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If you have sold or transferred all your shares in Hebei Construction Group Corporation Limited, you should at once hand this circular and the relevant form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A letter from the Board is set out on pages 4 to 23 of this circular. A letter from the Independent Board Committee, containing its advice to

9 June 2022

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

"AGM"	the 2021 annual general meeting of the Company to be convened and held at 9:00 a.m. on Tuesday, 28 June 2022 at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baoding Tianli"	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a company incorporated in the PRC with limited liability on 27 November 2001. As at the Latest Practicable Date, Baoding Tianli was a wholly-owned subsidiary of Zhongming Zhiye, which was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Company"	Hebei Construction Group Corporation Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
"Group"	the Company and its subsidiaries

"Qianbao Investment"	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	Domestic Shares and H Shares
"Shareholders(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Zhongming Zhiye"	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As at the 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
"Zhongru Investment"	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As at the Latest Practicable Date, Zhongru Investment directly held 68.3% equity interests of the Company and is a controlling shareholder of the Company
"%"	per cent

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HEBEI CON TR CTION GRO P CORPORATION LIMITED

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

(t B C : 1727)

Executive Directors:
Mr. LI Baozhong *(Chairman)*
Mr. SHANG Jinfeng *(President)*
Mr. LIU Yongjian
Mr. ZHAO Wensheng

Non-executive Directors:
Mr. LI Baoyuan *(Honorary Chairman)*
Mr. CAO Qingshe *(Vice Chairman)*

Independent non-executive Directors:
Ms. SHEN Lifeng
Ms. CHEN Xin
Mr. CHAN Ngai Sang Kenny

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5. Profit Distribution Proposal for 2021

An ordinary resolution will be proposed at the AGM to approve the Profit Distribution Proposal of the Company for 2021.

Based on the audited financial report of the Company for the year 2021, the Company recorded a net loss attributable to parent company of RMB227,085,289 for the year 2021, which, together with the undistributed profits of the parent company of RMB2,284,772,322 and other comprehensive income transferred to retained earnings of RMB2,577,560 at the beginning of the year 2021 and less the actual distribution of the 2020 cash dividends of RMB246,593,690 in 2021, resulted in the Company's total distributable profits attributable the parent company at the end of 2021 of RMB2,040,756,192.

In order to ensure the continuous and stable operation of the Company and to safeguard the long-term interests of all Shareholders, and taking into account the Company's business plan and capital requirements for 2022, the Board did not recommend the payment of a final dividend to Shareholders for the year ended 31 December 2021. The Company's undistributed profits are carried forward for distribution in future years.

6. Remuneration of Directors for 2021

An ordinary resolution will be proposed at the AGM to approve the remuneration of Directors for 2021.

Remuneration of Directors for 2021 was determined pursuant to relevant provisions under the Articles of Association and the related contracts entered into between the Company and the Directors. For details, please refer to the 2021 Annual Report.

7. Remuneration of Supervisors for 2021

An ordinary resolution will be proposed at the AGM to approve the remuneration of Supervisors for 2021.

Remuneration of Supervisors for 2021 was determined pursuant to relevant provisions under the Articles of Association and the related contracts entered into between the Company and the Supervisors. For details, please refer to the 2021 Annual Report.

8. Financing Plan for 2022

An ordinary resolution will be proposed at the AGM to approve the Financing Plan for 2022. It is proposed that the AGM authorises the Board, which may further delegate such authority to the Chairman or the management to make decisions on the financing activities of the Company in 2022 within the framework of the Financing Plan for 2022 with the authorization period commencing from 1 July 2022 to 30 June 2023.

According to the 2022 Financial Budget of the Company and taking into account the capital requirements out of comprehensive consideration for the development plan and the status of business development of the Company, the Company has the following arrangements regarding the Financing Plan for 2022:

(1) Financing Plan

The financing facilities for working capital loan, bill financing and factoring financing of the Company (including wholly-owned and holding subsidiaries) are expected to be RMB9.5 billion for 2022 (excluding PPP projects), of which, the planned financing facilities of the Company (including the branches) amount to RMB6.2 billion, the planned financing facilities of its wholly-owned and holding subsidiaries amount to RMB3.3 billion, and the financing facilities of PPP project companies amount to RMB1.361 billion (including those undertaken and to be undertaken). The following table shows the breakdown of the financing plan:

Financing schedule of
Hebei Construction Group Corporation Limited for 2022

Unit: RMB100 million

Target	**Expected financing amount**	**Expected period**
The Company (including its branches)	62	1-3 years
Wholly-owned and holding subsidiaries of the Company	33	1-3 years
PPP project financing undertaken	13.61	2-10 years
Total	108.61	

(2) Credit Facility Plan

The Company (including branches and subsidiaries) intends to obtain total credit facilities of RMB20.0 billion from various financial institutions for 2022. The Company plans to obtain total credit facilities of up to RMB15.0 billion from various financial institutions, with no more than RMB5.0 billion of total credit facilities for subsidiaries.

The above credit facilities of various banks are preliminary proposed facilities. The Company will deploy and use the aggregate financing facilities within the limit of RMB20.0 billion (including existing facilities) among various banks according to the actual situation. The specific facilities amount of each bank is subject to the agreement entered into between the Company and the bank.

9. Guarantee Arrangement for 2022

An ordinary resolution will be proposed at the AGM to approve the Guarantee Arrangement for 2022. It is proposed that the AGM authorises the Board, which may further delegate such authority to the Chairman or the management to make decisions on the grant of guarantee of the Company in 2022 within the framework of the Guarantee Arrangement for 2022 with the authorization period commencing from 1 July 2022 to 30 June 2023.

In order to meet its production and operational needs, the Company has formulated the guarantee plan for 2022 taking into account the actual capital flow and the Financing Plan for 2022. Details of which are as follows:

The guarantee plan for 2022 was developed based on the actual circumstances of the Company and

As the Labor Subcontract Framework Agreement will expire on 31 December 2022, the Company entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 26 May 2022, and proposed the annual caps thereunder for 2023, 2024 and 2025 to renew such continuing connected transactions. Subject to the approval on the AGM, the agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

(2) New Labor Subcontract Framework Agreement

Date: 26 May 2022

Parties: the Company (as contractor); and

Baoding Tianli (as sub-contractor).

Principal terms:

Baoding Tianli and its associates shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group total subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The term of the New Labor Subcontract Framework Agreement shall commence on 1 January 2023 and end on 31 December 2025 (both days inclusive). Subject to compliance with relevant laws and regulations and the Listing Rules, it can be renewed for another three years upon its expiry as agreed by relevant parties, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will enter into separate specific agreements which will set out the specific terms and conditions according to the principles provided in the New Labor Subcontract Framework Agreement.

Pricing policy:

In accordance with the New Labor Subcontract Framework Agreement, the total subcontract fee to be paid by the Group to Baoding Tianli and its associates will be 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 Independent Third Party bidders 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 consists of experts selected by the Group as well as the project manager, and the comparable quoted bidding prices (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees) is an important, but not the only, factor to be considered. The review panel shall consist of an odd number of three or more experts, all of whom are internal management personnel of the Group, including the general managers and deputy general managers of the production safety department, operational management department, financial management department and quality and technology department of the Group; the deputy general managers and business department managers in charge of safety, production, technology, quality, finance and operation of the branches; and the persons in charge of operation, technology, quality, production and finance of the project management department. The experts are selected by taking into account their professionalism, business competence, years of experience and other factors. To avoid conflict of interest, the management staff in charge of the tender project shall not participate in the evaluation as an expert member of the review panel for such tender project.

The review panel will also take into consideration factors including, but not limited to, the bidder's sufficient licenses and qualifications, business scale and capacities and its

(3) Historical amount

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

(Unit: RMB million)

	Annual caps for the year ended 31 December			
	2019	**2020**	**2021**	**2022**
Total fees	7,000	4,000	4,000	4,000

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

(Unit: RMB million)

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

(4) Proposed annual caps

The proposed annual caps on the total subcontracting fees payable by the Group to Baoding Tianli and its associates for the three years ending 31 December 2023, 2024 and 2025 are set out below:

(Unit: RMB million)

	Proposed annual caps for the year ending 31 December		
	2023	**2024**	**2025**
Total fees	4,000	4,000	4,000

(5) Basis of determination of the proposed annual caps

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

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

(ii) The pandemic and supply-side reform in the PRC have led to an increase in the Group's supply chain risks. In order to enhance its resistance to the Group's overall business risks arising from supply chain risks, the Group will proactively control the proportion of a single labor service provider in the overall labor costs and reduce its reliance on a single labor service provider. The Group will consider using local labor service providers for its labor service business in other provinces and purposefully select other high-quality labor service providers to meet the demand for labor services in Hebei Province;

(iii) The actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the three years ended 31 December 2019, 2020 and 2021 were RMB3,239 million, RMB3,455 million and RMB3,835 million respectively, representing 28.24%, 28.67% and 29.74% of the Group's labor costs respectively, with an average figure of 28.88%. The total subcontracting fees paid to Baoding Tianli and its associates as a percentage of the Group's labour costs for the next three years are expected to be the same as or will decrease slightly as compared to the above average figure;

(iv) The actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the three years ended 31 December 2019, 2020 and 2021 were all within RMB4 billion, and the actual total subcontracting fees paid by the Group to Baoding Tianli and its associates for the four months ended 30 April 2022 amounted to RMB976 million, and the total subcontracting fees for 2022 are also expected to be within RMB4 billion; and

(v) Based on the current slow-growth economic development in China and the impact of the pandemic, Baoding Tianli adjusted its overall business development strategy based on its own situation. In particular, it focused its main business efforts on the Baoding City in Hebei Province, strived to expand and strengthen the scale of its headquarters area and focused on refined management and high-quality, large-scale, precise and advanced engineering projects. In addition, with its good reputation in the industry, it actively approached and cooperated with central and state-owned enterprises to expand its revenue stream. Therefore, the number of cooperation projects between the Group and Baoding Tianli is not expected to increase significantly in the next three years.

Due to the above reasons, it is expected that the total subcontracting fees to be paid to Baoding Tianli and its associates will maintain at RMB4 billion in the next three years.

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

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

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

Internal Control Measures

In order to ensure that the terms of the New Labor Subcontract Framework Agreement are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a set of management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the production security department, the finance management department, the financial securities department and legal department) are jointly responsible for evaluating the terms and fees (including but not limited to identifying transactions with Independent Third Parties to determine the market prices) under such framework agreement for the continuing connected transactions, in particular, the pricing policies under such transactions; the finance management department and the production security department are responsible for the approval of the annual caps and their fairness under such transactions;

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

- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of such framework agreement for the continuing connected transaction and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board will regularly review the pricing policy of such framework agreement for the continuing connected transaction on an annual basis;

- The independent non-executive Directors and auditors of the Group will conduct annual reviews of the continuing connected transactions under such framework agreement and provide annual confirmation in accordance with the Listing Rules to ensure that, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and

- When considering the actual subcontract fees, rental, service fees, and other prices provided by the Group to the above connected persons, the Group will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties. In particular, the Procurement Department of the Group will collect price information in the market at the end of each year and from time to time, by attending national labor service seminars (such as the annual meeting organized by the labor branch of China Construction Industry Association) and by collecting data from Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China.

Opinions of the Board

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

The Board has resolved to approve the above matters. As Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. LIU Yongjian, Mr. ZHAO Wensheng, Mr. LI Baoyuan and Mr. CAO Qingshe are interested in or serve management positions of Zhongming Zhiye and/or its associates, they are considered to have material interest in the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, and they have abstained from voting on the Board resolutions for approving the above framework agreement and the proposed annual caps. Save as disclosed above, there are no other Directors who have any material interest in the New Labor Subcontract Framework Agreement, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the New Labor Subcontract Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Independent Board Committee and Independent Financial Adviser

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

Information on Parties to the Agreement

(1) Information on the Company

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

(2) Information on Baoding Tianli

Baoding Tianli is a company incorporated in the PRC on 27 November 2001 with limited liability, and its business scope mainly includes subcontracting of masonry, plasterwork, painting, reinforcing bar, concrete work, scaffolding, molding, water, heating and electric system installation, welding and sheet metal work, and dispatch of labor to overseas areas (excluding Hong Kong, Macau and Taiwan). As at the Latest Practicable Date, Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye. Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Qianbao Investment directly holds 39.61% equity interests in Zhongru Investment, and the remaining 60.39% equity interests in Zhongru Investment are held by 146 natural persons. Each of these 146 natural person shareholders has a shareholding of less than 5% and none of them are professional investors. Qianbao Investment is owned as to 90% and 10% by Mr. Li Baoyuan and Mr. Li Baozhong, respectively.

SPECIAL RESOLUTIONS

12. Issuance of Debt Financing Instruments in 2022

A special resolution will be proposed at the AGM to approve the issuance of debt financing instruments in 2022.

In order to meet the needs for the Company's business operation, adjust the debt structure, replenish the liquidity and lower the financing costs, the Company intends to propose at the AGM to authorize the Board and persons authorized by the Board to consider and approve, subject to the relevant laws and regulations and the prevailing market conditions, the issuance of debt financing instruments within the framework and limit approved at the AGM:

(1) Issuer

The Company is the issuer of the RMB debt financing instruments. The Company or the foreign wholly-owned subsidiaries of the Company is the issuer of the offshore debt financing instruments.

(2) Type of Debt Financing Instruments

The onshore debt financing instruments proposed to be issued by the Company include but not limited to: RMB financing instruments, such as corporate bonds, medium-term notes, short-term commercial papers and super short-term commercial papers. The offshore debt financing instruments proposed to be issued by the Company include but not limited to: USD bonds, offshore RMB bonds, etc. The aforementioned onshore and offshore debt financing instruments do not contain any provision for conversion into Shares.

The type of onshore and offshore debt financing instruments will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

(3) Issue Size and Issue Method

The issue size of any single type of bonds, which could be issued on an one-off or multiple issuances or multi-tranche issuances basis, shall not exceed the approved limit of issue for that class under the relevant laws, regulations and regulatory documents. Subject to the relevant laws, regulations and regulatory documents, the specific issue size will be determined based on our needs for funding and the market conditions, provided that the aggregate size for various classes of bonds applied for registration shall not exceed RMB1.5 billion equivalent.

The specific issue size will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

(4) Term of Debt Financing Instruments

The terms of the onshore and offshore debt financing instruments shall be no longer than 10 years, with a single term or a hybrid type with multiple terms. The specific term and each type with different terms will be determined by the Board and persons authorized by the Board based on the relevant requirements and the market conditions at the time of issue.

(5) Use of Proceeds

The proceeds from onshore and offshore debt financing instruments shall be used to meet the needs for business operation, adjust the debt structure, replenish the liquidity and/or for project investment of the Company. The specific usage will be determined by the Board and persons authorized by the Board based on the funding needs of the Company.

(6) Other Matters Related to the Issuance

The interest rates and interest payment method, guarantee, listing and trading of the instruments, whether it will be placed to the Shareholders and other related matters will be determined by the Board or persons authorized by the Board based on the relevant requirements and the type of onshore and offshore debt financing instruments proposed to be issued.

(7) Authorization Given to the Board

To ensure effective coordination of the issuance of onshore and offshore debt financing instruments and specific matters in the process of the issuance, it is proposed that the AGM authorizes and approves the Board to further authorize any one of the executive Directors to be the authorized person of the Board in respect of the issuance of onshore and offshore debt financing instruments to, deal with, at its/their sole discretion and for the best interests of the Company, all matters related to the issuance of onshore and offshore debt financing instruments within the framework of the major terms of the aforesaid issuance approved at the AGM in accordance with the relevant laws and regulations as well as the advice and recommendations from regulatory authorities, and taking into account the operational needs and the prevailing market conditions. Such matters include but are not limited to the followings:

(i) to formulate and adjust the specific proposal for each issuance of the onshore and offshore debt financing instruments based on the specific conditions of the Company and the relevant debt market pursuant to the applicable laws, regulations and relevant requirements of the regulatory authorities as well as resolution passed at the AGM, including but not limited to: the suitable issuer(s), timing of the issue, the numbers and method of the issue, terms of issue, targets of the issue, maturity, denomination, interest rates, currency, guarantee arrangement, rating arrangement, measures to ensure debt repayment, use of proceeds, registration, listing of the bond and all matters in connection with the issuance of onshore and offshore debt financing instruments.

(ii) to make decision on the engagement of intermediary agency, to select and engage trustee and settlement manager(s), to sign the trust agreement(s) and settlement agreement(s), and to formulate the rules of procedures of the meeting of the holders of debt financing instruments (if applicable).

(iii) to sign, implement, amend and complete all of the agreements and documents relating to the issuance of the onshore and offshore debt financing instruments, including but not limited to, the sponsor agreement, underwriting agreement, guarantee agreement, bond indenture, engagement agreement with intermediary agency, trust agreement, settlement agreement, registration and custody agreement, listing agreement and other legal documents, etc.

(iv) to complete all applications and listing matters in connection with the issuance of the onshore and offshore debt financing instruments, including but not limited to, the preparation, revision and submission of relevant application and filing materials relating to the issuance and listing of the onshore and offshore debt financing instruments as well as the application and filing materials in respect of guarantee, letter of support or keep-well deed to be provided by the Company, the issuer and/or third party(ies), and to sign the relevant application and filing documents and other legal documents as required by relevant regulatory authorities.

IV. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for attending and voting at the AGM, holders of H Shares of the Company shall deliver all duly completed and signed transfer documents together with the relevant share certificates to the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

V. RECOMMENDATIONS

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

Your attention is drawn to the letter from the Independent Board Committee set out on page 24 of this circular. The Independent Board Committee, having taken into account the advice of Halcyon Capital Limited (the text of which is set out on pages 25 to 40 of this circular), considers that the New Labor Subcontract Framework Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Company, the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee, as stated in its letter, recommends the Independent Shareholders to vote in favor of the resolution to approve the New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder for 2023, 2024 and 2025.

The Board of Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser) believes that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board of Directors recommends that Shareholders vote in favor of the resolutions at the AGM.

VI. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders as set out in this circular.

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

HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

9 June 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE NEW LABOR SUBCONTRACT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in a circular of the Company (the "**Circular**") to the Shareholders dated 9 June 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 26 May 2022, the Company and Baoding Tianli entered into the New Labor Subcontract Framework Agreement to renew the Labor Subcontract Framework Agreement dated 31 December 2019, pursuant to which Baoding Tianli shall 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 Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

Since Baoding Tianli is a wholly-owned subsidiary of Zhongming Zhiye, while Zhongming Zhiye is held as to 92.5% by Zhongru Investment and as to 7.5% by Qianbao Investment, and each of Zhongru Investment and Qianbao Investment is a controlling shareholder of the Company, Baoding Tianli is a connected person under Rule 14.07A(4) of the Listing Rules. By virtue of the aforesaid relationship, the provision of labor subcontracting services under the New Labor Subcontract Framework Agreement constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny, being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) the New Labor Subcontract Framework Agreement and its proposed annual caps (the "**Annual Caps**") are conducted in ordinary and usual course of business of the Group, are on normal commercial terms which are fair and reasonable, and are in the interests of the Group and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolutions regarding the New Labor Subcontract Framework Agreement and the Annual Caps at the AGM.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendations as to whether the New Labor Subcontract Framework Agreement are entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Independent Shareholders as a whole, and whether the terms thereof and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote on the relevant resolutions regarding the New Labor Subcontract Framework Agreement and the Annual Caps at the AGM.

We are not associated with the Company, Baoding Tianli or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the terms of the New Labor Subcontract Framework Agreement. Except for being appointed as the independent financial adviser to the then independent board committee and independent shareholders of the Company (details of which have been set out in the letter from Halcyon Capital Limited as contained in the circular of the Company dated 8 December 2021), there was no other engagement between the Group and Halcyon Capital in last two years from the date of this letter. Apart from the normal professional fees paid to us in connection with our independent financial advisory appointments under the aforesaid engagement and this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions and therefore we consider that such relationship will not affect our independence as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Labor Subcontract Framework Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors have confirmed in the Circular that, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading and we have further been confirmed by the Company that no material facts have been omitted from the information supplied and representations expressed to us. We have reviewed, among other documents, the Labor Subcontract Framework Agreement, the New Labor Subcontract Framework Agreement, the financial statements of the Company, the estimation of the Annual Caps and relevant industry information as further elaborated in our letter. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with note 1 to Rule 13.80 of the Listing Rules.

Our review and analysis were based upon, among others, the information provided by the Group including the New Labor Subcontract Framework Agreement, the annual report of the Company for the year ended 31 December and 2020 and 2021 (the "**2020 Annual Report**", and "**2021 Annual Report**", respectively), the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the New Labor Subcontract Framework Agreement, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, Baoding Tianli or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy and shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the New Labor Subcontract Framework Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group

Principal business

As stated in the 2021 Annual Report, the Group is a leading non-state owned construction group in the PRC and is principally engaged in construction contracting business and other businesses including service concession arrangements. The Group provides construction contracting services mainly as a contractor for building construction projects and infrastructure construction projects, and over 95% of the revenue of the Group in 2021 was derived from the provision of construction contracting services.

According to the 2021 Annual Report, approximately 60.95% of the value of the new contracts of the Group in year 2021 were attributable to Beijing-Tianjin-Hebei Region, as compared to approximately 49.04% in year 2020, and over 60% of the value of the new contracts of the Group's contracting construction business were attributable to building construction in both years 2020 and 2021, followed by infrastructure construction of over 20% in both years 2020 and 2021.

Financial highlights

Set out below is the summary of key financial information of the Group for each of the two years ended 31 December 2021 as extracted from the 2021 Annual Report:

	For the year ended 31 December	
	2021	2020
	RMB'mil	*RMB'mil*
Revenue	**47,828**	40,150
Cost of sales	**(45,341)**	(38,010)
(Loss)/Profit before tax	**(495)**	936
Income tax credit/(expense)	**137**	(184)
Net (loss)/profit	**(358)**	752

As illustrated in the above table, the Group recorded increase in revenue for the year ended 31 December 2021 while recorded loss before and after tax for the year ended 31 December 2021, as compared to a net profit before and after tax for the year ended 31 December 2020. According to the 2021 Annual Report, the increase in revenue was principally attributable to the increase in revenue derived from the building construction business and infrastructure construction business, and the gross profit rate of the construction contracting business remained stable at approximately 5.0% for the year ended 31 December 2021, as compared to 31 December 2020. The net loss recorded by the Group for the year ended 31 December 2021 was principally attributable to the increase in credit impairment losses and asset impairment losses of approximately RMB679 million and RMB976 million, respectively, as compared with that in 2020. The increases in impairment recorded were mainly attributable to the deterioration in the credit standing of certain customers of property developers.

Financial position

Set out below is the highlight of the financial position of the Group as at 31 December 2021 extracted from the 2021 Annual Report:

	As at 31 December 2021 ***RMB' mil***
Total assets	**66,947**
Total liabilities	**61,075**
Net assets	**5,873**

The Group recorded total assets of approximately RMB66,947 million as at 31 December 2021 and over 90% of which were current assets. As at 31 December 2021, the current assets of the Group principally comprised contract assets of approximately RMB39,658 million, accounts receivable of approximately RMB7,740 million, cash and cash equivalents of approximately RMB8,810 million.

The Group recorded total liabilities of approximately RMB61,075 million as at 31 December 2021 and over 95% of which were current liabilities. As at 31 December 2021, the current liabilities of the Group principally comprised accounts payable of approximately RMB37,937 million, other payables of approximately RMB6,073 million and contract liabilities of approximately RMB6,007 million.

The Group recorded a decrease in net assets attributable to owners of the Company from approximately RMB6,246 million as at 31 December 2020 to approximately RMB5,694 million as at 31 December 2021 which was mainly attributable to the effect of dividend distribution of approximately RMB247 million during 2021 and the net loss of approximately RMB358 million recorded by the Group in 2021.

2. Reasons for and benefits of entering into of the New Labor Subcontract Framework Agreement

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

We have obtained and reviewed the 2021 Annual Report and as stated, the Group was also responsible for engaging subcontractors in providing construction services and the labor force for construction projects. As advised by the Group, labor subcontracting fee is one of the major costs of the Group, and, we understand from the prospectus of the Company dated 5 December 2017 that the provision of labor subcontract services by Baoding Tianli to the Group already commenced prior to 2014. On the other hand, according to the All-China Federation of Industry and Commerce[1], Baoding Tianli is one of the top 100 private enterprises in Heibei Province in 2021. Although the Group has established business relationship with Baoding Tianli for a number of years, according to the pricing policy under the New Labor Subcontract Framework Agreement, when the Group subcontracts labor supply for the construction projects, public bidding procedures will still be applied and the bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will still be implemented. Accordingly, we concur with the view of the Directors that engaging Baoding Tianli and its associates for the provision of labor subcontracting services under the New Labor Subcontract Framework Agreement is in the ordinary and usual course of business of the Group and the continuation of provision of labor subcontracting services by Baoding Tianli to the Group is in the interests of the Group and the Independent Shareholders as a whole.

3. Principal terms of the New Labor Subcontract Framework Agreement

As set out in the Letter from the Board, the principal terms of the New Labor Subcontract Framework Agreement are set out below:

(1) Date

26 May 2022

(2) Parties

The Company (as the contractor); and

Baoding Tianli (as the sub-contractor).

[1] http://www.acfic.org.cn/gdgsl_362/hb/hbfgdt/202109/t20210907_265853.html

(3) Principal terms

Baoding Tianli and its associates shall provide labor subcontract services to the Group in its ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group total subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The New Labor Subcontract Framework Agreement shall commence on 1 January 2023 and end on 31 December 2025 (both days inclusive). Subject to compliance with relevant laws and regulations and the Listing Rules, it can be renewed for another three years upon its expiry as agreed by relevant parties, upon which the Company will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will enter into separate specific agreements which will set out the specific terms and conditions according to the principles provided

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

- When considering the actual subcontract fees, rental, service fees, and other prices provided by the Group to the above connected persons, the Group will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties. In particular, the Procurement Department of the Group will collect price information in the market at the end of each year and from time to time, by attending national labor service seminars (such as the annual meeting organized by the labor branch of China Construction Industry Association) and by collecting data from Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China.

Furthermore, as set out in the Management System and as further discussed with the management of the Company, the pricing of the connected transactions must be fair and with reference to the following principles, among other things, except where the government pricing or the government-guided prices apply, if the aforesaid prices are not available, the connected transaction shall then be determined on a cost-plus basis. We understand from the management of the Group that the Group will take into account a number of factors including, but not limited to, the nature, complexity, location and duration of the relevant transaction, and the margin of comparable projects with Independent Third Parties, in determining the margin on a case-by-case basis.

We understand from the Management System and the management of the Group that depending on the types and circumstances of connected transactions to be entered into, the pricing for connected transactions without prices fixed or determined by the government shall be determined through different pricing methodologies. These pricing methodologies are, namely, cost-plus method, resale price method, comparable sales method, comparable net profit method and profit split method. In particular, for cost-plus method, the pricing is determined based on the relevant costs of the Group plus a gross profit margin which is determined based on the gross profit margin of comparable transactions with Independent Third Parties. The Group provided construction contracting services to connected persons and the pricing of these projects were principally determined based on cost-plus method in accordance to the Management System. For information purpose only, as advised by the management of the Company, the gross profit margin of the ten highest revenue-contributing projects (with customers who are Independent Third Parties) for each of the three years ended 31 December 2021 ranged from approximately 0.5% to 19.5%.

Meanwhile, we also obtained and reviewed The Bidding Law of the PRC, according to which if there are less than three bidders, the tenderee shall re-bid in accordance with the law.

Taking into account the nature of services to be provided by Baoding Tianli under the New Labor Subcontract Framework Agreement, and having further confirmed with the management of the Company, in determining the pricing of the labor subcontracting services, and in accordance with the pricing policy under the New Labor Subcontract Framework Agreement, public bidding procedures will be applied and there shall be at least three bidders which was consistent with the requirement under the Bidding Law of the PRC. The bidding procedure will involve the review panel taking into consideration factors including, but not limited to, the comparable quoted bidding prices, the bidder's licenses and qualifications, business scale and capacities and its historical results in evaluating the bids. We concur with the management of the Company that the pricing policy under the New Labor Subcontract Framework Agreement is consistent with the Management System.

Meanwhile, as compared to direct hiring of subcontractors, public biddings enable the Group to select the most suitable subcontractor for a particular project among the bidders through direct comparison in price, technical and historical performance. Moreover, given the evaluation of bidders is conducted by the review panel (which shall consist of an odd number of three or more experts), we have obtained and reviewed the documents regarding the result of the bid evaluations of the bid review panel for (i) the labor subcontracting contract granted to Baoding Tianli with the largest contract value and (ii) the labor subcontracting contract granted to Independent Third Party with the largest contract value (which Baoding Tianli has participated, but not winning, in the relevant bid), for each of the six months ended (a) 30 June 2020; (b) 31 December 2020; (c) 30 June 2021; and (d) 31 December 2021, and noted that the composition of the review panels of these eight projects was different. Taking into account the contract value of relevant projects, the relevant projects covered projects awarded to Baoding Tianli and Independent Third Parties during the two years ended 31 December 2021, we consider that these projects are representative and the reviewing of these projects is sufficient for the purpose of assessing the composition of the review panels. Therefore, the risk for the awarding of contracts to be controlled by a few persons is reduced. Further, taking into account the composition of the review panel, which may involve 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, we are of the view that the review panel involves people with different expertise which enables the review panel to evaluate the bid from more angles. Taking into account the aforesaid, we are of the view that the pricing policy under the New Labor Subcontract Framework Agreement, being public bidding, is fair and reasonable.

In addition, we have obtained and reviewed the 2020 Annual Report and 2021 Annual Report, based on which the auditors and the independent non-executive directors of the Company have reviewed the Group's continuing connected transactions and confirmed that, among other things, the relevant transactions carried out in each of the years ended 31 December 2020 and 2021 were carried out in the accordance with the terms of the relevant Labor Subcontract Framework agreement. Moreover, as stated in the 2020 Annual Report and 2021 Annual Report, the auditors of the Company confirmed that, among other things, the relevant continuing connected transactions carried out in the years ended 31 December 2020 and 2021 were carried out in the accordance with the terms of the relevant Labor Subcontract Framework Agreement and the transactions carried out in the years ended 31 December 2020 and 2021

Meanwhile, we have obtained and reviewed the documents regarding the result of the bid evaluations of the bid review panel regarding (i) the labor subcontracting contract granted to Baoding Tianli with the largest contract value and (ii) the labor subcontracting contract granted to Independent Third Party with the largest contract value (which Baoding Tianli has participated, but not winning, in the relevant bid), for each of the six months ended (a) 30 June 2020; (b) 31 December 2020; (c) 30 June 2021; and (d) 31 December 2021. As set out in the bid evaluation forms, the assessment of each bidder would be conducted by way of a scoring system for two main parts, being (i) the competitiveness of the bidding price offered, and (ii) the technical skills and track record of the bidders (including the quality and technicality of the proposed construction plan, feasibility of the implementation of the scheduled project timetable, possession of relevant experiences in other similar projects and etc). We have also reviewed the bidding price of the relevant bidders for each of the selected projects and noted that bidders with higher bidding price got lower score for the pricing part and vice versa, and the result of the bids was determined based on the combined score of the two parts mentioned above. We consider that our findings is in line with the pricing policy and the Management System.

5. Rationale for determining the Annual Caps

Due to the above reasons, it is expected that the total subcontracting fees to be paid to Baoding Tianli and its associates will maintain at RMB4 billion level in the next three years.

Our analysis on the proposed Annual Caps

To assess the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Company and reviewed the calculation in relation thereto. We are given to understand that the proposed annual cap for the year ending 31 December 2023 was principally determined based on (i) the labor costs of the Group which is expected to remain stable; (ii) the Group's decision and consideration of supply chain safety which aims to proactively control the proportion of a single labor service provider in the overall labor costs and reduce its reliance on a single labor service provider; (iii) the estimated total subcontracting fees to be paid to Baoding Tianli and its associates as a percentage of the Group's labor costs which are expected to be the same as or will decrease slightly; (iv) the historical transaction amounts with Baoding Tianli and its associates which were all within RMB4 billion for each of the year ended 31 December 2019, 2020 and 2021 and is also expected to be within RMB4 billion for the year ending 31 December 2022; and (v) the trend of adjustment of the business strategy of Baoding Tianli's own labor segment as a result of which the number of cooperation projects between the Group and Baoding Tianli is not expected to increase significantly in the next three years.

Such expectations principally assumed that (i) the labor costs of the Group will remain stable; and (ii) the Baoding Tianli Transaction to Labor Cost Ratio is not expected to increase in the absence of unforeseeable circumstances.

In assessing the reasonableness of the key assumptions as stated above, we have calculated the average growth rate of the labor costs of the Group over the past three years, and the result of our calculation, being 6.0%, was comparable to the growth rate of average salary of employed personnel of construction ipsg average .vEMC /P ⁄Lang (en-Ur)0.5 ⁄age .vEuonen-ipsg avvat10.5 (oage)12.8

significant increase in individual provision for losses in relation to certain property developers in 2021, we are of the view that it is reasonable for the Group to take up less real estate development projects in the near future. Nevertheless, further taking into account the development focus and positioning of the Group, in particular the large-scale construction of Xiong'an New Area (as further elaborated below) which was consistent with the increase in new contract value related to Beijing-Tianjin-Hebei area obtained by the Group in 2021, we concur with the management of the Group that it is reasonable to assume that the Group's labor costs are expected to remain stable in the next three years.

According to the article "Construction of China's 'City of Future' in full swing" published by The State Council Information Office of the PRC on 1 April 2022[3] (the "**Article**"), it was stated that (i) the PRC Government announced plans to establish Xiong'an New Area on 1 April 2017, to relieve Beijing of functions non-essential to its role as the national capital and advance the coordinated development of the Beijing-Tianjin-Hebei region; (ii) by the end of 2021, construction has begun on 177 key projects in Xiong'an, with a total investment of RMB618.4 billion. Sixty of them have been completed; (iii) centrally-administered state-owned enterprises of the PRC are actively taking part in the construction of the Xiong'an New Area and have set up more than 100 subsidiaries and branches in the area, according to the State-owned Assets Supervision and Administration Commission of the State Council; (iv) to provide quality public service, Beijing-based universities, hospitals, and schools are building or will build branches in Xiong'an, or entering into partnerships with Xiong'an counterparts; (v) in the first quarter of 2022, construction began on 43 projects in industries, public services, infrastructure and ecological preservation in Xiong'an, with a total investment of RMB60 billion; and (vi) through 2022, 232 major projects are planned for launch in Xiong'an, with a total investment of RMB700 billion. Based on the Article, state-owned enterprises are actively taking part in the construction of the Xiong'an New Area, while, as stated above, the net loss recorded by the Group for the year ended 31 December 2021 was principally attributable to the increase in credit impairment losses and asset impairment losses which was mainly attributable to the deterioration in the credit standing of certain customers of property developers. Taking into account the aforesaid, we are of the view that it is reasonable for Baoding Tianli to increase its cooperation with central and state-owned enterprises which reduced the room for increase in business transactions between the Group and Baoding Tanli.

On the other hand, we noted the Group's decision and consideration of supply chain safety which aims to proactively control the proportion of a single labor service provider in the overall labor costs and reduce its reliance on a single labor service provider. In assessing the reasonableness for the implementation of such control, we have obtained and reviewed the gross domestic product growth rate of the PRC from The World Bank in recent years and noted that the growth rate for 2018 was approximately 6.7%, and was reduced to approximately 5.9% in 2019 and 2.3% in 2020. Although the PRC has recorded a rebound in real GDP growth for 2021 to approximately 8.1% following the low GDP growth in 2020, according to The World Bank, the growth is projected to slow to 5.0% in 2022. We have further obtained and reviewed an article "Exploring China market dynamics with credit data analysis" published on Bloomberg on 17 May 2022[4], according to which about 70% of China's high-yield real-estate bonds have become uninvestable for funds with strict mandates, and the dollar-bond default rate hit a record-breaking 4.5% as of April 2022. We

[3] http://english.scio.gov.cn/in-depth/2022-04/01/content_78142828.htm

[4] https://www.bloomberg.com/professional/blog/exploring-china-market-dynamics-with-credit-data-analysis/

understand that the engaging subcontractors to perform construction works is not uncommon in real estate development industry, and, therefore, the increase in default in payment by real estate developers to its subcontractors may result in financial difficulties in certain subcontractors. Taking into account the aforesaid, we concur with the management of the Company that it is reasonable for the Group to implement such control to reduce concentration risk in reliance on certain suppliers or service providers without causing material disruption to the operation of the Group.

Taking into account the above and, as stated in the 2021 Annual Report, Hebei Construction Group will continue to capture various historical opportunities from collaborative development of Beijing-Tianjin-Hebei region, large-scale construction of Xiong'an New Area, Beijing Daxing Airport Economic Zone and developing Beijing-Tianjin-Hebei region into a world-class city cluster, the Group has established relationship with Baoding Tianli and the transaction amount between the Group and Baoding Tianli was relatively stable in recent years, we concur with the Company that the reduction in Baoding Tianli Transaction to Labor Cost Ratio, if any, is currently not expected to be material and, therefore, we concur with the Company that it is reasonable to assume that the Baoding Tianli Transaction to Labor Cost Ratio is not expected to increase.

In addition, we note that total subcontracting fees paid by the Group to Baoding Tianli and its associates for the four months ended 30 April 2022 was approximately RMB976 million (representing an utilisation rate of approximately 73.2% as stated above). We are being advised by the management of the Group that the relatively low utilisation rate for the four months ended 30 April 2022 was principally attributable to the government restrictions and controls in relation to the outbreak of COVID-19 in Baoding during the four months ended 30 April 2022. The relevant restrictions and controls have been eased subsequently. We have checked the number of reported COVID-19 cases of Hebei Province and noted that there was a surge in such number during March and April 2022, and we also noted that certain areas of Baoding were subject to lockdown measures during the four months ended 30 April 2022. Taking into account the facts that the relevant restrictions and controls have been subsequently eased, the utilisation rate for the four months ended 30 April 2022 still exceeded 70% and it is not feasible to forecast the possibility of further outbreak of COVID-19, if any, we concur with the management of the Group that although

6. Conclusion

Taking into account the aforesaid, we concur with the view of the Directors that engaging Baoding Tianli and its associates for the provision of labor subcontracting services under the New Labor Subcontract Framework Agreement is in the ordinary and usual course of business of the Group, the New Labor Subcontract Framework Agreement is entered into on normal commercial terms and the terms and the proposed annual caps of the continuing connected transactions contemplated thereunder are fair and reasonable, and in the interests of the Group and its Independent Shareholders as a whole.

RECOMMENDATION

Having considered the factors and analyses above, we consider that (i) the engaging of Baoding Tianli and its associates to provide labor subcontracting services under the New Labor Subcontract Framework Agreement is part of the ordinary and usual course of business of the Group; (ii) the terms of New Labor Subcontract Framework Agreement are on normal commercial terms; (iii) the entering into of the New Labor Subcontract Framework Agreement and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iv) the entering into of the New Labor Subcontract Framework Agreement are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders and (ii) the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the New Labor Subcontract Framework Agreement and the Annual Caps.

Yours faithfully,
for and on behalf of
HALCYON CAPITAL LIMITED

Derek C.O. Chan	**Barton Lai**
Chairman	*Director*

Mr. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. 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 the Latest Practicable Date, 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:

(1) 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	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of the Company as at the Latest Practicable Date
Mr. Li Baoyuan[1]	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.8%

Note:

1. As at the Latest Practicable Date, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% 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 the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which is deemed to be directly and indirectly holding 100% of the equity interests in Zhongru Investment and directly holding 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 255,000,000 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.

(2) 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 and class of shares interested	Nature of Interest	Approximate percentage of issued share capital of associated corporation as at the Latest Practicable Date
Directors					
Mr. Li Baoyuan[1]	Qianbao Investment[2]	Beneficial owner	45,000,000	Long position	90.00%
	Zhongru Investment[3]	Interest in controlled corporation	255,000,000	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment[2]	Beneficial owner	5,000,000	Long position	10.00%
Mr. Cao Qingshe	Zhongru Investment[3]	Beneficial owner	5,000,000	Long position	1.97%
Mr. Shang Jinfeng	Zhongru Investment[3]	Beneficial owner	1,000,000	Long position	0.39%
Mr. Liu Yongjian	Zhongru Investment[3]	Beneficial owner	2,000,000	Long position	0.79%
Mr. Zhao Wensheng	Zhongru Investment[3]	Beneficial owner	1,000,000	Long position	0.39%
Supervisors					
Mr. Yu Xuefeng	Zhongru Investment[3]	Beneficial owner	1,000,000	Long position	0.39%
Ms. Feng Xiujian	Zhongru Investment[3]	Beneficial owner	1,000,000	Long position	0.39%
Mr. Wang Feng	Zhongru Investment[3]	Beneficial owner	1,000,000	Long position	0.39%
Mr. Liu Jingqiao	Zhongru Investment[3]	Beneficial owner	500,000	Long position	0.20%
Mr. Yue Jianming	Zhongru Investment[3]	Beneficial owner	500,000	Long position	0.20%

Notes:

1. As at the Latest Practicable Date, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 39.61% of the equity interests in Zhongru Investment. In addition, each of the 146 individuals holding in aggregate the remaining 60.39% 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 255,000,000 shares, in Zhongru Investment.

2. As at the Latest Practicable Date, the total share capital of Qianbao Investment is 50,000,000 shares.

3. As at the Latest Practicable Date, the total share capital of Zhongru Investment is 255,000,000 shares.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into any service contracts with the Company or any of its subsidiaries, excluding contracts expiring or terminable within one year without payment of compensation other than statutory compensation.

9. EXPERT'S DISCLOSURE OF INTEREST AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Halcyon Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

- As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Company were prepared.

- Halcyon Capital Limited issued a letter dated 9 June 2022 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.

- The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its expert's opinions and reference to its name in the form and context in which they appear.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed from the date of this circular up to and including the date of the AGM on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hebjs.com.cn):

- the New Labor Subcontract Framework Agreement;
- the letter from the Independent Board Committee to the Independent Shareholders as set out on page 24 of this circular;
- the letter from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders as set out on pages 25 to 40 of this circular; and
- the written consents referred to in paragraph 9 of this appendix.

11. GENERAL

- As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the Group's financial or trading position since 31 December 2021, being the date on which the latest published audited consolidated accounts of the Company were prepared.
- The registered office of the Company is No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC and the postal code is 071000.
- The H Share Registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- The joint company secretaries of the Company are Mr. Li Wutie and Ms. Wong Wai Ling. Ms. Wong Wai Ling is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- If there is any discrepancy between the English text and Chinese text of this circular, the English text shall prevail.

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HEBEI CON TR CTION GRO P CORPORATION LIMITED

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

(t B C : 1727)

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 annual general meeting (the "**AGM**") of Hebei Construction Group Corporation Limited (the "**Company**") will be held at Meeting Room No. 1, 3/F, No. 125 Lugang Road, Jingxiu District, Jingxiu District, Baoding City, Hebei Province, the People's Republic of China (the "**PRC**") at 9:00 a.m. on Tuesday, 28 June 2022 to consider and, if thought fit, approve, among others, the following resolutions (with or without modification).

ORDINARY RESOLUTIONS

1. 2021 Annual Report
2. 2021 Financial Report
3. Work Report of the Board for 2021
4. Work Report of the Board of Supervisors for 2021
5. Profit Distribution Proposal for 2021
6. Remuneration of Directors for 2021
7. Remuneration of Supervisors for 2021
8. Financing Plan for 2022
9. Guarantee Arrangement for 2022

10. Appointment of Domestic Auditor for 2022 and Determination of its Remunerations

11. The New Labor Subcontract Framework Agreement and the proposed annual caps of the continuing connected transactions contemplated thereunder for 2023, 2024 and 2025

SPECIAL RESOLUTIONS

12. Issuance of Debt Financing Instruments in 2022

13. General Mandate to Issue Shares

Details of the above resolutions are set out in the circular of the Company to be issued in due course.

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

Hebei, the PRC, 27 May 2022

Notes:

(1) The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the register of members of the Company on Tuesday, 28 June 2022 will be eligible to attend the AGM. In order to qualify for attending and voting at the AGM, holders of H Shares of the Company shall deliver all duly completed and signed transfer documents together with the relevant share certificates to the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

(2) Shareholder entitled to attend and vote at the AGM can complete the proxy form provided by the Company to appoint one or more person to attend and vote on his/her/its behalf at the AGM. A proxy need not be a shareholder of the Company. For shareholder who appoints more than one proxy, his/her/its proxies can only exercise the voting right in a poll.

(3) A shareholder shall appoint his/her/its proxy by an instrument in writing under the hand of the shareholder or of his/her/its attorney duly authorized in writing. If the shareholder is a corporation, the instrument in writing shall be either under its common seal or under the hand of its authorized representative or an attorney duly authorized. If the instrument in writing is signed by an attorney of the shareholder, the power of attorney authorizing the attorney to sign, or other authorization documents must be notarized.

(4) In order to be valid, the proxy form and the related notarized power of attorney (if any) and other authorization documents (if any) referred in note (3) above must be lodged to the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares of the Company), or to the Company's registered office in the PRC at No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC (for holders of Domestic Shares of the Company), not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be) (i.e. no later than 9:00 a.m. on Monday, 27 June 2022). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish. If you attend and vote at the AGM, the authority of your proxy will be revoked.

(5) Shareholders or their proxy(ies) should produce identification documents when attending the AGM. If the shareholder is a corporation, its authorized representative or the person authorized by its board of directors or other authorities shall produce the copy of the authorization documents appointing him/her to attend the meeting issued by the board of directors or other authorities of such corporate shareholder.

(6) The AGM is expected to last for no more than half day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.

(7) Contact information of the Board office is set out below:

Address:	No. 125 Lugang Road, Jingxiu District, Baoding City, Hebei Province, the PRC
Post code:	071000
Contact person:	Mr. Li Wutie
Tel:	(86) 312 331 1028
Fax:	(86) 312 301 9434

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