebei Construction Group Steel Structure Engineering Co., Ltd.)	24,000	24,000
Hebei Shenning Construction Engineering Co., Ltd.	20,000	20,000
Dacheng County Zhongyu Water Supply Co., Ltd.	17,696	17,696
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	16,060	16,060
Yunca Network Technology Co., Ltd.	8,000	8,000
Hebei Zhongru Software Technology Co., Ltd.	3,328	3,328
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	1,000	1,000
Hebei Bingzheng Construction Engineering Co., Ltd.	1,000	-
Hebei Tianrui Project Management Co., Ltd.	1,000	-
Hebei Zhuocheng Engineering Inspection Co., Ltd.	333	333
Hebei Construction Group Hongkong Co., Limited	9	-
HCG Tianchu Construction Engineering Co., Ltd.	-	50
Financial guarantee for subsidiaries		
Financial guarantee for Baoding Zhongze Water Supply Co., Ltd.	60,849	60,849
Financial guarantee for HCG Tianchen Construction Engineering Co., Ltd.	51,946	19,902
Financial guarantee for HCG Installment Engineering Co., Ltd.	43,823	37,574
Financial guarantee for Hebei Construction Group Decoration Engineering Co., Ltd.	27,392	16,897
Financial guarantee for HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	22,549	21,785
Financial guarantee for Hebei Tongchuang Liantai Hospital Management Co., Ltd.	9,255	9,255
Financial guarantee for HCG Ecological Environment Co., Ltd.	2,425	2,425
Financial guarantee for Hebei Lvjian Investment Company	1,648	1,648
Financial guarantee for Dingzhou Tiande Environmental Science and Technology Co., Ltd.	1,066	1,066
Total	3,235,700	3,111,693

FINANCIAL STATEMENTS AND NOTES

2023

Unit: RMB'000

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

5. Revenue

Revenue is presented as follows:

	2023	2022
Revenue from primary business	25,372,039	30,226,339
Revenue from other business	285,403	494,796
	25,657,442	30,721,135

Note: The principal business revenue of the Company is engineering construction revenue, and the Company considers that it is a performance obligation to be performed within a certain period of time and recognises revenue according to the completion progress.

XVI. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Company's board of directors on 27 March 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
RESULTS					
Revenue	33,492,866	40,006,018	47,828,266	40,149,925	41,077,029
Less: Cost of sales	31,697,268	38,371,416	45,341,436	38,010,238	39,023,724
Taxes and surcharges	98,055	116,072	137,598	113,346	109,276
Selling and distribution expenses	1,126	1,542	1,061	1,193	10,237
Administrative expenses	527,733	570,825	535,823	501,124	505,448
Research and development costs	148,139	150,126	76,417	94,476	92,895
Finance costs	305,027	297,487	308,076	263,207	212,878
Including: Interest expenses	347,501	343,031	326,851	304,527	366,221
Interest income	45,626	39,238	40,926	39,167	158,720
Add: Other income	3,977	2,285	4,982	10,759	310
Investment income	(2,854)	24,740	3,679	27,754	50,992
Including: Share of profits of associates and joint ventures	(1,932)	2,866	(1,274)	3,225	8,572
Gains on derecognition of financial assets at amortised cost	(3,852)	(14,679)	(64,795)	(59,197)	(50,764)
Gains on fair value changes	(418)	(37,447)	66	1,950	(2,721)
Credit impairment losses	(339,084)	131,355	(623,156)	55,392	51,364
Impairment losses on assets	(148,197)	(179,498)	(1,301,616)	(325,197)	(11,159)
Gains from disposal of assets	66	(85)	(1,624)	214	304
Operating profit	229,008	439,900	(489,814)	937,213	1,211,661
Add: Non-operating income	1,612	3,512	8,039	2,444	1,490
Less: Non-operating expenses	3,344	14,531	13,522	3,523	4,402
Total profit	227,276	428,881	(495,297)	936,134	1,208,749
Less: Income tax expenses	69,207	113,442	(137,131)	183,903	445,626
Net profit	158,069	315,439	(358,166)	752,231	763,123

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Classified by the continuity of operation					
Net profit from continuing operations	158,069	315,439	(358,166)	752,231	725,232
Net profit from discontinued operations	-	-	-	-	37,891
Classified by the ownership					
Net profit attributable to owners of the Company	171,395	326,725	(345,975)	759,856	770,415
Net loss attributable to non-controlling interests	(13,326)	(11,286)	(12,191)	(7,625)	(7,292)
Other comprehensive income, net of tax	(118,868)	(25,616)	39,488	12,072	58,657
Total comprehensive income	39,201	289,823	(318,678)	764,303	821,780
Including:					
Total comprehensive income attributable to owners of the Company	52,527	301,109	(306,487)	771,928	829,072
Total comprehensive income attributable to non-controlling interests	(13,326)	(11,286)	(12,191)	(7,625)	(7,292)

Assets, liabilities and non-controlling interests:

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	64,885,597	67,631,850	66,947,253	62,793,882	60,926,571
Total liabilities	(58,657,741)	(61,464,375)	(61,074,661)	(56,353,803)	(55,022,999)
Non-controlling interests	(180,527)	(172,673)	(178,899)	(194,136)	(182,962)
Equity attributable to owners of the Company	6,047,329	5,994,802	5,693,693	6,245,943	5,720,610

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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

“Articles of Association” or “Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the Audit Committee of the Board
“Baoding Tianli”	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a company incorporated in the PRC with limited liability on 27 November 2001. Baoding Tianli is a subsidiary wholly owned by Zhongming Zhiye as of the Latest Practicable Date, thus a connected person of the Company
“Baoding Zhongcheng”	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a company incorporated in the PRC with limited liability on 20 September 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date
“Beijing-Tianjin-Hebei Region”	an economic region in China comprising Beijing, Tianjin, and Hebei Province
“Board” or “Board of Directors”	the board of Directors of the Company
“Board Committee(s)”	collectively, the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee
“Board of Supervisors”	the board of Supervisors of the Company
“CASBE”	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Company”	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a company established under the laws of the PRC with limited liability on 29 September 1997)
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and as of the Latest Practicable Date, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“EIT”	PRC Enterprise Income Tax
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“H Share(s)”	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Third Party(ies)”	party(ies) not connected with the Company within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“Initial Public Offering” or “IPO”	the initial public offering of the Company, the details of which are stated in the Prospectus
“Latest Practicable Date”	12 April 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	15 December 2017, the date on which the overseas-listed foreign-invested Shares (H Shares) of the Company were listed on the Main Board of the Stock Exchange

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Rules” or “Hong Kong 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
“Lu Ban Award”	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the Nomination Committee of the Board
“Prospectus”	the prospectus of the Company dated 5 December 2017
“province”	a province in PRC or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (formerly known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC with limited liability on 19 April 2010. As of the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a Controlling Shareholder of the Company
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board
“Reporting Period” or “2023” or “the Year”	the year beginning from 1 January 2023 and ending on 31 December 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“senior management”	senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders(s)”	holder(s) of the Share(s) of the Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“State”	the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Strategic Committee”	the Strategic Committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“substantial Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Supervisor(s)”	supervisors of the Company
“Xiong’an New Area”	established in Hebei Province in April 2017, as part of PRC government’s measures to advance the coordinated development of the Beijing-Tianjin-Hebei Region. This new area currently spans the three counties of Xiongxian, Rongcheng and Anxin
“Zhongming Zhiye”	Zhongming Zhiye Group Co., Ltd. (中明置業集團有限公司) (formerly known as Zhongming Zhiye Co., Ltd. (中明置業有限公司)), a company incorporated in the PRC with limited liability on 1 December 2016. As of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Hence, Zhongming Zhiye is a connected person of the Company
“Zhongru Investment”	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (formerly known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As of the Latest Practicable Date, Zhongru Investment directly held 68.3% equity interest of the Company and is a Controlling Shareholder of the Company
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this report in connection with the Group and its business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“BOT”	build-operate-transfer, being a project model, in which an enterprise entered into a concession agreement with the government, whereby the government grants to the enterprise the rights to undertake the financing, design, construction, operation and maintenance of certain wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge for the service provided to cover its investment, operation and maintenance costs and obtain reasonable returns, and the relevant facilities will be transferred to the government without consideration upon the expiration of the concession period
“curtain wall”	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
“electrical and mechanical installation”	generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems
“EPC”	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction, testing and commissioning of an engineering project, or any combination of the above, either through the contractor’s own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
“m ² ” or “sq.m.”	square meters



DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“PPP”	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
“prefabricated construction”	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
“steel structure”	structural supporting elements comprising steel columns, girders and beams of a construction project
“VAT”	value-added tax



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