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河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

**(1) DISCLOSABLE AND CONNECTED TRANSACTION IN RELATION TO
THE EQUITY SWAP AND TRANSFER AGREEMENT
AND
(2) DISCLOSABLE AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE ENGINEERING CONSTRUCTION SERVICE
FRAMEWORK AGREEMENT**

THE EQUITY SWAP AND TRANSFER AGREEMENT

The Board announces that, on 17 May 2019 (after trading hours), the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management entered into the Equity Swap and Transfer Agreement, pursuant to which, the Company proposed to swap the Disposal Subject held by it with the Acquisition Subject held by Zhongming Zhiye. Meanwhile, Baoding Zhongcheng proposed to transfer the Equity Transfer Subject held by it to Qianqiu Management, and the consideration shortfall between the Disposal Subject and the Equity Transfer Subject as well as the Acquisition Subject will be made up by the Company in cash to Zhongming Zhiye.

The Equity Swap and Transfer involves (i) the Disposal and Transfer; and (ii) the Acquisition. In accordance with Rule 14.24 of the Listing Rules, the Equity Swap and Transfer will be classified with reference to the higher of the relevant percentage ratios of the Disposal and Transfer or the Acquisition and will comply with relevant requirements applicable to such category.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement are higher than 5% but all of such ratios are less than 25%, according to the Listing Rules, the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement constitutes a disclosable transaction of the Company which shall comply with the notice and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition contemplated under the Equity Swap and Transfer Agreement are less than 5%, according to the Listing Rules, the Acquisition contemplated under the Equity Swap and Transfer Agreement is exempt from the notice, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Qianqiu Management is a subsidiary of Zhongming Zhiye. Therefore, both Zhongming Zhiye and Qianqiu Management are connected persons of the Group. Thus, according to the Listing Rules, the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) of it are higher than 5% but all of such ratios are less than 25%, thus, it shall comply with the notice, announcement, circular and independent shareholders' approval requirements under chapter 14A of the Listing Rules. The Acquisition contemplated under the Equity Swap and Transfer Agreement constitutes a connected transaction of the Company which shall comply with the notice and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under chapter 14A of the Listing Rules, as one or more of the applicable percentage ratios (as defined under the Listing Rules) of it are higher than 0.1% but all of such ratios are less than 5%.

THE ENGINEERING CONSTRUCTION SERVICE FRAMEWORK AGREEMENT

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group. Immediately following the completion of the Equity Swap and Transfer, the Disposal and Transfer Subject Companies will become subsidiaries of Zhongming Zhiye. In accordance with Chapter 14A of the Listing Rules, the continuing transactions between the Group and Zhongming Zhiye and its associates (including the Disposal and Transfer Subject Companies) will constitute continuing connected transactions of the Company.

The Board announces that, on 17 May 2019 (after trading hours), the Company and Zhongming Zhiye entered into the Engineering Construction Service Framework Agreement and formulated the annual caps for transactions under such agreement for 2019, 2020 and 2021. 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.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Engineering Construction Service Framework Agreement and the transactions contemplated thereunder are higher than 5% but all of such ratios are less than 25%, according to the Listing Rules, the transactions contemplated under the Engineering Construction Service Framework Agreement constitute a disclosable transaction of the Company which shall comply with the notice and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group, and thus 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 annual review, notice, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE AGM

The Company will hold an annual general meeting for the Shareholders to consider and approve, if thought fit, among other things: (i) the Equity Swap and Transfer Agreement and the Disposal and Transfer contemplated thereunder; and (ii) the Engineering Construction Service Framework Agreement and its proposed annual caps.

Zhongru Investment and Qianbao Investment and their respective associates will abstain from voting with respect to the relevant resolutions at the AGM. To the best of the knowledge, information and belief of Directors after having made all reasonable inquiries, no Shareholder other than Zhongru Investment and Qianbao Investment will abstain from voting with respect to the relevant resolutions at the AGM.

An Independent Board Committee, comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to the Equity Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps. Halcyon Capital Limited has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders as to the above resolutions.

A circular containing, among other things, (i) details of the Equity Swap and Transfer Agreement and the Disposal and Transfer contemplated thereunder and the Engineering Construction Service Framework Agreement and its proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders regarding the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the above matters; (iv) Equity Valuation Report on the Disposal and Transfer Subject Companies; (v) Equity Valuation Report on the Acquisition Subject Company; (vi) Property Valuation Report; and (vii) notice of the annual general meeting is expected to be dispatched to Shareholders on or before 30 May 2019.

WARNING

As the Equity Swap and Transfer and the transactions contemplated under the Engineering Construction Service Framework Agreement are subject to certain conditions, including obtaining the approval of Independent Shareholders at the AGM, and may or may not proceed, Shareholders and investors should exercise caution when dealing in H shares. According to the Listing Rules and other applicable laws and regulations, the Company will publish further announcements on any major updates and developments related to the Equity Swap and Transfer and the transactions contemplated under the Engineering Construction Service Framework Agreement in due course.

I. INTRODUCTION

The Board announces that, on 17 May 2019 (after trading hours), the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management entered into the Equity Swap and Transfer Agreement, pursuant to which, the Company proposed to swap the Disposal Subject held by it with the Acquisition Subject held by Zhongming Zhiye. Meanwhile, Baoding Zhongcheng proposed to transfer the Equity Transfer Subject held by it to Qianqiu Management, and the consideration shortfall between the Disposal Subject and the Equity Transfer Subject as well as the Acquisition Subject will be made up by the Company in cash to Zhongming Zhiye.

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group. Immediately following the completion of the Equity Swap and Transfer, the Disposal and Transfer Subject Companies will become subsidiaries of Zhongming Zhiye. In accordance with Chapter 14A of the Listing Rules, the continuing transactions between the Group and Zhongming Zhiye and its associates (including the Disposal and Transfer Subject Companies) will constitute continuing connected transactions of the Company.

The Board announces that, on 17 May 2019 (after trading hours), the Company and Zhongming Zhiye entered into the Engineering Construction Service Framework Agreement and formulated the annual caps for transactions under such agreement for 2019, 2020 and 2021. 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.

II. EQUITY SWAP AND TRANSFER AGREEMENT

1. The principal terms of the Equity Swap and Transfer Agreement are as follows:

(1) Date

17 May 2019

(2) Parties

The Company;

Baoding Zhongcheng;

Zhongming Zhiye; and

Qianqiu Management.

(3) The Disposal

(i) The Subject

The Company agreed to dispose and Zhongming Zhiye agreed to acquire the Disposal Subject.

(ii) Consideration and determination basis

The Valuer evaluated the Disposal Subject on the Equity Valuation Reference Date, and issued the Equity Valuation Report on the Disposal and Transfer Subject Companies, details of which will be set out in the AGM circular of the Company. The valuation is as follows:

According to the Equity Valuation Report on the Disposal and Transfer Subject Companies, the valuation of the 90% shares of Zhongcheng Real Estate, the valuation of 66% equity interests of Baoding Tian'e Real Estate and the valuation of 55% equity interests of Jinshibang Real Estate proposed to be disposed by the Company is RMB122.1 million, RMB62.3 million, and RMB6.1 million, respectively. The valuation of the Disposal Subject is RMB190.5 million in total.

Given (i) the Valuer's valuation of the Disposal Subject; (ii) the current situation and future development prospects of the relevant industries in which the Disposal and Transfer Subject Companies are located; and (iii) the business condition, historical financial performance and future development potential of the Disposal and Transfer Subject Companies, and through arm's length negotiation between the Company and Zhongming Zhiye, the total transfer consideration of the Disposal Subject is RMB190.5 million.

(4) The Acquisition

(i) The Subject

Zhongming Zhiye agreed to dispose and the Company agreed to acquire the Acquisition Subject.

(ii) Consideration and determination basis

The Valuer evaluated the Acquisition Subject on the Equity Valuation Reference Date, and issued the Equity Valuation Report on the Acquisition Subject Company, details of which will be set out in the AGM circular of the Company. The valuation is as follows:

According to the Equity Valuation Report on the Acquisition Subject Company, the valuation of 100% equity interests of HCG Garden Engineering proposed to be acquired by the Company is RMB274.0 million.

Given (i) the Valuer's valuation of the Acquisition Subject; (ii) the current situation and future development prospects of the relevant industries in which the Subject Company is located; (iii) the business condition, historical financial performance and future development potential of the Subject Company; and (iv) the special dividend paid by HCG Garden Engineering to its shareholders of RMB60.0 million, and through arm's length negotiation between the Company and Zhongming Zhiye, the total transfer consideration of the Acquisition Subject is RMB214.0 million.

(5) The Equity Transfer

(i) The Subject

Based on the Equity Swap, Baoding Zhongcheng agreed to transfer the Equity Transfer Subject held by it to Qianqiu Management.

(ii) Consideration and determination basis

The Valuer evaluated the Equity Transfer Subject on the Equity Valuation Reference Date, and issued the Equity Valuation Report on the Disposal and Transfer Subject Companies, details of which will be set out in the AGM circular of the Company. According to the Equity Valuation Report on the Disposal and Transfer Subject Companies, as of the Equity Valuation Reference Date, the valuation of the Equity Transfer Subject was RMB13.6 million.

Given (i) the Valuer's valuation of the Equity Transfer Subject; (ii) the current situation and future development prospects of the relevant industries in which the Subject Companies are located; and (iii) the business condition, historical financial performance and future development potential of the Subject Companies, and through arm's length negotiation between Baoding Zhongcheng and Qianqiu Management, the total transfer consideration of the Equity Transfer Subject is RMB13.6 million.

(6) Payment of consideration

The parties agree that the consideration of the Equity Transfer Subject will be paid by Zhongming Zhiye on behalf of Qianqiu Management and received by the Company on behalf of Baoding Zhongcheng; the consideration shortfall between the Disposal Subject, the Equity Transfer Subject and the Acquisition Subject will be made up by the Company in cash to Zhongming Zhiye, totalling RMB9.9 million, of which:

- (i) 50%, being RMB4.95 million will be paid on the Closing Date; and
- (ii) the remaining 50%, being RMB4.95 million, will be paid within five days from the date of completion of the industrial and commercial registration or filing procedures for the Equity Swap and Transfer.

(7) Gain or Loss during the Transition Period

The Company and Zhongming Zhiye agreed that the gain or loss arising from operations or changes in equity arising from other causes of the Disposal Subject during the Transition Period will be entitled to or borne by Zhongming Zhiye, and the gain or loss arising from operations or changes in equity arising from other causes of the Acquisition Subject during the Transition Period will be entitled to or borne by the Company.

Baoding Zhongcheng and Qianqiu Management agreed that the gain or loss arising from operations or changes in equity arising from other causes of the Equity Transfer Subject during the Transition Period will be entitled to or borne by Qianqiu Management.

(8) Conditions precedent

The implementation of the Equity Swap and Equity Transfer is subject to the satisfaction or exemption by the parties (as the case may be) of certain conditions precedent:

- (i) The execution of the Equity Swap and Transfer Agreement and the Disposal and Transfer contemplated thereunder has been approved by the Board of the Company and the AGM in accordance with the requirements of the Listing Rules;
- (ii) During the period from the date of signing of the Equity Swap and Transfer Agreement and the Closing Date, the Subject Equities are not pledged, frozen or otherwise restricted; and
- (iii) All necessary approvals, consents, filing and waivers (if applicable) in respect of the Equity Swap and Transfer Agreement and the transactions contemplated thereunder required to be obtained from any government authority or other third party pursuant to the applicable laws and contractual agreements have been unconditionally and irrevocably obtained, including but not limited to, the written consent which shall be obtained by the Company and Baoding Zhongcheng from Shareholders with pre-emptive rights of Baoding Tian'e Real Estate and Jinshibang Real Estate prior to the Closing Date to waive their pre-emptive rights.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management had respectively obtained all necessary internal approvals, except for the approvals of the Independent Shareholders on the Equity Swap and Transfer Agreement and the Disposal and Transfer expected to be contemplated thereunder at the AGM.

(9) Completion

Each of the parties agrees to take the day following the effectiveness of the Equity Swap and Transfer Agreement as the Closing Date of the Equity Swap and Equity Transfer. From the Closing Date, all rights, obligations and risks of the Subject Equities will be transferred.

On the Closing Date, one party shall hand over to the other party all the business records, financial and accounting records, operation records, operation data, operation statistics, instructions, maintenance manuals, training manuals and relevant technical records, technical materials, technical data, technical drawings, technical manuals, technical books, research and development project data and all other technical know-hows (whether in written form or stored in computers or in any other manner) required or related to the normal operation of the Subject Companies.

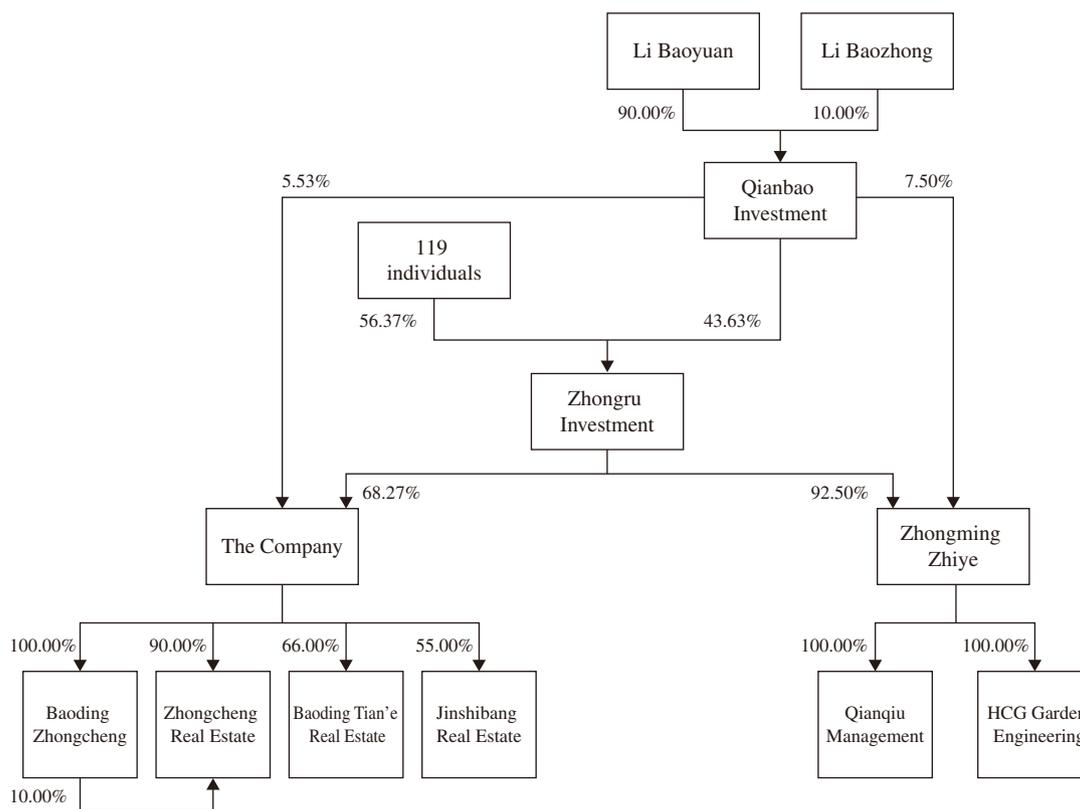
Each of the parties agrees that on the Closing Date, each of the Subject Companies shall convene a general meeting or pass a resolution on the Equity Swap and Equity Transfer and the corresponding changes in the articles of association of the company, and go through the industrial and commercial registration or the filing procedures within five days from the date of such resolution or determination, and one party shall provide the necessary assistance to the other party.

Each of the parties agrees to actively enter into and prepare all necessary documents related to the Equity Swap and Equity Transfer, cooperate with each other to handle all approval procedures for Equity Swap and Equity Transfer, and implement the Equity Swap and Equity Transfer as agreed in the Equity Swap and Transfer Agreement upon its effectiveness. In the implementation of the Equity Swap and Equity Transfer, the relevant parties shall provide necessary assistance to other parties according to the principle of good faith.

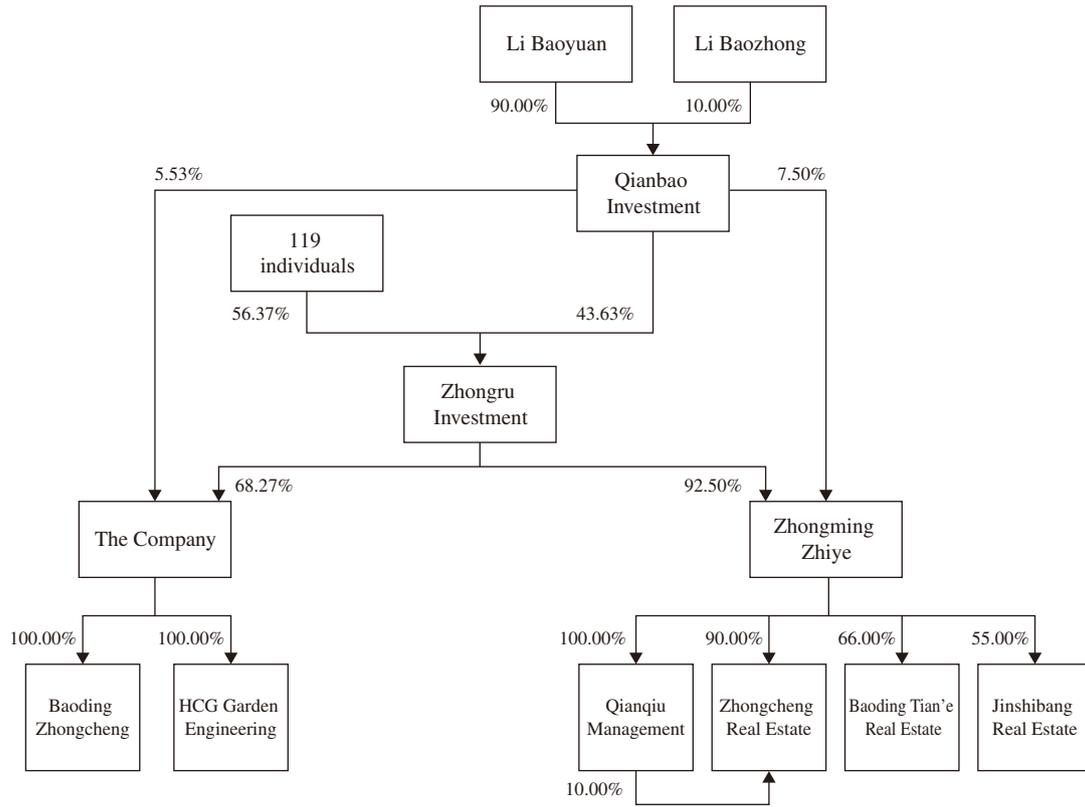
2. Shareholding structure chart before and after the Equity Swap and Transfer

The following charts set out the simplified actual shareholding structure of the relevant companies as at the date of this announcement and immediately following the completion of Equity Swap and Transfer:

As at the date of this announcement:



Immediately following the completion of Equity Swap and Transfer:



3. Financial impact of the Equity Swap and Transfer

Upon completion of the Equity Swap and Transfer, the Acquisition Subject Company will become a subsidiary of the Company, and the assets, liabilities and financial results of the Acquisition Subject Company will be consolidated into the Company's consolidated financial statements. Upon completion of the Equity Swap and Transfer, the Disposal and Transfer Subject Companies will no longer be subsidiaries of the Company, and the assets, liabilities and financial results of the Disposal and Transfer Subject Companies will not be consolidated into the Company's consolidated financial statements.

Regarding the Equity Swap and Transfer, the Acquisition Subject Company and the Disposal and Transfer Subject Companies are all under the common control of the same ultimate controlling shareholders, Zhongru Investment and Qianbao Investment. According to the Chinese Accounting Standards for Business Enterprises, as it is in the scope of acquiring and selling businesses – transfers between subsidiaries (sub-consolidated groups) under common control, the Company uses the pooling of interests method to account for it. Therefore, the assets and liabilities of the Acquisition Subject Company and the Disposal and Transfer Subject Companies are reflected at their book values. And at the Company's consolidation level, the difference between the consideration transferred (the book value of the owner's equity of the Disposal and Transfer Subject Companies attributable to the Company as at 31 December 2018 plus cash consideration) and the acquired net assets (the book value of the owner's equity of HCG Garden Engineering attributable to Zhongming Zhiye as at 31 December 2018 after deducting the special dividend) is reflected within equity. The Company expects to record an increase in the owner's equity in the Group's unaudited consolidated financial statements by approximately RMB152,215,873.59 for the Equity Swap and Transfer. The actual impact of the owner's equity in the unaudited consolidated financial statements will be determined based on the book value of the Subject Companies subsequent to the date of change of control. The Company intends to use the increase in owner's equity arising from the Equity Swap and Transfer to support the future development of HCG Garden Engineering.

Based on the above, the Company expects that the Equity Swap and Transfer will not have material impact on the Group's consolidated financial position.

4. Reasons for and Benefits of the Equity Swap and Transfer

Directors (including independent non-executive Directors) believes that the Equity Swap and Transfer is based on the following reasons and is in the best interests of the Company:

(1) Consolidating the leading position in the industry and seizing the opportunities in the industry

According to information publicly available, in 2018, the total output value of the construction industry was RMB23,508.6 billion, up 9.9% year-on-year, higher than the growth rate of national GDP. The construction area of buildings nationwide was 14.09 billion square meters, up 6.9% year-on-year. Building construction, infrastructure construction and specialized supporting services are still important components of China's construction industry. At the same time, the National New Urbanization Plan (2014-2020) (《國家新型城鎮化規劃(2014-2020)》) clearly emphasizes intensive urban development and green development. Environmental indicators such as green buildings and green space rate of the built-up area have been set up. Residents' requirements for creating a good and high-quality living environment have been further improved. The Company is a leading construction group in China, mainly providing construction contracting services for building construction projects and infrastructure construction projects as the main contractor, while HCG Garden Engineering possesses leading qualifications in garden construction business. It is expected that upon completion of the Equity Swap and Transfer, the Company will have a more integrated and comprehensive competitive advantage in terms of industry positioning, business scope and service quality, and will have stronger competitiveness in the national construction industry and grasp the industry opportunities.

(2) Focusing on developing construction business and cultivating core competitiveness

Upon completion of the Equity Swap and Transfer, the Company will dispose the equity interests in the real estate development business to Zhongming Zhiye, which will help the Company to focus on the development of construction capabilities, further deepen the service quality and highlight the Company's brand advantages in construction. In the long run, the Equity Swap and Transfer will also help the Company to define its future key development direction, streamline its main business, and concentrate resources to respond to major strategic calls such as the coordinated development of Beijing, Tianjin and Hebei, the planning and construction of Xiong'an new area, the construction of the 2022 Winter Olympics venues, and the "Belt and Road Initiative".

(3) *Enriching the construction business system and serving customers in all aspects*

HCG Garden Engineering consolidated upon completion of the Equity Swap and Transfer has synergy effect with the Company's construction business in terms of business scope, which is expected to further improve the Company's business scope. In the future, the Company can bid for diversified project portfolios to provide customers with better integrated services, seize emerging development opportunities in building and infrastructure industries, and ensure the Company's long-term sustainable development.

(4) *Resource integration and sharing to enhance business capability*

The Company has one special-grade qualification, 19 first-grade qualifications, 12 second-grade qualifications and seven third-grade qualifications in construction project contracting, of which the Company's special-grade qualification for construction project general contracting is the highest qualification granted to construction project general contractors, and the Company also has advanced technology and research and development strength. At the same time, HCG Garden Engineering has the Grade A qualification of landscape garden engineering design, first-grade qualifications for special contracting for urban gardening and landscaping, and ancient architecture engineering, qualifications for general contracting for municipal public engineering construction, general contracting for construction projects, special contracting for urban and road lighting engineering, special contracting for environmental protection engineering, etc. Upon completion of the Equity Swap and Transfer, the Company's construction and research and development strength will reach a new level. In addition, other resources such as customers, purchasing network, technical knowledge, management personnel, research strength and other resources will also be integrated after Equity Swap and Transfer, which will help to form scale effect and reduce costs. Through the overall planning of business planning, as well as the sharing of business technology, marketing services and customer resources, it is expected that the Equity Swap will further enhance the Company's business capability and create a brand image.

(5) *Properly managing risks brought about by the state's control and engaging in industries with broad development prospects*

In recent years, real estate development business is confronted with the impact arising from macro-control measures and fierce competition. Social, political, economic, legal and other factors will have a continuing impact on the development of China's real estate industry. Meanwhile, the sharp decline in the domestic economy will have an adverse effect on the demand of the real estate industry. In order to ensure the orderly development of the real estate industry, the Chinese government will from time to time implement macro-control measures on the real estate industry, including policies such as restricting the financing of real-estate-related businesses, which will exert certain impact on the Company's future financing plans. In contrast, due to China's sustained economic development, urbanization and improvement in the living standards of Chinese citizens, according to the data of the National Bureau of Statistics, investment in environmental pollution control increased significantly at a compound annual growth rate of approximately 14.1% from 2000 to 2017, while investment in municipal green landscaping construction increased substantially at a compound annual growth rate of approximately 18.0% during the same period, exceeding the compound annual growth rate of approximately 13.2% of GDP of the same period. Judged from the Company's financial data, revenue from Disposal and Transfer Subject Companies recorded an obvious decrease from 2017 to 2018 with negative profit in 2018, while revenue from Acquisition Subject Company was positive and trended upwards from 2017 to 2018. Upon completion of the Equity Swap and Transfer, the Company will actively participate in the landscaping industry with major support from the state and broad prospects for future development while avoiding uncertainties brought about by the state's control in the real estate industry.

(6) *Integrating integral auxiliary business and alleviating financial pressure*

The Company proposes to complete the integration of a set of integral auxiliary business modules through the Equity Swap and Transfer, i.e. the disposal of real-estate-related business and the acquisition of landscaping business. As an integration plan designed for the Company's long-term business planning, the Disposal and Transfer and the Acquisition constitute an inseparable transaction. In addition, the transfer of real-estate-related business to Zhongming Zhiye and Qianqiu Management (a wholly owned subsidiary of Zhongming Zhiye), and the acquisition of HCG Garden Engineering (a wholly owned subsidiary of Zhongming Zhiye), will facilitate reducing the cash consideration for the transaction and alleviate the financial pressure of the Company.

Directors (including independent non-executive Directors) are of the opinion that, although due to the transaction nature, the Equity Swap and Transfer Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Company, they are entered into on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

5. The Group's expected development plan upon completion of the Equity Swap and Transfer

Upon completion of the Equity Swap and Transfer, on the one hand, the Company will focus more on the construction business, concentrate resources to develop the Company's capability in the construction business and its supporting technology business, and deepen the business scope. At the same time, as a supplement to the Company's main business, the incorporated assets form a synergistic effect that can help the Company to realize diversified and all-round enterprise positioning and provide comprehensive and high-quality integrated services for its customers. On the other hand, upon completion of the Equity Swap and Transfer, the Company will further make use of the convenience brought by the integration of resources to further improve efficiency, promote the business development of the Company and build core competitiveness by sharing high-quality talent resources and integrating research and development resources.

6. Information on the Subject Companies

(1) Information on Zhongcheng Real Estate

Zhongcheng Real Estate is a joint stock company incorporated in the PRC with limited liability on 4 August 1992, and primarily engaged in property development business. As at the date of this announcement, it is a wholly-owned subsidiary directly and indirectly owned (through Baoding Zhongcheng) as to 100% in aggregate by the Company.

The following table sets out the audited consolidated total assets and net assets of Zhongcheng Real Estate as at 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	As at 31 December	
	2018	2017
Total assets	5,292,355,146.3	5,797,106,659.9
Net assets	240,542,971.8	394,254,025.7

The following table sets out the audited consolidated total revenue and profit/(loss) of Zhongcheng Real Estate for the two financial years ended 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	For the year ended 31 December	
	2018	2017
Total revenue	1,476,666,027.5	2,248,874,889.3
Profit/(loss) before income tax expense	(110,357,975.3)	274,194,701.8
Profit/(loss) after income tax expense	(163,711,053.8)	191,904,626.5

(2) Information on Baoding Tian'e Real Estate

Baoding Tian'e Real Estate is a limited liability company incorporated in the PRC on 14 December 2016 and primarily engaged in property development business. As at the date of this announcement, it is a subsidiary of the Company held as to 66% by the Company.

The following table sets out the audited consolidated total assets and net assets of Baoding Tian'e Real Estate as at 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	As at 31 December	
	2018	2017
Total assets	95,575,606.0	97,283,812.6
Net assets	94,451,139.4	97,121,376.0

The following table sets out the audited consolidated total revenue and loss of Baoding Tian'e Real Estate for the two financial years ended 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	For the year ended 31 December	
	2018	2017
Total revenue	0	0
Loss before income tax expense	(2,673,423.5)	(2,502,799.5)
Loss after income tax expense	(2,673,423.5)	(2,502,799.5)

(3) Information on Jinshibang Real Estate

Jinshibang Real Estate is a limited liability company incorporated in the PRC on 7 December 2018, and primarily engaged in property development business. As at the date of this announcement, it is a subsidiary of the Company held as to 55% by the Company.

The following table sets out the audited consolidated total assets and net assets of Jinshibang Real Estate as at 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	As at 31 December	
	2018	2017
Total assets	86,000,000.0	–
Net assets	10,999,800.0	–

The following table sets out the audited consolidated total revenue and loss of Jinshibang Real Estate for the two financial years ended 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	For the year ended 31 December	
	2018	2017
Total revenue	0	–
Loss before income tax expense	(200.0)	–
Loss after income tax expense	(200.0)	–

A reconciliation of property interests held by Zhongcheng Real Estate, Baoding Tian'e Real Estate and Jinshibang Real Estate as of 28 February 2019 and such property interests in our consolidated financial statements as of 31 December 2018 as required under Rule 5.07 of the Listing Rules is set forth below:

(RMB in millions)

Net book value of the property interests as of 31 December 2018	3,827
Additions	295
Sold	(100)
Net book value as of 28 February 2019	4,022
Valuation surplus as of 28 February 2019	379
Valuation as of 28 February 2019	4,401 ¹

Note:

1. Including commercial value and reference value of the property interests in the consolidated financial statement as of 28 February 2019.

(4) Information on HCG Garden Engineering

HCG Garden Engineering is a limited liability company incorporated in the PRC on 26 December 2006, and primarily engaged in landscape engineering design and engineering procurement construction as well as landscaping engineering construction. As at the date of this announcement, it is a wholly-owned subsidiary of Zhongming Zhiye. The original acquisition cost of the 100% equity interests in HCG Garden Engineering held by Zhongming Zhiye is RMB80 million, which was determined mainly with reference to the then registered capital of HCG Garden Engineering.

The following table sets out the unaudited consolidated total assets and net assets of HCG Garden Engineering as at 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	As at 31 December	
	2018	2017
Total assets	1,736,287,668.7	1,040,709,817.8
Net assets	244,743,473.0	208,500,326.2

The following table sets out the unaudited consolidated total revenue and profit of HCG Garden Engineering for the two financial years ended 31 December 2017 and 31 December 2018, prepared in accordance with the Chinese Accounting Standards for Business Enterprises:

(Unit: RMB)

	For the year ended 31 December	
	2018	2017
Total revenue	1,146,161,723.4	847,633,265.3
Profit before income tax expense	49,313,523.2	68,083,074.2
Profit after income tax expense	36,243,146.7	54,839,914.5

7. Information on the parties to the Equity Swap and Transfer 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 Zhongcheng

Baoding Zhongcheng is a limited liability company incorporated in the PRC on 20 September 2007, which is primarily involved in construction, real estate investment and management. As at the date of this announcement, it is a wholly-owned subsidiary of the Company.

(3) Information on Zhongming Zhiye

Zhongming Zhiye is a company incorporated in the PRC on 1 December 2016 with limited liability and is primarily involved in real estate consulting services, ecological tourism development and elderly care services. As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively.

(4) Information on Qianqiu Management

Qianqiu Management is a company incorporated in the PRC on 17 December 2003 with limited liability and is primarily involved in manufacturing of concrete precast items. As at the date of this announcement, it was a wholly-owned subsidiary of Zhongming Zhiye.

8. Implications of the Listing Rules

The Equity Swap and Transfer involves (i) the Disposal and Transfer; and (ii) the Acquisition. In accordance with Rule 14.24 of the Listing Rules, the Equity Swap and Transfer will be classified with reference to the higher of the relevant percentage ratios of the Disposal and Transfer or the Acquisition and will comply with relevant requirements applicable to such category.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement are higher than 5% but all of such ratios are less than 25%, according to the Listing Rules, the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement constitutes a disclosable transaction of the Company which shall comply with the notice and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As all of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition contemplated under the Equity Swap and Transfer Agreement are less than 5%, according to the Listing Rules, the Acquisition contemplated under the Equity Swap and Transfer Agreement is exempt from the notice, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Qianqiu Management is a subsidiary of Zhongming Zhiye. Therefore, both Zhongming Zhiye and Qianqiu Management are connected persons of the Group. Thus, according to the Listing Rules, the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) of it are higher than 5% but all of such ratios are less than 25%, thus, it shall comply with the notice, announcement, circular and independent shareholders' approval requirements under chapter 14A of the Listing Rules. The Acquisition contemplated under the Equity Swap and Transfer Agreement constitutes a connected transaction of the Company which shall comply with the notice and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under chapter 14A of the Listing Rules, as one or more of the applicable percentage ratios (as defined under the Listing Rules) of it are higher than 0.1% but all of such ratios are less than 5%.

9. Board opinion

As Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Liu Yongjian, Mr. Li Baoyuan and Mr. Cao Qingshe are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to be connected to the transactions contemplated under the Equity Swap and Transfer Agreement. Thus, they have abstained from voting on the Board resolution to approve the entering into of the Equity Swap and Transfer Agreement. Save for those disclosed above, none of the other Directors have any material interest in the entering into of the Equity Swap and Transfer Agreement, and none of the other Directors are required to abstain from voting on the Board resolution to consider and approve the entering into of the Equity Swap and Transfer Agreement.

Directors (including independent non-executive Directors) are of the opinion that, although due to the transaction nature, the Equity Swap and Transfer Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Company, they are entered into on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

10. The Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee, comprising all independent non-executive Directors, being Mr. Xiao Xuwen, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny has been established to advise the Independent Shareholders on the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

III. ENGINEERING CONSTRUCTION SERVICE FRAMEWORK AGREEMENT

1. The principal terms of the Engineering Construction Service Framework Agreement are as follows:

(1) Date

17 May 2019

(2) Parties

The Company (as the service provider); and

Zhongming Zhiye (as the service recipient).

(3) *Principal terms*

According to the Engineering Construction Service Framework Agreement, the Group provides 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. The term of the Engineering Construction Service Framework Agreement starts from the completion of the Equity Swap and Transfer until 31 December 2021 (inclusive), and can be renewed for another three years upon its expiry as agreed by the specific parties to the agreement, upon which the Group will continue to comply with the applicable requirements under the Listing Rules. Relevant subsidiaries or associated companies of both parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Engineering Construction Service Framework Agreement.

(4) *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 will be 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 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.

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 finance 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 the impact 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.

(5) Historical amount

For the three years ended 31 December 2016, 2017 and 2018, the total transaction amounts of the Group's related engineering construction services with Zhongming Zhiye and its associates were RMB748.1 million, RMB643.5 million and RMB566.2 million, respectively. In addition, for the three years ended 31 December 2016, 2017 and 2018, the total transaction amounts of the related engineering construction services between HCG Garden Engineering and Zhongming Zhiye and its associates were RMB6.2 million, RMB2.8 million and RMB0.7 million, respectively.

(6) Proposed annual caps

For the three years ending 31 December 2019, 2020 and 2021, the maximum annual amounts of total service fee charged by the Group for providing engineering construction services to Zhongming Zhiye and its associates shall not exceed the caps set out in the following table:

(Unit: RMB million)

	Proposed annual caps for the year ending 31 December		
	2019	2020	2021
Total service fee charged by the Group to Zhongming Zhiye and its associates	1,100	1,200	1,400

(7) ***Basis of the caps***

The proposed annual caps under the Engineering Construction Service Framework Agreement for the three years ending 31 December 2019, 2020 and 2021 are determined mainly with reference to: (i) the construction service fees previously paid to the Group by Zhongming Zhiye and its affiliated real estate companies; (ii) expected project contract amount and construction progress; (iii) the number of projects currently available to the Group that require construction services; and (iv) new construction service projects in the next three years expected by the Group. In particular,

- (i) While that the historical amounts of the Group's related engineering construction services with Zhongming Zhiye and its associates recorded a declining trend in the past few years, the Company estimates an increase in the annual caps of engineering construction service fees charged to Zhongming Zhiye and its associates for the coming three years. On the one hand, the Company's project backlog for the next three years records a significant increase from historical level. During the period from 2016 to 2018, the Company completed six projects and it is expected that 13 projects will be conducted from 2019 to 2021. On the other hand, cost of construction contracting services has been on the rise in the past few years. According to the China Engineering Cost Network maintained by the Standardization Institute of the Ministry of Housing and Urban-Rural Development of China, from the first half of 2016 to the second half of 2018, the residential engineering cost index of high-rise residential properties in Beijing, Shanghai and Chongqing increased by approximately 38.1%, 20.3% and 15.8%, respectively. Therefore, the prospective increase in construction costs was also taken into account in the formulation of the relevant annual caps. In addition, an appropriate buffer has been added when formulating the annual caps to cope with potential new projects that cannot be confirmed at present.
- (ii) Major considerations referred by the Company in estimating prospective project contract amount of the engineering construction service provided to Zhongming Zhiye and its associates include:
 - (a) the existing agreements entered into between the Group and Zhongming Zhiye and its associates, total contract amount of such agreements as well as the Company's estimation of cost according to the expected construction progress during the term of the Engineering Construction Service Framework Agreement; and
 - (b) the prospective agreements to be entered into between the Group and Zhongming Zhiye and its associates for the three years ending 31 December 2021, the prospective total contract value and the prospective project progress.

Of which, the total contract amount of the existing agreements and the total contract amount of the projects to be entered into are estimated based on the Company's cost budget for related projects with reference to the gross profit margin of similar projects with independent third parties. The prospective construction progress is estimated according to the Company's experience and construction schedule in previous similar projects.

- (iii) As mentioned in (i) above, the Company expected that 13 projects will be conducted from 2019 to 2021. Of such 13 projects, six are under construction, three have been acquired but yet to be commenced and another four have not been acquired but are currently under the Company's active track, which is prospectively to be acquired in a high probability.

2. Internal control measures

In order to ensure that the terms of the Engineering Construction Service Framework Agreement are fair and reasonable or no less favourable than those available to or from Independent Third Parties and are conducted on normal commercial terms. The Company has adopted the following internal control procedures:

- The Company has adopted and implemented a set of connected transaction management system. According to the system, the Audit Committee of the Board is responsible for reviewing compliance with relevant laws, regulations, the Company's policies and the Listing Rules regarding continuing connected transactions. In addition, the Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the market operation department, the financial securities department and the finance management department and the legal department) are jointly responsible for evaluating the terms and service fees (including but not limited to identifying transactions with independent third parties to determine the market prices) under the Engineering Construction Service Framework Agreement, especially the pricing policy of the transaction; the market operation department, the production security department and the finance management department are responsible for the approval of the annual caps and its fairness under such transactions;
- The Audit Committee of the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and the legal department) will also regularly review the implementation of the Engineering Construction Service Framework Agreement and the progress of the transaction semi-annually and quarterly, respectively. In addition, the Board of the Company will regularly review the pricing policy of the Engineering Construction Service Framework Agreement on an annual basis; the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Engineering Construction Service Framework Agreement in accordance with the Listing Rules and provide annual confirmations to confirm that the transaction is conducted in accordance with the terms of the agreement and in accordance with normal commercial terms and pricing policy; and
- When considering the construction services provided by the Group to the above-mentioned connected persons, the finance management department of the Company will continue to regularly study the prevailing market conditions and practices on a semi-annual basis and refer to the pricing and terms of similar transactions concluded between the Group and Independent Third Parties to ensure that the pricing and terms provided by the above-mentioned connected persons through the bidding process or mutual commercial negotiation (as the case may be) are fair and reasonable, and not inferior to those provided to Independent Third Parties.

3. Reasons for the transaction

Given that: (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.

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

4. Information on the parties of the Engineering Construction Service Framework 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 Zhongming Zhiye

Zhongming Zhiye is a company incorporated in the PRC on 1 December 2016 with limited liability and is primarily involved in real estate consulting services, ecological tourism development and elderly care services. As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively.

5. Implications of the Listing Rules

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Engineering Construction Service Framework Agreement and the transactions contemplated thereunder are higher than 5% but all of such ratios are less than 25%, according to the Listing Rules, the transactions contemplated under the Engineering Construction Service Framework Agreement constitute a disclosable transaction of the Company which shall comply with the notice and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Group, and thus 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 annual review, notice, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. Board opinion

As Mr. Li Baozhong, Mr. Shang Jinfeng, Mr. Zhao Wensheng, Mr. Liu Yongjian, Mr. Li Baoyuan and Mr. Cao Qingshe are interested in or hold management positions in Zhongming Zhiye and/or its associates, they are therefore deemed to be connected to the Engineering Construction Service Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the entering into of the Engineering Construction Service Framework Agreement and its annual caps. Save for those disclosed above, none of the other Directors have any material interest in the entering into of the Engineering Construction Service Framework Agreement, and none of the other Directors are required to abstain from voting on the Board resolution to consider and approve the entering into of the Engineering Construction Service Framework Agreement and its annual caps.

After taking into account the pricing policy, the basis for determining the proposed annual caps, the reasons for and benefits of the continuing connected transactions, and the Company's internal control procedures, Directors (including independent non-executive Directors) are of the opinion that, the Engineering Construction Service Framework Agreement and its proposed annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

7. The Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee, comprising of all independent non-executive Directors, being Mr. Xiao Xuwen, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny has been established to advise the Independent Shareholders on the Engineering Construction Service Framework Agreement and the proposed annual caps thereunder. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

IV. THE AGM

The Company will hold an annual general meeting for the Shareholders to consider and approve, if thought fit, among other things: (i) the Equity Swap and Transfer Agreement and the Disposal and Transfer contemplated thereunder; and (ii) the Engineering Construction Service Framework Agreement and its proposed annual caps.

Any connected person, Shareholder and its associate who have a material interest in the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps will be required to abstain from voting at the AGM. Zhongru Investment and Qianbao Investment have material interest in the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps. Accordingly, Zhongru Investment and Qianbao Investment and their respective associates will abstain from voting in respect of the relevant resolution at the AGM. The number of non-voting Shares held by Zhongru Investment and Qianbao Investment and their respective associates are 1,300,000,000 in total. To the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, no Shareholder (other than Zhongru Investment and Qianbao Investment) is required to abstain from voting on the relevant resolutions at the AGM.

An Independent Board Committee, comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to the Equity Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps. Halcyon Capital Limited has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders as to the above resolutions.

A circular containing, among other things, (i) details of the Equity Swap and Transfer Agreement and the Disposal and Transfer contemplated thereunder and the Engineering Construction Service Framework Agreement and its proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders regarding the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement and the Engineering Construction Service Framework Agreement and its proposed annual caps; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the above matters; (iv) Equity Valuation Report on the Disposal and Transfer Subject Companies; (v) Equity Valuation Report on the Acquisition Subject Company; (vi) Property Valuation Report; and (vii) notice of the annual general meeting is expected to be dispatched to Shareholders on or before 30 May 2019.

WARNING

As the Equity Swap and Transfer and the transactions contemplated under the Engineering Construction Service Framework Agreement are subject to certain conditions, including obtaining the approval of Independent Shareholders at the AGM, and may or may not proceed, Shareholders and investors should exercise caution when dealing in H shares. According to the Listing Rules and other applicable laws and regulations, the Company will publish further announcements on any major updates and developments related to the Equity Swap and Transfer and the transactions contemplated under the Engineering Construction Service Framework Agreement in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following items shall have the meanings set out below:

“Acquisition”	the acquisition of the Acquisition Subject by the Group from Zhongming Zhiye in accordance with the Equity Swap and Transfer Agreement
“Acquisition Subject”	the 100% equity interests in HCG Garden Engineering held by Zhongming Zhiye
“Acquisition Subject Company” or “HCG Garden Engineering”	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 December 2006, and a wholly-owned subsidiary of Zhongming Zhiye as at the date of this announcement. Unless the context otherwise requires, its subsidiary(ies) is included
“AGM”	the 2018 annual general meeting of the Company to be convened and held at 10 a.m. on Thursday, 20 June 2019 at Meeting Room, 3/F, No. 329, Wusi West Road, Jingxiu District, Baoding City, Hebei Province, the PRC
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baoding Tian’e Real Estate”	Baoding Tian’e Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), a limited liability company incorporated in the PRC on 14 December 2016 and is a subsidiary of the Company held as to 66% by the Company as at the date of this announcement. Unless the context otherwise requires, its subsidiary(ies) is included

“Baoding Zhongcheng”	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as at the date of this announcement
“Board” or “Board of Directors”	the board of Directors of the Company
“Closing Date”	the date of the completion of the Equity Swap and Transfer in accordance with the Equity Swap and Transfer Agreement, which shall be the day following the consideration and approval of the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement at the AGM
“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
“Disposal”	the disposal of the Disposal Subject by the Company to Zhongming Zhiye in accordance with the Equity Swap and Transfer Agreement
“Disposal Subject”	the 90% shares, 66% equity interests and 55% equity interests held by the Company in Zhongcheng Real Estate, Baoding Tian’e Real Estate and Jinshibang Real Estate, respectively
“Disposal and Transfer”	collectively, the Disposal and the Equity Transfer
“Disposal and Transfer Subject Companies”	collectively, Zhongcheng Real Estate, Baoding Tian’e Real Estate and Jinshibang Real Estate. Unless the context otherwise requires, their respective subsidiary(ies) is included
“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

“Engineering Construction Service Framework Agreement”	the engineering construction service framework agreement entered into between the Company and Zhongming Zhiye on 17 May 2019
“Equity Swap”	collectively, the Disposal and the Acquisition
“Equity Swap and Transfer”	collectively, the Disposal, the Acquisition and the Equity Transfer
“Equity Swap and Transfer Agreement”	the equity swap and transfer agreement entered into among the Company, Baoding Zhongcheng, Zhongming Zhiye and Qianqiu Management on 17 May 2019 in relation to the Equity Swap and Transfer
“Equity Transfer”	the transfer of the Equity Transfer Subject by Baoding Zhongcheng to Qianqiu Management under the Equity Swap and Transfer Agreement
“Equity Transfer Subject”	the 10% shares in Zhongcheng Real Estate held by Baoding Zhongcheng
“Equity Valuation Report on the Acquisition Subject Company”	the equity valuation report on the valuation of Acquisition Subject Company as at 31 December 2018 prepared by the Valuer, which will be set out in the AGM circular of the Company
“Equity Valuation Report on the Disposal and Transfer Subject Companies”	the equity valuation report on the valuation of Disposal and Transfer Subject Companies as at 31 December 2018 prepared by the Valuer, which will be set out in the AGM circular of the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the Independent Board Committee of the Company comprising all independent non-executive Directors independent from related matters to advise Independent Shareholders in respect of the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement as well as the Engineering Construction Service Framework Agreement and its proposed annual caps
“Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and Transfer contemplated under the Equity Swap and Transfer Agreement as well as the Engineering Construction Service Framework Agreement and its proposed annual caps
“Independent Shareholders”	Shareholders of the Company other than Zhongru Investment and Qianbao Investment
“Independent Third Parties”	to the best knowledge of the Directors after having made all reasonable enquiries, persons not connected to the Group and its connected persons
“Jinshibang Real Estate”	Sanhe Jinshibang Real Estate Development Co., Ltd. (三河市金世邦房地產開發有限公司), a limited liability company incorporated in the PRC on 7 December 2018, and is a subsidiary of the Company held as to 55% by the Company as at the date of this announcement. Unless the context otherwise requires, its subsidiary(ies) is included
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the date of this announcement, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
“Qianqiu Management”	Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), a company incorporated in the PRC on 17 December 2003 with limited liability. As at the date of this announcement, it was a wholly-owned subsidiary of Zhongming Zhiye
“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
“Shareholders(s)”	holder(s) of the Share(s) of the Company
“Share(s)”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Companies”	collectively, the Disposal and Transfer Subject Companies and the Acquisition Subject Company. Unless the context otherwise requires, their respective subsidiary(ies) is included
“Subject Equities”	collectively, the corresponding Acquisition Subject, Disposal Subject and Equity Transfer Subject under the Equity Swap and Transfer
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transition Period”	the period from the Equity Valuation Reference Date (exclusive) to the Closing Date (inclusive)
“Equity Valuation Reference Date”	the reference date agreed among the parties of the Equity Swap and Transfer Agreement to conduct audit and valuation on the Subject Equities for the purpose of implementing the Equity Swap and Transfer, i.e. 31 December 2018

“Property Valuation Report”	the valuation report on the property interests concerning the Disposal and Transfer Subject Companies as at 28 February 2019 prepared by the Valuer, which will be set out in the AGM circular of the Company
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent professional and qualified valuer entrusted by the Company to issue the Equity Valuation Report on the Disposal and Transfer Subject Companies, the Equity Valuation Report on the Acquisition Subject Company and the Property Valuation Report
“Zhongcheng Real Estate”	Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), a joint stock company incorporated in the PRC with limited liability on 4 August 1992, and a wholly-owned subsidiary directly and indirectly owned (through Baoding Zhongcheng) as to 100% in aggregate by the Company as at the date of this announcement. Unless the context otherwise requires, its subsidiary(ies) is included
“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As at the date of this announcement, Zhongming Zhiye 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 date of this announcement, Zhongru Investment directly held 68.3% equity interests of the Company and is a controlling shareholder of the Company
“%”	per cent

By order of the Board

Hebei Construction Group Corporation Limited

LI Baozhong

Chairman and Executive Director

Hebei, China

17 May 2019

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