



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



ANNUAL REPORT
2025

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CHAIRMAN'S STATEMENT

Dear Shareholders,

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

Adhering to the overarching principle of “quality improvement, efficiency enhancement, and steady progress for long-term success”, the Company responded to risks and challenges with strategic focuses in 2025, demonstrating its missions and responsibilities through hard work and practical actions, and driving the Company to sail for high-quality development.

Make market breakthroughs to stabilize scale. Throughout the year, we won 286 bids with a total contract value of RMB10.879 billion. The market structure was continuously optimized. The proportion of State-funded projects exceeded 89%, and the market share in Hebei Province was 61.5%. The pattern of the main market in Hebei has become more stable. By closely following the guidelines in the national policies, we have continuously made efforts in subdivided markets such as flood prevention and drainage, emergency rescue, urban renewal, and new energy infrastructure.

Stick to work safety as the bottom line. On the basis of adhering to intrinsic safety and thoroughly implementing the “dual-control” mechanism, the overall goal of “zero casualties” was achieved. In the year, the revenue reached RMB15.48 billion, and 3 construction sites of national safety production standardization and 25 construction sites of provincial-level safety and civilization (green) standardization were created. The centralized procurement strategy for mechanical equipment and major materials has been effectively advanced.

Make outstanding achievements from quality and technologies. The Company contracted the construction of the outpatient and comprehensive building and ophthalmology building project of the East Campus of Baoding No. 1 Central Hospital, for which one Luban Award was won, and for projects in which the Company participated, it won two Luban Awards. Throughout the year, it won prizes for 102 provincial-level quality projects, won one second prize of the Science and Technology Progress Award of China Steel Construction Society and 20 Science and Technology Progress Awards of the provincial construction industry. With 56 new patents granted, it was the chief author or co-author of 9 standards of various types. For actively participating in the construction of national pilot cities for intelligent construction, it was awarded the title of “Key Enterprise of Intelligent Construction in Hebei Province’s Construction Engineering”.

Refine management to ensure efficiency. Focusing on the refinement of cost control, the full-process operation system of project has been updated from bidding to settlement and highly matched with the information management system.

In the new year, we will continue to adhere to the strategy of “consolidating our strength, upgrading our standards, pioneering and innovating to achieve sustainable development”, leveraging the long-term positive trend of the Chinese economy and the favourable environment of frequent pro-growth macro policies. The Company will strive to maintain steady progress while overcoming difficulties, break new ground through deepening reforms, thereby delivering excellent performance to serve the society, reward our Shareholders and benefit our employees.

Li Baozhong

Chairman

30 March 2026

CORPORATE INFORMATION

Basic information of the Company is set out below:

LEGAL NAME OF THE COMPANY

河北建設集團股份有限公司

ENGLISH NAME OF THE COMPANY

Hebei Construction Group Corporation Limited

COMPANY SECRETARY

Mr. Li Wutie

AUTHORIZED REPRESENTATIVES

Mr. Zhao Wensheng

Mr. Li Wutie

DIRECTORS

Executive Directors

Mr. Li Baozhong (*Chairman of the Board*)

Mr. Shang Jinfeng (*President*)

Mr. Zhao Wensheng

Mr. Tian Wei

(*Employee Representative Director*)¹

Mr. Zhang Wenzhong

Non-executive Director

Mr. Li Baoyuan (*Honorary Chairman*)

Independent Non-executive Directors

Ms. Shen Lifeng

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

BOARD COMMITTEES

Audit Committee

Ms. Shen Lifeng

(*Chairwoman of the committee*)

Mr. Li Baoyuan

Ms. Chen Xin

Mr. Chan Ngai Sang Kenny

Remuneration and Appraisal Committee

Ms. Chen Xin (*Chairwoman of the committee*)

Mr. Li Baozhong

Mr. Shang Jinfeng

Ms. Shen Lifeng

Mr. Chan Ngai Sang Kenny

Note: 1. At the employee representative meeting of the Company, Mr. Tian Wei was elected as the employee representative Director of the Company's third session of the Board and will continue to serve as an executive Director for a term consistent with that of the Company's third session of the Board. For details, please refer to the announcement of the Company dated 5 August 2025.

Nomination Committee

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

Strategic Committee

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

REGISTERED OFFICE

125 Lugang Road
Jingxiu District
Baoding, Hebei Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jingxiu District
Baoding, Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

STOCK SHORT NAME AND STOCK CODE

HEBEI CONS (01727)

H SHARE REGISTRAR

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COMPANY WEBSITE

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CORPORATE INFORMATION

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PRC

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Certified Public Accountants
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PRC

FINANCIAL HIGHLIGHTS

In 2025, our revenue amounted to RMB15,480 million, representing a decrease of 38% as compared with that of 2024.

In 2025, our net loss amounted to RMB596 million, representing a decrease of 474% as compared with that of 2024.

In 2025, our loss per share amounted to RMB0.33, representing a decrease of 429% as compared with that of 2024.

BUSINESS OVERVIEW

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

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

A substantial majority of the Group's revenue is generated from the construction contracting business, which mainly comprises of building construction business, infrastructure construction business and specialized and other construction contracting business. In 2025, the Group's new contract value amounted to RMB12,369 million, as compared with RMB24,348 million for the corresponding period of last year. Our outstanding contract value was RMB48,736 million, as compared with RMB52,724 million for the corresponding period of last year.

New contract value (by region):

Year	2025		2024	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	123.69	100.00%	243.48	100.00%
Beijing-Tianjin-Hebei Region	94.32	76.26%	196.22	80.59%
Other	29.37	23.74%	47.26	19.41%

New contract value (by segment):

Year	2025		2024	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	123.69	100%	243.48	100%
Building construction	57.70	46.65%	143.10	58.77%
Infrastructure construction	39.30	31.77%	45.48	18.68%
Specialized and other construction	26.69	21.58%	54.90	22.55%

BUILDING CONSTRUCTION BUSINESS

The Group provides construction contracting services for residential, public works, industrial and commercial construction projects. The Group undertakes most of such construction projects as a general contractor. As a general contractor, the Group undertakes all main aspects of construction projects, including building construction, foundation work, curtain wall construction, building decoration and fire engineering. The Group is also responsible for engaging subcontractors in providing construction services and the labor force for construction projects, coordinating the works of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that construction projects are carried out on schedule. In 2025, the new contract value from the building construction business was RMB5,770 million, compared with RMB14,310 million for the corresponding period of last year.

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

Year	2025		2024	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	57.70	100.00%	143.10	100.00%
Residential construction	22.26	38.58%	43.35	30.30%
Public building construction	26.64	46.17%	74.33	51.94%
Industrial building construction	7.86	13.62%	17.93	12.53%
Commercial building construction	0.94	1.63%	7.49	5.23%

INFRASTRUCTURE CONSTRUCTION BUSINESS

The Group provides construction contracting services for municipal and transportation infrastructure projects, including water supply and water treatment, gas and heating, urban pipelines, roads, bridges and airport runways facilities. The Group undertakes most of such construction projects as a general contractor. The Group's infrastructure construction customers are primarily local governments. In 2025, the new contract value from the infrastructure construction business was RMB3,930 million, compared with RMB4,548 million for the corresponding period of last year.

BUSINESS OVERVIEW

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

Year	2025		2024	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	39.30	100.00%	45.48	100.00%
Municipal infrastructure construction	30.50	77.62%	33.51	73.68%
Transportation infrastructure construction	8.80	22.38%	11.97	26.32%

SPECIALIZED AND OTHER CONSTRUCTION CONTRACTING BUSINESS

The Group also undertakes construction contracting projects by leveraging its qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. The Group's electrical and mechanical installation projects generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 2025, new contracts from the specialized and other construction contracting business were valued at RMB2,669 million, compared with RMB5,490 million for the corresponding period of the last year.

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

Year	2025		2024	
	Amount (RMB100 million)	Percentage	Amount (RMB100 million)	Percentage
Total	26.69	100.00%	54.90	100.00%
Electrical and mechanical installation	1.41	5.28%	3.63	6.61%
Steel structures	0.12	0.45%	0.10	0.18%
Decoration	2.91	10.90%	3.95	7.20%
Water and electricity	3.53	13.22%	17.64	32.13%
New energy (photovoltaic, wind energy)	9.70	36.35%	16.66	30.35%
Other construction business	9.02	33.80%	12.92	23.53%

Representative projects of the building construction business are as follows:

Representative projects of new contracts

Project category	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Residential building construction	Relocation Housing Project in Hengjiezi Village, Shibalidian Township, Chaoyang District (33 Items Such as A1# Residential Building) (B1#-B9# Residential Buildings, B10# Industrial Building, B11# Ancillary Building, B12# Industrial Building, B13# Switching Station, B14#-B15# Power Distribution Rooms, B16# Ancillary Building and 2# Underground Garage)	9.63	Beijing
Residential building construction	Bid II of Resettlement House Project of Huangshanmudian Liangmachang in Pingfang Township, Chaoyang District (East Area) (30 Items Such as 01-1# Residential Building)	6.98	Beijing
Public building construction	Design and Construction Project of Inner Mongolia Hospital of Beijing Friendship Hospital, Capital Medical University	3.45	Inner Mongolia Autonomous Region
Public building construction	Construction Project of Bohai Rim Regional Emergency Rescue Centre in Hebei Province	3.00	Hebei
Public building construction	General Contract of Construction of Comprehensive Building for Mental Health and Psychiatric Services in Hunan Province	2.51	Hunan
Public building construction	Construction of the Hebei Provincial Capital-circling (Langfang) Regional Emergency Rescue Centre Project	2.24	Hebei

BUSINESS OVERVIEW

Project category	Name of project	Contract value (in RMB100 million)	Region
Industrial building construction	General Contracting Project for the Construction of Hua'an Industry Sanhe Yanjiao Beijing-Tianjin-Hebei Specialised and Sophisticated Electrical and Electronics Industrial Base Project	1.48	Hebei
Residential building construction	Phase II of Block C Project of Beiyunhe Station (Phase II), Hebei District (Buildings 1-4, Elevated Floors and Underground Garage)	1.28	Tianjin
Public building construction	General Contract (EPC) of Junior High School at Plot AX-2, Cuizhai Subdistrict, Qibu District	1.05	Shandong
Public building construction	Construction of Student Dormitory Project at West Campus of Hebei Agricultural University	1.01	Hebei

Representative projects of the infrastructure construction business are as follows:

Representative projects of new contracts

Project category	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Transportation infrastructure construction	General Contracting for Design and Construction of Anping Section Reconstruction Project of Provincial Highway S333 Haixing-Shunping	5.84	Hebei
Municipal infrastructure construction	General Contract (EPC) of Bid Section III of Lanshan Hot Spring Rehabilitation Pastoral Complex Project	5.00	Shandong
Municipal infrastructure construction	Flood Control and Drainage Project – Bid Section II of General Contract of Baoding (Lianchi District) Pipe Network and Supporting Municipal Infrastructure Project	4.82	Hebei
Municipal infrastructure construction	Flood Control and Drainage Project – General Contracting of Rainwater Pumping Station of Sunshine North Street, Rainwater Pumping Station of Baihua Road Underpass Bridge and Rainwater Storage Pool of Great Wall North Street	2.51	Hebei
Municipal infrastructure construction	Construction of In-depth Treatment for Yindingzhuang Wastewater Treatment Plant in Baoding	2.26	Hebei
Municipal infrastructure construction	General Contracting of Infrastructure Project of Huanghuagou Rainwater Pumping Station in East Second Ring Road	1.72	Hebei
Municipal infrastructure construction	Construction of In-depth Treatment for Lugang Wastewater Treatment Plant in Baoding	1.69	Hebei

BUSINESS OVERVIEW

Project category	Name of project	Contract value (in RMB100 million)	Region
Municipal infrastructure construction	Underground Drainage Pipeline Renovation Project (2025) in Xilinhaote City	1.68	Inner Mongolia Autonomous Region
Municipal infrastructure construction	EPC General Contract of South Bid Section II of Ring Main Heating Pipeline Network Construction Project in Urban Area of Langfang City	1.56	Hebei
Municipal infrastructure construction	General Contract of Planned Road No. 1 for Infrastructure and Ancillary Facilities (Phase I) of International Medical Park (West Area) in Baoding National High-tech Industrial Development Zone	1.48	Hebei
Municipal infrastructure construction	2025 Residential Compound Pipeline Network Renovation Project (Phase I) in Xilinhaote City, Xilingol League, Inner Mongolia	1.28	Inner Mongolia Autonomous Region

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

Representative projects of new contracts

Project category	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Other construction business	EPC General Contract of Cixian 100 MW/300 MWh Shared Energy Storage Power Station Project	5.70	Hebei
Other construction business	EPC General Contract of New 100 MW/200 MWh Independent Energy Storage Power Station Project of Antai (Baoding) New Energy Technology Co., Ltd.	3.57	Hebei
Other building construction	Construction of integrated Forestry and Fruit Industry Demonstration Park of primary, secondary, and tertiary industries in Fuping County	1.97	Hebei
Water and electricity works	Caohe River Regulation Project (Baibao Bridge to Fangshang Bridge Section) in Mancheng District, Baoding City	1.07	Hebei
Decoration	Construction of Shantytown Renovation Project (Yanfuyunlu Phase I) Jointly Developed by Five Villages of Mujiachang in Xiangdu District	0.98	Hebei
Water and electricity works	General Contract (EPC) for Design and Construction of Ecological Restoration Works of Juma River (Zhangshi Expressway Bridge to National Highway 207 Section) in Laiyuan County	0.98	Hebei

Representative projects under construction

Project category	Name of project	Contract value <i>(in RMB100 million)</i>	Region
Public building	General Contracting of Baoding Hospital of Guang'anmen Hospital of Chinese Academy of Traditional Chinese Medicine	19.43	Hebei
	Design and Construction General Contracting (EPC) of the New Campus of Shunping County Hospital	6.07	Hebei
	Overall Relocation Project of Wenan County Hospital	6.57	Hebei
	EPC General Contract of the Second Phase Construction Project of Gu'an People's Hospital Xinxian Hospital	4.33	Hebei
	General Contract for Design and Construction of Relocation Project of Dacheng County Hospital	6.37	Hebei
	Construction of the Second Phase of Fuxing Campus of Affiliated Hospital of Hebei University of Engineering	7.03	Hebei
	Construction of 101 Medical Complex Building in Zhengding New Area Hospital (North Area Phase I) of the Second Hospital of Hebei Medical University	7.68	Hebei
	EPC General Contract of Survey-design-construction of Supporting Infrastructure Upgrading Project of Bianque Temple in Neiqiu County	6.88	Hebei
	Cangzhou Economic and Trade Vocational Education Park Project - Cangzhou Polytechnic University	4.32	Hebei

Project category	Name of project	Contract value (in RMB100 million)	Region
Residential building	EPC Project General Contracting of Infrastructure and Related Supporting Facilities Construction and Upgrading Project in Beiqingshan Scenic Area	7.42	Hebei
	Shengtai Orchid Garden Project and Outdoor Supporting Facilities	3.65	Hebei
	Bid II of Resettlement House Project of Huangshanmudian Liangmachang in Pingfang Township, Chaoyang District (East Area) (30 Items Such as 01-1# Residential Building)	6.98	Beijing
	Baoding Xidayuan Area Reconstruction Resettlement Housing Construction Project Construction Bid Section I	3.35	Hebei
	Zizaifengjing Engineering General Contracting	4.86	Hebei
	General Contracting (EPC) for Survey, Design and Construction of CPPQ-A4-5 Plot Project in Huangpu District	9.08	Guangdong
	Langton Shangpin Yayuan Project (1#-19# Residential Building, 1#-4# Supporting Rooms, Kindergarten, Underground Garage)	4.52	Hebei
	Reconstruction of Dongwangcaozhuang Shantytown in Gaoyang County and Supporting Infrastructure Construction Project (Bid II)	5.61	Hebei
	General Contracting Project of Hengshui Yongjin Peninsula Project Phase III and Phase VI	7.45	Hebei

BUSINESS OVERVIEW

Project category	Name of project	Contract value (in RMB100 million)	Region
Commercial building	Hengbai International Plaza Construction Project	2.35	Hebei
	Zhangjiakou Rural Revitalisation Modern E-commerce Industrial Park Project	6.63	Hebei
	General Contracting Project of Hua'an Industry Baoding High-tech Digital Wisdom Valley Project	3.04	Hebei
Industrial building	Standardised Workshop Project (EPC) of Modern Equipment Manufacturing Industrial Park in Dangshan Economic Development Zone	3.47	Anhui
	Construction of Standardisation Science and Technology Park Project in Laiyuan Economic Development Zone, Hebei	4.36	Hebei
	EPC General Contract of Dezhou Emergency Material Reserve and Cold Chain Logistics Support Base Project	5.30	Shandong
	Civil Engineering and Steel Structure Engineering of Annual Production of 1GW Perovskite Solar Cell Module Project (Phase I)	1.57	Jiangsu
	General Contracting Project for the Construction of Hua'an Industry Sanhe Yanjiao Beijing-Tianjin-Hebei Specialised and Sophisticated Electrical and Electronics Industrial Base Project	1.48	Hebei
	Yangzhou Taizhou International Airport Phase II Extension Project Flight Area Track Project Bid I	2.01	Jiangsu
Transportation infrastructure construction			

Project category	Name of project	Contract value (in RMB100 million)	Region
Municipal infrastructure construction	New Construction Project of South Extension of Renmin Avenue to Hengfeng South Exit of Shanghai-Kunming Expressway (Connecting Line from S205 Renmin Avenue to New National Highway 320) in Hengfeng County	1.45	Jiangxi
	Construction of Track Engineering in the Flight Area of Panzhou Guanshan Civil Airport Project (Bid III)	2.69	Guizhou
	Flight Area Foundation Treatment and Earthwork Construction of Expansion and Reconstruction Project of Kunming Changshui International Airport (Bid W8)	5.73	Yunnan
	Earthwork and Track Works of Newly-built Jindalai General Airport in Helong of Jilin Province	2.08	Jilin
	EPC General Contract for Infrastructure Construction Project of Innovative Manufacturing Industrial Park	13.62	Hebei
	Second Bid Section of Design and Construction General Contract for Reconstruction Project of Urban and Rural Integrated Pipe Network and Supporting Facilities in Jingxiu District of Baoding City	3.02	Hebei
	Construction of In-depth Treatment for Yindingzhuang Wastewater Treatment Plant in Baoding	2.26	Hebei

BUSINESS OVERVIEW

Project category	Name of project	Contract value (in RMB100 million)	Region
Electrical and mechanical installation	Flood Control and Drainage Project - General Contracting of Rainwater Pumping Station of Sunshine North Street, Rainwater Pumping Station of Baihua Road Underpass Bridge and Rainwater Storage Pool of Great Wall North Street	2.51	Hebei
	General Contracting of Infrastructure Upgrading and Reconstruction and New Supporting Road Network Project of Anguo Modern Chinese Medicine Industrial Park in Hebei Province	2.19	Hebei
	EPC General Contracting for Water Quality Upgrading and Ancillary Facilities Construction Project of Chengxi Sewage Plant in Laishui County	1.46	Hebei
	General Contracting of Infrastructure Project of Huanghuagou Rainwater Pumping Station in East Second Ring Road	1.72	Hebei
	General Contract of Planned Road No. 1 for Infrastructure and Ancillary Facilities (Phase I) of International Medical Park (West Area) in Baoding National High-tech Industrial Development Zone	1.48	Hebei
	PC General Contracting of the Integration Project of Hebei Xingtai Runsong Ningjin Wind Power Generation and Storage	6.19	Hebei

Project category	Name of project	Contract value (in RMB100 million)	Region
Decoration	Renovation Project of Baoding State-owned Elderly Care Complex	0.31	Hebei
Specialized and other construction business	Construction of New Surface Water Plant and Supporting Projects in Qingyuan District of Baoding City (Water Pipeline and Foundation Treatment Project of Water Plant)	1.70	Hebei
	Baoding City Water System Construction Project – Water Network Protection and Water Quality Improvement Project (General Contract)	11.60	Hebei
	Newly-built Surface Water Plant and Supporting Works in Qingyuan District, Baoding City (Surface Water Plant Section)	1.29	Hebei

Representative projects of completed projects

Project category	Name of project	Executive	Region
		contract value (in RMB100 million)	
Public building	Knowledge City ZSCXN-B3-2 (Medical City) Project (知識城ZSCXN-B3-2 (醫療城)項目)	12.60	Guangdong
	The Third People's Hospital of Xing'an League Relocation and Rebuild Construction Project (興安盟第三人民醫院遷址新建新增建設項目)	3.36	Inner Mongolia Autonomous
	Construction Project of Double Creation Incubation Center in South New District of Fuyang City (阜陽市城南新區雙創孵化中心建設項目)	2.77	Anhui
	Project of New Engineering Complex of Minhang Campus of Shanghai Jiao Tong University (上海交通大學閔行校區新工程館項目)	3.70	Shanghai
	Area A of Diangu Financial Center (電谷金融中心A區)	6.82	Hebei
Residential building	Underground Garage and Outdoor Supporting Facilities of Bid I, Residential Buildings 1#-6# and 8# in Ziruiyuan East Zone (紫瑞園東區1#-6#、8#住宅樓，一標段地下車庫及室外配套設施)	1.80	Hebei
	Phase II Project of Urban Village Reconstruction in Longtun New City, Botou City (泊頭市龍屯新城城中村改造二期項目)	9.54	Hebei
	General Contracting of the Second Phase of Changlingju Commercial and Residential Project (長嶺居商住項目二期工程施工總承包)	4.23	Hebei

Project category	Name of project	Executive	Region
		contract value (in RMB100 million)	
Commercial building	General Contracting Project of Public Facilities and Residential Projects in Wolong Bay International Business District-A Zone, Phase 5A (臥龍灣國際商務區公共設施及住宅項目一A區5A期總承包工程)	3.87	Liaoning
	Ziruiyuan East Zone Construction Project Bid I (紫瑞園東區建設項目一標段)	1.80	Hebei
	General Contracting of Residential Project in Jinbinbao (Gua) 2022-17 Plot (津濱保(掛)2022-17號地住宅項目施工總承包)	2.98	Tianjin
	General Contracting (EPC) for Survey, Design and Construction of the First Phase Construction Project of Fortune Plaza in Knowledge City (知識城財富廣場一期建設工程勘察設計施工總承包(EPC))	2.46	Guangdong
	Construction and Installation Works of 3#4#5# Factory Building, 6# Dining Room, 7# Dormitory Building, Diesel Generator Room, Boiler Room and Pool Pump Room (Phase I Project) of Hebei Yuanmeng Clothing Co., Ltd. (河北源夢服飾有限公司制帽工業智能4.0實施項目(一期工程)3#4#5#廠房、6#餐廳、7#宿舍樓、柴油發電機房、鍋爐房、水池泵房建築安裝工程)	0.61	Hebei

BUSINESS OVERVIEW

Project category	Name of project	Executive	Region
		contract value (in RMB100 million)	
Transportation infrastructure construction	Bid 003 of T3B Terminal Building and the Fourth Runway Project of Chongqing Jiangbei International Airport (重慶江北國際機場T3B航站樓及第四跑道工程飛行區場道工程003標段)	6.16	Chongqing
	Section Two of General Contracting of Road Construction (Phase I) of the Baoding Culture and Sports New City and Supporting Infrastructure Construction Project (保定市文體新城及配套基礎設施工程建設項目道路(一期)工程施工總承包二標段)	3.49	Hebei
Municipal infrastructure construction	General Contracting for the Reconstruction Project of Urban Rainwater Pipe Network Damaged by flood in Gaobeidian City (高碑店市城區雨水管網水毀重建項目工程總承包)	1.46	Hebei

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue, Cost of Sales and Gross Profit

The revenue of the Group for 2025 amounted to RMB15,480 million, representing a decrease of approximately RMB9,579 million as compared with last year, which was mainly due to the decrease in revenue from construction contracting segment of RMB9,550 million.

In particular:

Operating Results of Construction Contracting Segment

	As at 31 December 2025				As at 31 December 2024			
	Revenue	Cost	Gross profit rate	Percentage	Revenue	Cost	Gross profit rate	Percentage
	RMB100 million	RMB100 million	%	%	RMB100 million	RMB100 million	%	%
Building construction business	87.99	84.93	3.5	59.1	154.52	148	4.2	63.2
Infrastructure construction business	46.44	43.45	6.4	31.2	73.11	67.95	7.1	29.9
Specialized and other construction business	14.5	13.91	4.1	9.7	16.8	15.84	5.7	6.9
Total	148.93	142.29	4.5		244.43	231.79	5.2	

The revenue from construction contracting segment for 2025 decreased by RMB9,550 million, which was mainly due to: on one hand, certain large-scale projects of the Group were completed during the year as compared with last year; on the other hand, the contract value and number of new projects undertaken by the Company in 2025 decreased as compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Detailed analysis is as follows:

- (1) for building construction business, being the largest revenue contributor to construction contracting business, during the Reporting Period, affected by the macro-economic situation, the property market remained in the doldrums, with a decrease in new projects and a slowdown in construction progress, leading to a decrease in revenue from the building construction business as compared to the same period of last year. At the same time, during the Reporting Period, certain large-scale projects, such as the EPC General Contract of the Second Phase Construction Project of Gu'an People's Hospital Xinxian Hospital (固安縣人民醫院新縣醫院二期建設項目EPC總承包) were nearly completed, resulting in a decrease in revenue from building construction business of RMB6,653 million as compared to last year. During the Reporting Period, affected by the overall downward trend of the construction industry, the gross profit margin of the building construction business decreased as compared to last year.
- (2) the revenue from infrastructure construction business decreased by RMB2,667 million as compared to last year. During the Reporting Period, certain large-scale infrastructure projects newly undertaken last year with high gross profit, such as the main structures of the Changchun Beihu Fine Chemicals and New Materials Industrial Demonstration Park Project (Phase I) – EPC Contract for Municipal Engineering: Installation of Equipment for Specialised and Domestic Wastewater Treatment Plants (長春北湖精細化工新材料產業示範園項目(一期)市政工程總承包—專用及生活污水處理廠設備安裝工程項目), were completed by the end of last year, and the project was totally finished this year, resulting in a decrease in revenue from infrastructure business compared to last year, and a decrease in the gross profit margin compared to last year.
- (3) the revenue from specialized and other construction business decreased by RMB230 million in 2025 as compared to last year. Such business mainly comprises other construction businesses such as electrical and mechanical installation and steel structures, which have shorter construction periods. During the Reporting Period, the number of newly undertaken projects for specialized and other construction business decreased compared to last year, resulting in lower revenue as compared to the same period of last year.

Administrative Expenses

Administrative expenses amounted to RMB280 million in 2025, representing a decrease of RMB130 million as compared with that of 2024, which was mainly due to the decrease in wages and salaries expenses for the year as compared with last year.

Research and Development Costs

Research and development costs amounted to RMB40 million in 2025, representing a decrease of RMB80 million as compared with that of 2024. The research and development costs mainly include the Group's costs incurred for research of special projects or production process. Projects initiated in recent years were completed last year, and fewer new projects were initiated, resulting in a decrease in research and development costs.

Credit Impairment Losses

Credit impairment losses amounted to RMB222 million in 2025, representing an increase of RMB48 million as compared with that of 2024, which was mainly due to the slower payment collection from certain customers of the Group and the increased risk of default, resulting in an increase in credit impairment losses.

Asset Impairment Losses

Asset impairment losses amounted to RMB99 million in 2025, representing an increase of RMB25 million as compared with that of 2024, which was mainly due to the slower payment collection from certain customers of the Group and the increased risk of default, resulting in an increase in asset impairment losses.

Investment income

Investment income amounted to RMB12 million in 2025, representing an increase of RMB3 million as compared with that of 2024, which was mainly due to the sustained profitability of associated and joint ventures from strategic investments, resulting in an increase in investment income.

Gains from disposal of assets

Gains from disposal of assets amounted to RMB4 million in 2025, representing a decrease of RMB17 million as compared with that of 2024, mainly due to the reduction in assets disposed of by the Group during the year.

Income Tax Expenses

Income tax expenses amounted to RMB355 million in 2025, representing an increase of RMB311 million as compared with that of 2024, which was mainly due to the reduction in the recoverability of deferred income tax for the current year and the Group reversed certain deferred income tax assets arising from temporary differences in previous years, resulting in an increase in income tax expenses.

Net Loss

Based on the above factors, net loss amounted to RMB596 million in 2025, representing a decrease of approximately RMB756 million as compared with the net profit of last year.

Liquidity, Financial Sources and Capital Structure

The Group finances operations primarily through cash generated from operating activities and interest-bearing borrowings. As at 31 December 2025 and 31 December 2024, the Group had cash and cash equivalents of approximately RMB3,195 million and approximately RMB5,000 million, respectively. For the liquidity and capital structure of the funds of the Group, please refer to the “Financial Ratios” below.

Currency Funds

As at 31 December 2025, the currency funds of the Group were RMB4,355 million, representing a decrease of RMB1,395 million as compared with that at the end of 2024, which was mainly due to the net cash outflows from operating activities.

Financial Policy

The Group regularly monitors cash flow and cash balances, and is dedicated to maintaining the optimal liquidity level required for working capital and keeping its business and multiple growth strategies at a stable and healthy level during the Reporting Period. In the future, the Group intends to finance operations through cash generated from operating activities and interest-bearing borrowings.

Long-term Equity Investments

As at 31 December 2025, the long-term equity investment was RMB534 million, representing a decrease of RMB11 million as compared with that at the end of 2024, mainly due to the disposal of an associate by the Group during the year.

Receivables Financing

As at 31 December 2025, the receivables financing of the Group was RMB7 million, representing a decrease of RMB99 million as compared with that at the end of 2024, which was mainly due to the fact that the Group preferred to settle the accounts receivable through bank deposits during the year.

Accounts Receivable and Long-term Receivables

As at 31 December 2025, the net value of accounts receivable was RMB9,786 million, representing an increase of approximately RMB2,459 million as compared with that at the end of 2024, which was mainly due to the low settlement of some projects in the Group.

The net value of long-term receivables (including the portion due within one year) was RMB170 million, representing a decrease of RMB44 million as compared with the end of 2024, which was mainly due to the recovery of certain amounts.

Other Receivables

As at 31 December 2025, the net value of other receivables was RMB2,611 million, representing an increase of RMB312 million as compared with that at the end of 2024, which was mainly due to the delayed recovery of performance bonds.

Contract Assets and Construction Services Contract Liabilities

The net value of contract assets as at 31 December 2025 was RMB26,628 million, representing a decrease of approximately RMB14,513 million as compared with the contract assets at the end of 2024, which was mainly due to the settlement of relevant construction contracts in accordance with the performance progress. Contract liabilities as at 31 December 2025 were RMB5,451 million, representing a decrease of approximately RMB650 million as compared with that at the end of 2024, which was mainly due to the decrease in contract liabilities as a result of the deduction of advance payments for construction projects by progress payments for certain projects during the year.

Other Equity Instrument Investment

The carrying value of other equity instrument investments as at 31 December 2025 was RMB470 million, representing a decrease of RMB62 million as compared with 2024, primarily due to changes in fair value.

Borrowings

The bank borrowings of the Group mainly include long-term and short-term borrowings from financial institutions.

As at 31 December 2025, the Group's interest-bearing borrowings were approximately RMB6,513 million (31 December 2024: approximately RMB6,056 million).

Bills and Accounts Payable

As at 31 December 2025, the balance of accounts payable was RMB21,144 million, representing a decrease of RMB11,203 million as compared with that at the end of 2024. The balance of bills payable amounted to RMB782 million, representing a decrease of RMB381 million as compared with that at the end of last year, which was mainly due to the decrease in project volume during the year, resulting in lower procurement volume.

Capital Expenditures

Capital expenditures in 2025 were approximately RMB6 million, representing a decrease of RMB16 million as compared to that of 2024, with a slight change.

Capital Commitment

As at 31 December 2025, the Group did not have any material capital commitment.

Financial Ratios

	31 December 2025	31 December 2024
Current ratio (times) ⁽¹⁾	1.02	1.10
Quick ratio (times) ⁽²⁾	1.02	1.10
Gearing ratio ⁽³⁾	113.2%	94.8%
Return on assets ⁽⁴⁾	(1.1%)	0.3%
Return on equity ⁽⁵⁾	(9.8%)	2.5%

Notes:

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

Significant Acquisition or Disposal

The Group did not have any significant acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Significant Investments

As at 31 December 2025, the Group did not hold any significant investments.

Contingent Liabilities

As at 31 December 2025, the Group had contingent liabilities arising from pending litigation or arbitration amounting to RMB52 million.

RMB Exchange Rate Fluctuations and Exchange Risk

Most of the Group's businesses and all bank loans have been traded in RMB so there is no significant foreign exchange fluctuation risk. The Board does not expect that fluctuations in the RMB exchange rate and exchange fluctuations of other foreign currencies will have a significant impact on the Group's business or performance. The Group currently has no relevant foreign exchange risk hedging policies and therefore it has not carried out any hedging transactions to manage the potential risks of foreign currency fluctuations.

Acquisitions and Disposals of Subsidiaries

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

OUTLOOK

The year 2026 marks the opening year of the Company's "15th Five-Year Plan" and an important year for forging ahead under pressure and breaking through challenges. The task of ensuring the successful completion of the year's work carries significant responsibility and has far-reaching implications. At present, the external environment remains complex and volatile, the foundations of economic recovery remain unsteady, and competition within the industry continues to intensify. However, the fundamental trend of long-term economic growth in China remains unchanged. Based on the experience of developed countries, the construction industry has always been a vital component of economic development. The Central Economic Work Conference has proposed favorable policies such as "continuing to implement a more proactive fiscal policy" and "appropriately increasing the scale of central budgetary investment", sending positive signals for the development of the industry.

In the new year, the Company will continue to adhere to the strategy of "consolidating our strength, upgrading our standards, pioneering and innovating to achieve sustainable development". Based on the requirements of listed companies, we will adopt the excellent performance model as our framework, prioritize efficiency as our core, rely on organization as our safeguard, leverage talent as our support, utilize informatization as our tool, and harness innovation as our driving force. With the shareholding system as the focus of our organizational construction, we will forge ahead steadily while overcoming challenges, create new opportunities through deepening reforms, and serve as pioneers and practitioners who boldly adapt to environmental changes, striving to achieve a strong start to the "15th Five-Year Plan".

In 2026, the Company will continue to focus on deepening its market presence and exploring new development opportunities. The Company will strengthen headquarters leadership and leverage the value of its platforms. We will continue to optimise the functional layout of the "Ten Major Platforms", transforming Hebei Construction into a platform-based service enterprise characterised by a light-asset, heavy-service, specialised and creditworthy model. The Company will continue to focus on the market within Hebei Province, firmly establishing a strong foothold in all 11 prefecture-level cities within the province, and strengthening and refining its city-level enterprises. We will capitalise on our existing strengths to expand into key markets outside the province, such as Inner Mongolia, the Yangtze River Delta and the Pearl River Delta. We will seize development opportunities in the new energy sector, closely follow national policy directions, and focus our efforts on emerging sectors such as "wind and solar power and energy storage".



MANAGEMENT DISCUSSION AND ANALYSIS

Consistently focus on safety in production to ensure steady and sustainable progress. We will continue to strengthen safety management and control, building a robust “safety barrier” for production. With the goal of “zero casualties”, we will dynamically identify major hazard sources and vigorously advance the ‘dual-control’ mechanism of graded safety risk management and the identification and rectification of hidden dangers. We will intensify specialised management of large machinery and fire safety, and establish a standardised construction site based on safe, civilised and environmentally friendly practices.

Constantly refine quality and technical expertise, and foster innovation capabilities. The Company will advance the standardisation of quality management to strengthen the safeguards for project quality. By focusing on the creation of high-quality projects, the Company will continue to implement rigorous process control to ensure the delivery of national-level high-quality projects, thereby achieving a dual enhancement of project quality and brand influence. The Company will closely follow national policy directions and actively participate in the development of national-level smart construction pilot cities.

In 2026, the Company will continue to actively fulfil its social responsibilities, protect the environment, pay taxes in accordance with the law, and conduct business with integrity, ensuring that the interests of the Company’s development are closely aligned with those of society. The Company will continue to uphold the fine traditions of modesty, prudence and hard work, and strive tirelessly to realise its vision of becoming a century-old enterprise!

Employee and Remuneration Policies

As of 31 December 2025, the Group had a total of 5,746 full-time employees (31 December 2024: 6,940). In line with its human resources strategy, the Group has established a salary system oriented towards employee performance and competences based on different job sequences. By referring to the salary levels of related enterprises in the same region and industry, it has established competitive salary standards, providing an effective guarantee for the recruitment, retention and motivation of talents in the Company and the realization of the Company's human resources strategy. The Group adheres to the principle of people-centric and education first, establishing a three-level, four-tier and five-link employee education and training system. We pay close attention to the growth of young employees and adopt the "one-to-one mentorship" and "358 Talent Training Plan" ("358人才培養計劃", front-line work for at least 3 years for postgraduates, 5 years for university graduates, and 8 years for college graduates) as the main training models to help employees achieve their career development plans. The Company has established a talent pool for successors of key positions and, conducts specialised training for backup cadres in the form of "Advanced Training Courses for Key Positions".

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

Pledges of assets

During the Reporting Period, details of pledges of assets of the Group are set out in note VI-19 to the financial statements.

Future Plans for Material Investments or Capital Assets

As at 31 December 2025, the Group had no specific plans for material investments or capital assets.

Significant Subsequent Events

From 31 December 2025 to the Latest Practicable Date, save as disclosed in this report, the Group has no significant subsequent events.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presents this report of the Board of Directors, this annual report, and the consolidated financial statements of the Group for 2025, which have been prepared in accordance with the CASBE, to the Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

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

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

BUSINESS REVIEW

The Company is a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. Rooted in Hebei Province for 73 years, the Company is well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

The Company is principally engaged in the following businesses:

Construction contracting business: The Group provides construction contracting services mainly as a general contractor for building construction projects and infrastructure construction projects.

Other businesses: The Group also engages in service concession arrangements and other businesses.

The discussion and analysis of the Group’s results and performance, major factors affecting the results and financial condition during the Year, and future development are set out in sections headed “Business Overview”, “Management Discussion and Analysis”, this “Report of the Board of Directors” and “Significant Events” of this annual report.

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

ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

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

For further details of the environmental policy and performance of the Company, please refer to the 2025 Environmental, Social and Governance Report separately published by the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

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



REPORT OF THE BOARD OF DIRECTORS

The Group strictly abides by the following laws and regulations:

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

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

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2025 are set out in the Consolidated Income Statement on page 130 to page 131 of this annual report. The financial condition of the Group as at 31 December 2025 is set out in the Consolidated Balance Sheet on page 127 to page 129 of this annual report.

According to the Profit Distribution Proposal of the Company for 2024 considered and approved by the Shareholders at the 2024 annual general meeting on 30 June 2025, 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 2024, the Company did not pay a final dividend to Shareholders for the year ended 31 December 2024. For details, please refer to the circular of 2024 annual general meeting dated 2 June 2025 and the announcement dated 30 June 2025 issued by the Company on the website of the Hong Kong Stock Exchange.

PROPOSAL AND POLICY FOR THE DISTRIBUTION OF THE FINAL DIVIDEND

Final Dividend

The Board does not recommend the distribution of final dividend to the Shareholders for the year ended 31 December 2025.

For the year ended 31 December 2025, the Company was not aware of any Shareholders who have waived or agreed to waive any dividend arrangements.

Dividend Policy

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

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

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

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

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

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

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

For individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the final dividend;

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, when the Company distributes final dividend, such Shareholders shall submit the required documents within the prescribed timeline in accordance with the Measures for Non-resident Taxpayers to Benefit from the Taxation Treaties (No. 35 of the Announcement of the State Administration of Taxation for 2019) (the “**Taxation Treaties Measures**”) and require the treatment of taxation treaties in advance. The relevant files shall be kept for future inspection. If the information filed is complete, the Company will withhold and pay individual income tax according to the requirements of the taxation laws of the PRC and the Taxation Treaties Measures. If such individual H Shareholders fail to submit the information, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them;



REPORT OF THE BOARD OF DIRECTORS

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders in the distribution of the final dividend; and

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders in the distribution of the final dividend.

SHARE CAPITAL IN ISSUE

As of 31 December 2025, the total share capital in issue of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00 each, including 1,300,000,000 Domestic Shares and 461,383,500 H Shares. During the Reporting Period, there was no change in the share capital of the Company.

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

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company (including the sale or transfer of treasury shares) during the Reporting Period. As at the end of the Reporting Period, neither the Company nor any of its subsidiaries held any treasury shares.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2025 are set out in Note VI-15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, total sales to the five largest customers of the Company accounted for approximately 12.77% of the Company's total revenue for the Year.

For the year ended 31 December 2025, total purchase from the five largest suppliers of the Company accounted for approximately 15.83% of the Company's cost of sales for the Year.

In terms of customers, the construction contracting customers of the Group mainly include universities, hospitals, civil aviation authorities, other government agencies and public institutions, state-owned enterprises and large state-owned property development companies. The Group has been able to establish long-term and stable relationships with customers by leveraging the track record of providing high-quality, timely and safe construction contracting services. Most of the large customers have cooperated with the Group for multiple times, and the Group's longest cooperation with existing customers has been over 31 years. As of the end of the Reporting Period, the Group had over 600 customers to whom it has provided services in two or more projects. The Group will continue to designate members of senior and mid-level management to maintain relationships with major clients by conducting unscheduled visits to collect their feedback, understand their needs and learn about their new projects. The Group typically wins contracts for the construction services through bidding and tender procedures.



REPORT OF THE BOARD OF DIRECTORS

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

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

EMPLOYEES

Employees are the key to the Group's sustainable development. For details of the Group's employees, please refer to "Directors, Senior Management and Employees - Employee Information" on page 121 to page 122 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2025 are set out in Note VI-20 and Note VI-26 to the financial statements.

EXTERNAL DONATION

In 2025, the Company donated a total of RMB3,000 to local charities and governments of impoverished counties.

DIRECTORS AND SENIOR MANAGEMENT

Set out below are details of the Directors and senior management of the Company during the year of 2025 and as at the Latest Practicable Date:

Name	Position in the Company	Date of Appointment
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Directors and senior management currently in office

Directors

Executive Directors

Mr. Li Baozhong	Chairman and executive Director	25 October 2010
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Zhao Wensheng	Executive Director, vice president, chief accountant and director of finance	25 February 2019
Mr. Tian Wei	Executive Director, employee representative Director and vice president	26 June 2023
Mr. Zhang Wenzhong	Executive Director and vice president	26 June 2023

Non-executive Director

Mr. Li Baoyuan	Honorary chairman and non-executive Director	26 October 1997
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Independent Non-executive Directors

Ms. Shen Lifeng	Independent non-executive Director	15 December 2017
Ms. Chen Xin	Independent non-executive Director	15 December 2017
Mr. Chan Ngai Sang Kenny	Independent non-executive Director	15 December 2017

REPORT OF THE BOARD OF DIRECTORS

Name	Position in the Company	Date of Appointment
Senior Management		
Mr. Shang Jinfeng	Executive Director and president	31 March 2017
Mr. Zhao Wensheng	Executive Director, vice president, chief accountant and director of finance	23 January 2013
Mr. Lü Qian	Vice president	30 December 2020
Mr. Zhang Wenzhong	Executive Director and vice president	26 March 2018
Mr. Chen Liewei	Vice president and chief economist	26 December 2022
Mr. Tian Wei	Executive Director, employee representative Director and vice president	23 June 2020
Mr. Li Wutie	Board secretary and assistant to president	31 March 2017
Departed Directors, Supervisors and Senior Management		
Mr. Wang Feng	Former Chairman of the Board of Supervisors and non-employee representative Supervisor	31 March 2017 to 30 June 2025
Mr. Chen Qinghan	Former Employee representative Supervisor	26 June 2023 to 30 June 2025
Mr. Zhang Pengyuan	Former Employee representative Supervisor	30 December 2024 to 30 June 2025

CHANGE OF DIRECTORS AND SENIOR MANAGEMENT

1. At the employee representative meeting of the Company, Mr. Tian Wei was elected as the employee representative Director of the Company's third session of the Board and will continue to serve as an executive Director for a term consistent with that of the Company's third session of the Board. For details, please refer to the announcement of the Company dated 5 August 2025.
2. Upon approval by the Shareholders at the 2024 annual general meeting, 2025 first Domestic Shareholders class meeting and 2025 first H Shareholders class meeting to abolish the Board of Supervisors, the Company ceased to have the Board of Supervisors effective from 30 June 2025 and each of the Supervisors retired from office as the Supervisors effective from 30 June 2025.

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors and senior management of the Company are set out on page 111 to page 120 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

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

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

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT IN COMPETING BUSINESSES

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

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

As at 31 December 2025, save as disclosed in “Directors, Senior Management and Employees” in this annual report, none of the Directors and chief executive of the Company had any interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she has taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out under Appendix C3 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Hong Kong Stock Exchange.

RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

For the year ended 31 December 2025, the Company, its holding company, or any of its subsidiaries or fellow subsidiaries did not have or has participated at any time during the Year in any arrangement through which the Directors of the Company may benefit by purchasing shares or debentures of the Company or any other entities.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2025.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2025.

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

For details of shareholding of Substantial Shareholders in the Company, please refer to “Changes in Share Capital and Information of Shareholders – Interests and Short positions of Substantial Shareholders in the Shares and Underlying Shares of the Company” on page 82 of this annual report.

PRE-EMPTIVE RIGHT AND SHARE OPTION ARRANGEMENTS

During the year ended 31 December 2025, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive rights.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as the above, as of 31 December 2025, none of the Directors of the Company were benefited from any effective permitted indemnity provisions.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company did not have any reserves available for distribution to Shareholders.

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

COMPLIANCE WITH THE NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company received the confirmation letters from Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment, confirming that Mr. Li Baoyuan, Zhongru Investment and Qianbao Investment have fully complied with all the undertakings under the non-competition undertakings provided to the Company for the year 2025. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that the undertakings thereunder have been complied with for the year ended 31 December 2025.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, as of the Latest Practicable Date, public Shareholders held not less than 26.2% of the Shares in issue of the Company, which was in compliance with the public float requirements under rules 19A.28B(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Labor Subcontract Framework Agreement

Parties

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

Principal Terms

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

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Labor Subcontract Framework Agreement; and

the Labor Subcontract Framework Agreement is valid from 1 January 2023 up to and including 31 December 2025, which may be renewed for another three years upon expiry by agreement of the relevant parties.

Pricing Policy

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

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



REPORT OF THE BOARD OF DIRECTORS

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

The review panel will also take into consideration factors including, but not limited to, the bidder's sufficient licenses and qualifications, business scale and capacities and its historical results, as well as make reference to prevailing market terms and prices. The bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will be implemented.

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

Listing Rules Implications

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

In terms of the Labor Subcontract Framework Agreement, as its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 5%, it is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Labor Subcontract Framework Agreement was capped at RMB4,000 million for 2025. The actual total transaction amount under the above agreement between the Group and Baoding Tianli was RMB1,158 million for 2025.

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

Engineering Construction Service Framework Agreement

Parties

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

Principal Terms

On 6 May 2024, the Company and Zhongming Zhiye entered into an engineering construction service framework agreement (“**Engineering Construction Service Framework Agreement**”) and formulated the annual caps for transactions under such agreement for 2025, 2026 and 2027. Pursuant to it, the Group provides engineering construction services and construction auxiliary services, including but not limited to engineering procurement construction, decoration and landscape engineering, as well as construction auxiliary services such as design and consultancy, to Zhongming Zhiye and its associates in the daily business process, and Zhongming Zhiye and its associates will pay service fees to the Group. Principal terms of the Engineering Construction Service Framework Agreement include:

the pricing policy (see below);

- (1) relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Engineering Construction Service Framework Agreement; and
- (2) the term of the Engineering Construction Service Framework Agreement starts from 1 January 2025 until 31 December 2027 (inclusive), and may be renewed for another three years upon its expiry as agreed by the relevant parties.

Pricing Policy

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

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

In order to ensure that the fees charged by the Group for the provision of engineering 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 engineering construction services to Independent Third Party customers.

Listing Rules Implications

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

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Engineering Construction Service Framework Agreement was capped at RMB500 million for 2025. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB50.07 million for 2025.

For details of the transaction above, please refer to the Company's announcement dated 6 May 2024, and the announcement dated 24 June 2024 and the circular dated 24 May 2024.

Property Leasing Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a property leasing framework agreement (“**Property Leasing Framework Agreement**”), and proposed the annual caps for 2023, 2024 and 2025 thereunder. Pursuant to which Zhongming Zhiye and its associates may lease properties as offices, workshops, warehouses and/or other work places to the Group, for which Zhongming Zhiye and its associates will charge the Group rental and other charges. Principal terms of the Property Leasing Framework Agreement include:

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Property Leasing Framework Agreement; and

the term of the Property Leasing Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

According to the Property Leasing Framework Agreement, the rental and other charges to be paid by the Group to Zhongming Zhiye and its associates will be determined based on the following pricing policies:

- (i) the rentals and other charges paid by the Group to Zhongming Zhiye and its associates will be determined based on arm's-length negotiations between the lessor and the lessee with reference to the prevailing market price (including but not limited to factors such as the geographical location, the standard of construction and the surrounding area), and are consistent with market practice; and
- (ii) the Group shall bear all utility charges, heating fees and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair, property taxes and land use taxes.

Listing Rules Implications

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

Reasons for the transaction

Given that the Group occupied certain properties as the offices, workshops, warehouses and/or other work places, which are currently owned by Zhongming Zhiye and its associates, since the relocation of such entities to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, the Company renewed the Property Leasing Framework Agreement with Zhongming Zhiye to ensure continuing smooth operation of the Group and to save costs.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Property Leasing Framework Agreement was capped at RMB9 million for 2025. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB1.42 million for 2025.

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

Leased Property Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a leased property framework agreement ("**Leased Property Framework Agreement**"), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which the Group may lease properties as offices, workshops, warehouses and/or other work places to Zhongming Zhiye and its associates, for which the Group will charge Zhongming Zhiye and its associates rental and other charges. Principal terms of the Leased Property Framework Agreement include:

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Leased Property Framework Agreement; and

the term of the Leased Property Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

REPORT OF THE BOARD OF DIRECTORS

Pricing Policy

According to the Leased Property Framework Agreement, the rental and other charges to be paid by Zhongming Zhiye and its associates to the Group will be determined based on the following pricing policies:

- (i) the rentals and other charges paid by Zhongming Zhiye and its associates to the Group will be determined based on arm's-length negotiation between the lessor and the lessee with reference to the prevailing market price (including but not limited to factors such as the geographical location, the standard of construction and the surrounding area), and are consistent with market practice; and
- (ii) Zhongming Zhiye and its associates shall bear all utility charges, heating fees and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair, property taxes and land use taxes.

Listing Rules Implications

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

Reasons for the transaction

Given that Zhongming Zhiye and its associates occupied certain properties as the offices, workshops, warehouses and/or other work places, which are currently owned by the Group, since the relocation of such entities to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, the Company renewed the Leased Property Framework Agreement with Zhongming Zhiye to ensure that the office properties held by the Group are fully utilised to increase revenue without affecting the Group's interests.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Leased Property Framework Agreement was capped at RMB5 million for 2025. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB4 million for 2025.

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

Comprehensive Services Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a comprehensive services framework agreement ("**Comprehensive Services Framework Agreement**"), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which Zhongming Zhiye and its associates may provide certain ancillary services, such as quality inspections for building constructions and surveying and mapping services, for the Group's engineering construction, for which the Group will pay service fees to Zhongming Zhiye and its associates. Principal terms of the Comprehensive Services Framework Agreement include:

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Comprehensive Services Framework Agreement; and

the term of the Comprehensive Services Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

REPORT OF THE BOARD OF DIRECTORS

Pricing Policy

Pursuant to the Comprehensive Services Framework Agreement, the service fees to be paid by the Group to Zhongming Zhiye and its associates for certain building construction ancillary services will be determined after arm's length negotiations between the Group and Zhongming Zhiye and its associates based on the relevant government guided prices provided by the monthly construction cost information published by the housing and urban-rural development bureaus and the construction cost service centres in the places where such service providers are located, and taking into account the local geographical characteristics, prevailing regulations and current pricing policies, and also the impact of pandemic prevention and control on the labor, material and equipment prices to ensure that the service fees to be paid by the Group to Zhongming Zhiye and its associates are fair and reasonable and in line with market practice.

Listing Rules Implications

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

Reasons for the transaction

Zhongming Zhiye and its associates started to provide certain ancillary services, such as quality inspections for building constructions services, for certain construction projects of the Group prior to 2014. Zhongming Zhiye and its associates have become familiar with the Group's business processes and needs, quality standards and operational requirements through long-term cooperation with the Group. Hebei Tianbo Construction Technology Co., Ltd. (a wholly-owned subsidiary of Zhongming Zhiye) and its subsidiaries have expertise in quality inspection services for building constructions, building structural reinforcement and surveying and mapping services and have been among the top in the industry of Hebei Province for its rich experience, excellent technology capacities and quality services. Therefore, the Company renewed the Services Framework Agreement with Zhongming Zhiye.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Comprehensive Services Framework Agreement was capped at RMB42 million for 2024. As Zhongming Zhiye, the Controlling Shareholder of the Company, no longer holds any equity in Hebei Tianbo Construction Technology Co., Ltd. and its subsidiaries (the actual service providers under the Comprehensive Services Framework Agreement) since 25 October 2023, Hebei Tianbo Construction Technology Co., Ltd. and its subsidiaries no longer constitute connected persons of the Company. Therefore, the actual total transaction amount for 2025 under the aforesaid agreement between the Group and Hebei Tianbo Construction Technology Co., Ltd. and its subsidiaries is no longer subject to the annual cap. During the Reporting Period, other than Hebei Tianbo Construction Technology Co., Ltd. and its subsidiaries, Zhongming Zhiye and/or its associates did not provide relevant services to the Group under the aforesaid agreement, and therefore, the actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was 0 for 2025.

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

Goods Procurement Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a goods procurement framework agreement ("**Goods Procurement Framework Agreement**"), and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which Zhongming Zhiye and its associates may sell goods to the Group, which include but are not limited to steel and processed products, cement and related products, concrete and mortar, timber and processed products, flooring materials, brick and tile, insulation materials, waterproofing materials, fittings and equipment for water heating and gas, hardware and electrical materials, doors and windows, paints and coatings, garden seedlings, lifts and road materials, and the Group will make relevant payment to Zhongming Zhiye and its associates for procurement of relevant goods. Principal terms of the Goods Procurement Framework Agreement include:

REPORT OF THE BOARD OF DIRECTORS

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will separately enter into specific agreements and specify specific terms and conditions according to the principles stipulated in the Goods Procurement Framework Agreement; and

the term of the Goods Procurement Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and may be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

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

- (i) Where the goods purchased are subject to government-guided prices (if any), such as the local guiding prices of all kinds of raw materials as set out in the monthly cost information manual subscribed from the cost units under the respective housing and urban-rural construction bureaus in the places where the projects are located, the transaction price shall be reasonably determined within the scope of the latest guided prices published by the government authority of the place where the government is located.
- (ii) In addition to the government-guided prices, where comparable Independent Third Party market prices or pricing standards are available for the goods purchased, the transaction price shall be determined with reference to such prices or standards.
- (iii) Where there is no comparable Independent Third Party market price for the goods purchased, the pricing of the goods purchased shall be determined with reference to the price of unrelated transactions between the seller's group and Independent Third Party.
- (iv) Where neither the Independent Third Party market price nor the price of independent unrelated transaction is available for reference for the goods purchased, the pricing will be determined with reference to a reasonable component price, which will be a reasonable cost plus a reasonable profit as determined based on factors such as the quantity, cost of raw materials, processing costs, historical prices, current prices of similar goods and reasonable profits for the goods purchased.

Listing Rules Implications

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

Reasons for the transaction

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

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Goods Procurement Framework Agreement was capped at RMB5 million for 2025. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB4.92 million for 2025.

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

Property Services Framework Agreement

Parties

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

Principal Terms

On 26 May 2022, the Company and Zhongming Zhiye entered into a property services framework agreement (“**Property Services Framework Agreement**”) and set annual caps for the transactions thereunder for 2023, 2024 and 2025. Pursuant to which Zhongming Zhiye and its associates may provide property services to the Group, which include but are not limited to management and maintenance services for property facilities and equipment, public place order and security services, public environment hygiene and cleaning services, maintenance and management services for public landscaping and gardening, management services for archives such as relevant engineering drawings and completion acceptance materials, public area maintenance and other property management related services, and the Group paid total service fees to Zhongming Zhiye and its associates. The principal terms of the Property Services Framework Agreement include:

the pricing policy (see below);

relevant subsidiaries or associated companies of both contracting parties will separately enter into relevant agreements and specify specific terms and conditions according to the principles stipulated in the Goods Procurement Framework Agreement; and

the term of the Property Services Framework Agreement shall commence from 1 January 2023 up to and including 31 December 2025, and can be renewed for another three years upon its expiry as agreed by the relevant contracting parties.

Pricing Policy

In accordance with the Property Services Framework Agreement, the service fees paid by the Group for the property services provided by Zhongming Zhiye and its associates will be determined based on the following pricing policies:

- (i) Where the property services provided are subject to government-guided prices (if any), including those applicable to the Notice on Adjustment of Property Service Levels and Charges for Residential Areas in the Main Urban Area of Baoding City (Lianchi District, Jingxiu District and Gaoxin District) (《關於調整保定市主城區(蓮池區、競秀區、高新區)住宅小區物業服務等級和收費標準的通知》) jointly issued by Hebei Baoding Pricing Bureau and Municipal Housing and Urban-Rural Development Bureau, the transaction price shall be reasonably determined within the scope of the government-guided prices of the place where the service provider is located. In particular, the transaction price of the residential portion shall be determined in accordance with the provisions of the Baoding Property Management Measures promulgated by the People's Government of Baoding, Hebei Province which came into effect on 1 March 2017.
- (ii) In addition to the government-guided prices, where comparable Independent Third Party market prices or pricing standards are available for the property services provided, the transaction price shall be determined with reference to such prices or standards.
- (iii) Where there is no comparable Independent Third Party market price for the property services provided, the pricing of the property services provided shall be determined with reference to the price of unrelated transactions between the service provider group and Independent Third Party.
- (iv) Where neither the Independent Third Party market price nor the price of independent unrelated transaction is available for reference for the property services provided, the pricing will be determined with reference to a reasonable component price, which will be a reasonable cost plus a reasonable profit as determined based on factors such as the types, sizes, locations and conditions of the relevant property, the nature and standard of services required and the expected operating costs (e.g. labour costs, material costs and administrative costs).

REPORT OF THE BOARD OF DIRECTORS

Listing Rules Implications

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

Reasons for the transaction

Certain properties held by the Group in Baoding, Hebei Province, where the headquarter is located, have been provided with property services by property management companies under Zhongming Zhiye, a connected person, and such companies have a good reputation in the local region and have rich management experience and personnel. Also, in view of the good cooperation between the two parties in the past, the Company renewed the Property Services Framework Agreement with Zhongming Zhiye.

Implementation of such connected transaction during the Reporting Period

During the Reporting Period, the continuing connected transaction under the Property Services Framework Agreement was capped at RMB10.5 million for 2025. The actual total transaction amount under the above agreement between the Group and Zhongming Zhiye was RMB7.5 million for 2025.

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

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

Confirmation by Independent Non-executive Directors

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

Auditor's Letter

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

nothing has come to EY’s attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

for transactions involving the provision of products and service by the Group, nothing has come to EY’s attention that causes it to believe that the transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group;

nothing has come to EY’s attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

in connection with the total amount of each of the continuing connected transaction disclosed above, nothing has come to EY’s attention that causes it to believe that such continuing connected transactions have exceeded the annual cap set by the Company.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2026 TO 2027

As the Labor Subcontract Framework Agreement has expired on 31 December 2025, the Company has entered into the New Labor Subcontract Framework Agreement with Baoding Tianli on 13 May 2025, and proposed the annual caps for 2026 and 2027 thereunder to renew such continuing connected transactions. Accordingly, 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 gross subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The annual caps governing the gross subcontract fees payable by the Group to Baoding Tianli and its associates for each of the two years ending 31 December 2026 and 2027 are RMB2,200.00 million. For details, please refer to the announcements of the Company dated 13 May 2025 and 30 June 2025, as well as the circular dated 2 June 2025.

As the Property Leasing Framework Agreement has expired on 31 December 2025, the Company has entered into the New Property Leasing Framework Agreement with Zhongming Zhiye on 13 May 2025, and proposed the annual caps for 2026 and 2027 thereunder to renew such continuing connected transactions. Accordingly, Zhongming Zhiye and its associates may lease properties as offices, workshops, warehouses and/or other work places to the Group, for which Zhongming Zhiye and its associates will charge the Group rental and other charges. The annual caps governing the rentals and other fees payable by the Group to Zhongming Zhiye and its associates for utilisation of relevant properties for each of the two years ending 31 December 2026 and 2027 are RMB5.60 million. For details, please refer to the announcement of the Company dated 13 May 2025.

As the Leased Property Framework Agreement has expired on 31 December 2025, the Company has entered into the New Leased Property Framework Agreement with Zhongming Zhiye on 13 May 2025, and proposed the annual caps for 2026 and 2027 thereunder to renew such continuing connected transactions. Accordingly, the Group may lease properties as offices, workshops, warehouses and/or other work places to Zhongming Zhiye and its associates, for which the Group will charge Zhongming Zhiye and its associates rental and other charges. The annual caps governing the rentals and other fees payable by Zhongming Zhiye and its associates to the Group for utilisation of relevant properties for each of the two years ending 31 December 2026 and 2027 are RMB3.00 million. For details, please refer to the announcement of the Company dated 13 May 2025.

As the Goods Procurement Framework Agreement has expired on 31 December 2025, the Company has entered into the New Goods Procurement Framework Agreement with Zhongming Zhiye on 13 May 2025, and proposed the annual caps for 2026 and 2027 thereunder to renew such continuing connected transactions. Accordingly, Zhongming Zhiye and its associates may sell goods to the Group, which include but are not limited to steel and processed products, cement and related products, concrete and mortar, timber and processed products, flooring materials, brick and tile, insulation materials, waterproofing materials, fittings and equipment for water heating and gas, hardware and electrical materials, doors and windows, paints and coatings, garden seedlings, lifts and road materials, and the Group will make relevant payment to Zhongming Zhiye and its associates for procurement of relevant goods. The annual caps governing the total purchase amount payable by the Group to Zhongming Zhiye and its associates for each of the two years ending 31 December 2026 and 2027 are RMB10.00 million. For details, please refer to the announcement of the Company dated 13 May 2025.

As the Property Services Framework Agreement has expired on 31 December 2025, the Company has entered into the New Property Services Framework Agreement with Zhongming Zhiye on 13 May 2025, and proposed the annual caps for 2026 and 2027 thereunder to renew such continuing connected transactions. Accordingly, Zhongming Zhiye and its associates may provide property services to the Group, which include but are not limited to management and maintenance services for property facilities and equipment, public place order and security services, public hygiene and cleaning services, maintenance and management services for public landscaping and gardening, management services for archives such as relevant engineering drawings and completion acceptance materials, public area maintenance and other property management related services, and the Group will pay total service fees to Zhongming Zhiye and its associates. The annual caps governing the total service fees payable by the Group to Zhongming Zhiye and its associates for property services for each of the two years ending 31 December 2026 and 2027 are RMB8.00 million. For details, please refer to the announcement of the Company dated 13 May 2025.

RELATED PARTY TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the annual results and annual report of the Company for 2025 and the consolidated financial statements for the year ended 31 December 2025 prepared under the CASBE.

ACCOUNTING POLICY

The critical accounting policies adopted by the Company in the preparation of the consolidated financial statements for 2025 are the same as those adopted for the audited consolidated financial statements for the year ended 31 December 2024.

AUDITOR

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

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

In June 2024, upon consideration and approval at the 2023 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2024 under the CASBE for a term commencing from the date of conclusion of the 2023 annual general meeting of the Company to the date of conclusion of the 2024 annual general meeting of the Company.

In June 2025, upon consideration and approval at the 2024 annual general meeting of the Company, Ernst & Young Hua Ming LLP was engaged as the auditor of the Company for the audit of the annual financial report for 2025 under the CASBE for a term commencing from the date of conclusion of the 2024 annual general meeting of the Company to the date of conclusion of the 2025 annual general meeting of the Company.

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

By order of the Board
Hebei Construction Group Corporation Limited
Li Baozhong
Chairman



SIGNIFICANT EVENTS

CONVENING THE 2025 ANNUAL GENERAL MEETING

The 2025 annual general meeting of the Company will be convened at 8:30 a.m. on Monday, 22 June 2026 at Meeting Room, 3/F, No. 125 Lugang Road, Jingxiu District, Baoding, Hebei Province, the PRC. The notice and circular of convening the 2025 annual general meeting will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.hebjs.com.cn), and will be dispatched to H Shareholders of the Company who have indicated that they wish to receive a printed version of the corporate communications of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

THE 2025 ANNUAL GENERAL MEETING

In order to ascertain the entitlements of the Shareholders to attend the 2025 annual general meeting, the register of members of the Company will be closed from Tuesday, 16 June 2026 to Monday, 22 June 2026 (both days inclusive), during which period no transfer of Shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Monday, 22 June 2026 will be eligible to attend the 2025 annual general meeting. To be eligible to attend and vote at the 2025 annual general meeting, all duly completed and signed share transfer documents together with relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares no later than 4:30 p.m. on Monday, 15 June 2026.

MAJOR LITIGATION, ARBITRATION AND ISSUES GENERALLY QUESTIONED BY THE MEDIA

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

MAJOR TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

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

EQUITY INCENTIVES SCHEME OF THE COMPANY AND ITS IMPACT

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

MATERIAL CONTRACTS

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

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

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

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

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

As at 31 December 2025, the total registered share capital of the Company was RMB1,761,383,500, divided into 1,761,383,500 ordinary Shares with a nominal value of RMB1.00 each, including 1,300,000,000 Domestic Shares and 461,383,500 H Shares.

During the Reporting Period, there was no change in the share capital of the Company.

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

As at 31 December 2025, the interests and short positions of the Director 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:

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES OF THE COMPANY

Name of the Directors and chief executive	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2025	Approximate percentage of shareholding in the total issued share capital of the Company as at 31 December 2025
Mr. Li Baoyuan ¹	Interest in controlled corporation	1,300,000,000	Domestic Shares	Long position	100%	73.81%

Note:

- As at 31 December 2025, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.89% of the equity interests in Zhongru Investment. In addition, each of the remaining 135 individual shareholders of Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO. As at 31 December 2025, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly or indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 5.54% of the equity interests in the Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 289,500,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly or indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of the Directors and chief executive	Name of associated corporation	Capacity	Number of ordinary shares interested in the associated corporation	Nature of interest	Approximate percentage of issued share capital of associated corporation as at 31 December 2025
Directors					
Mr. Li Baoyuan ¹	Qianbao Investment ²	Beneficial owner	45,000,000 shares	Long position	90.00%
	Zhongru Investment ³	Interest in controlled corporation	289,500,000 shares	Long position	100.00%
Mr. Li Baozhong	Qianbao Investment ²	Beneficial owner	5,000,000 shares	Long position	10.00%
Mr. Shang Jinfeng	Zhongru Investment ³	Beneficial owner	5,000,000 shares	Long position	1.73%
Mr. Zhao Wensheng	Zhongru Investment ³	Beneficial owner	3,000,000 shares	Long position	1.04%
Mr. Tian Wei	Zhongru Investment ³	Beneficial owner	3,000,000 shares	Long position	1.04%
Mr. Zhang Wenzhong	Zhongru Investment ³	Beneficial owner	3,000,000 shares	Long position	1.04%

Notes:

- As at 31 December 2025, Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, and Qianbao Investment directly holds 34.89% of the equity interests in Zhongru Investment. In addition, each of the remaining 135 individual shareholders of Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meeting of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan (through Qianbao Investment) is deemed to be interested in 100% of the equity interests, or 289,500,000 shares, in Zhongru Investment.
- As at 31 December 2025, the total share capital of Qianbao Investment is 50,000,000 shares.
- As at 31 December 2025, the total share capital of Zhongru Investment is 289,500,000 shares.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, so far as any Directors or chief executives of the Company are aware, as at 31 December 2025, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2025, none of the Directors or their respective spouses or children under the age of 18 was granted any rights to acquire benefits by means of acquisition of Shares or debentures of the Company, nor exercised any such rights. The Company or any of its subsidiaries did not make any arrangement to enable the Directors or their respective spouses or children under the age of 18 to acquire such rights from any other body corporate.

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

As at 31 December 2025, the following persons (not being the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be recorded in the register kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Class of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares as at 31 December 2025	Approximate percentage of shareholding in total issued share capital of the Company as at 31 December 2025
Zhongru Investment	Beneficial owner	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
Qianbao Investment ¹	Interest in controlled corporation	1,202,500,000	Domestic Shares	Long position	92.50%	68.27%
	Beneficial owner	97,500,000	Domestic Shares	Long position	7.50%	5.54%

Note:

- As at 31 December 2025, Qianbao Investment directly holds 5.54% of the equity interests in the Company and 34.89% of the equity interests in Zhongru Investment. In addition, each of the remaining 135 individual shareholders of Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at general meetings of Zhongru Investment and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Domestic Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2025.

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the Corporate Governance Code is referred to the provisions contained in the Appendix C1 to the Listing Rules in force during the year ended 31 December 2025.

For the year ended 31 December 2025, the Company has complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code. It has established a set of corporate governance system with respect to Board composition, Board diversity policy, duties and procedures, remuneration structure of the Directors and senior management and appraisal of the Board, internal control and audit, joint company secretary and communication between the Company and Shareholders.

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

CORPORATE CULTURE

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

CORPORATE GOVERNANCE REPORT

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

Cultural Theme	Corporate Mission	Corporate Vision	Corporate Value
• Creating a harmonious family • Becoming a responsible person	• Creating a space full of love	• People-oriented happy enterprise • Vibrant and long-lasting business	• Commitment to excellence • Dedication • Boundless organization • Co-creating value

Corporate Culture

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2025, the Company had complied with all the Code Provisions under the Corporate Governance Code and had adopted most of the recommended best practices as set out therein.

BOARD

Responsibilities

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

BOARD COMPOSITION

During the year ended 31 December 2025 and up to the Latest Practicable Date, the Directors were as follows:

Executive Directors

Mr. Li Baozhong¹ (*Chairman*)
Mr. Shang Jinfeng (*President*)
Mr. Zhao Wensheng
Mr. Tian Wei
Mr. Zhang Wenzhong

Non-executive Director

Mr. Li Baoyuan²

Independent Non-executive Directors

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

Notes:

1. Mr. Li Baozhong is the brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie.
2. Mr. Li Baoyuan is the brother of Mr. Li Baozhong and the father of Mr. Li Wutie.



CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2025, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing the appropriate professional accounting qualifications or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

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

CHAIRMAN AND PRESIDENT

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

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

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



CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2025, the Audit Committee convened 2 meetings to review the annual results announcement and annual report for the year ended 31 December 2024, the Financial Report for Year 2024 and the Financial Budget for Year 2025, to approve and review the internal control and risk management system of the Group and to oversee the audit process, to review the interim results announcement and interim report for the six months ended 30 June 2025, and to review the resolution on renewing the Labor Subcontract Framework Agreement and other continuing connected transactions agreements.

Nomination Committee

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

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

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

During the year ended 31 December 2025, the Nomination Committee convened 1 meeting, to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and the diversity of the Board.

Board Diversity Policy

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

Overview of the policy

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

Measurable objectives and progress on achieving such objectives

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

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

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

Nomination policy

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

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

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



CORPORATE GOVERNANCE REPORT

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

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

Remuneration and Appraisal Committee

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

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

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

During the year ended 31 December 2025, the Remuneration and Appraisal Committee convened 1 meeting, to review the policies of the remuneration of the Directors and senior management and the remunerations of the Directors and senior management in 2024.

Strategic Committee

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

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

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

During the year ended 31 December 2025, the Strategic Committee convened 1 meeting, to review the investment budget plan for 2025; the financing plan for 2025; issuance of debt financing instruments in 2025; to propose to the general meeting to grant the general mandate to the Board to issue additional Domestic Shares and H Shares, and review the annual environmental, social and governance report of the Company.

CORPORATE GOVERNANCE FUNCTION

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

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

During the year ended 31 December 2025, the above corporate governance function was performed and executed by the Board and the Board has reviewed the Company's compliance with the Corporate Governance Code.

BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND THE GENERAL MEETING

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

During the year ended 31 December 2025, the Company convened seven Board meetings and one general meeting.

During the year ended 31 December 2025, the attendance record of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee and the general meetings is set out below:

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

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration will be determined in accordance with the Company's overall remuneration framework. The remuneration plan is drafted by the Remuneration and Appraisal Committee, submitted to the Board for review, and ultimately approved by the general meeting. Executive Directors' remuneration is linked to the Company's operating performance; the base salary constitutes the fixed portion, paid monthly, and is determined based on job level, responsibilities, market benchmarks, and the Company's affordability; Performance-based remuneration: disbursed following the annual performance review and may be deferred (e.g., over 2 to 3 years). Allowances for independent non-executive Directors and remuneration for non-executive Directors are determined separately from remuneration for executive Directors and do not participate in performance-based incentives. The total remuneration for each Director is disclosed in the annual report. Details are set forth in note XIV-1 to the consolidated financial statements.

Remunerations paid to a total of 3 senior management (excluding the Directors) by bands for the year ended 31 December 2025 are set out below:

Remuneration band	Number of individuals
RMB200,001 to RMB500,000	1
RMB500,001 to RMB1,000,000	2

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code for all Directors to conduct transactions of the Company's securities. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they have complied with the standards specified in the Model Code during the year ended 31 December 2025.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established the Inspection and Auditing Department to assist in supervision of the performance of duties and implementation of basic work system of headquarters' functional departments of the Group and oversee the internal operation and implementation of basic work system of subsidiaries of the Group. In particular, the Board acknowledges its responsibilities for overseeing the risk management and internal control system of the Group. It also supervises and inspects the works and the risk management and internal control of the

CORPORATE GOVERNANCE REPORT

Company through the Audit Committee, and reviews the effectiveness at least once annually. Considering that the purpose of risk management and internal control system monitoring is to manage rather than eliminate the risk of failure to achieve business objectives, the Board can only reasonably, not absolutely guarantee that the above system and internal control can prevent any material misrepresentation or loss. For the year ended 31 December 2025, the Board had annually reviewed the effectiveness of the risk management and internal control system and considers that, the design and function of the risk management and internal control system remain effective and appropriate in all material aspects.

The Company continued to improve internal control and risk management system aiming at upgrading the operation management and risk management capabilities of the Company, promoting the sustainability of the Company and safeguarding the legal rights and interest of the investors. The “internal control” of such systems refers to the business systems and operating processes implemented by the Board, management and all staff of the Company for attaining management goals of internal control. Business systems under such systems include all individual business units of the Group managed with the top-down approach, such as the market development system, operation management system, human resources system and financial management system, as well as the wholly-owned subsidiaries, controlled subsidiaries, branches and engineering project groups. The Board of the Company is in charge of building and maintaining the internal control and risk management system. It has established the Audit Committee for reviewing the formulation and implementation of the internal control and risk management system. The management of the Company has established the risk management committee, which leads the internal control and risk management of the Company, while the supervision and audit department evaluates the construction and implementation of the internal control system. Based on the internal control and risk management system, the Company organizes risk assessment on a yearly basis to collect information on risks for rectification or elimination. In 2025, the Company performed relatively comprehensive risk assessment and internal control evaluation, which covered the headquarters and the subsidiaries of the Group. The relevant 2025 risk and internal control matters were disclosed in the form of inspection report. The Board and the senior management of the Company and related organisations attach great importance to the problems and risks identified and carried out rectification and improvement one by one, which ensured compliant and efficient business operation of the Company.

In view of the above, the Company has a complete internal control structure in place, and an appropriate set-up for the internal audit department and staff, which effectively ensure the supervision and implementation of internal control procedures. The internal control and evaluation of the Company give a full and fair view of the actual situation and play an important role in supporting the compliant operation of the Company in the long run.

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

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

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

COMPANY SECRETARY

For the year ended 31 December 2025, the joint company secretaries of the Company are Mr. Li Wutie ("**Mr. Li**") and Ms. Wong Wai Ling ("**Ms. Wong**"). Ms. Wong serves as the president of SWCS Corporate Services Group (Hong Kong) Limited.

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

On 30 March 2026, Ms. Wong resigned as the joint company secretary of the Company. After Ms. Wong's resignation, Mr. Li (who has been confirmed by the Stock Exchange to be qualified to serve as the company secretary under Rule 3.28 of the Listing Rules) serves as the sole company secretary of the Company.

For the year ended 31 December 2025, each of Mr. Li and Ms. Wong has taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025 in accordance with statutory requirements and applicable accounting standards.

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

The Audit Committee has reviewed and recommended to the Board to adopt the accounts for the year ended 31 December 2025.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the independent auditor's report on page 123 to page 143.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report issued by Ernst & Young, the Company's auditors, on the Group's financial statements for the year ended 31 December 2025:

Disclaimer of Opinion

We have audited the financial statements of Hebei Construction Group Corporation Limited, which comprise the consolidated and company's balance sheet as of 31 December 2025, the consolidated and company income statements, the statements of changes in owners' equity and the statements of cash flows for the year then ended, and notes to the financial statements.

We do not express audit opinion on the accompanying financial statements of Hebei Construction Group Corporation Limited. Due to the significance of the matters described in the "Basis for the Disclaimer of Opinion" section, we were unable to obtain sufficient and appropriate audit evidence to form a basis of our audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Material uncertainty related to going concern

For the year ended 31 December 2025, the consolidated net loss of Hebei Construction Group Corporation Limited was RMB596,239,000, the consolidated net cash outflow from operating activities was RMB1,868,791,000, and the Company's net cash outflow from operating activities was RMB1,150,330,000. As of 31 December 2025, Hebei Construction Group Corporation Limited had total outstanding commercial acceptances of RMB509,846,000 that had not been honoured as per the prescribed acceptance date; such default of the commercial acceptances has triggered cross-default provisions, involving total consolidated interest-bearing liabilities of RMB4,941,160,000 (including the Company's interest-bearing liabilities of RMB2,022,536,000). The above circumstances indicate the existence of a material uncertainty that may cast significant doubt on the continuing ability of Hebei Construction Group Corporation Limited. Note II to the financial statements disclosed the measures partially taken and to be taken continually by management to improve the financial position of Hebei Construction Group Corporation Limited. However, as of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence to assess whether it was appropriate for Hebei Construction Group Corporation Limited to prepare the financial statements on a going concern basis, or whether the disclosures in the financial statements were adequate. The matter is likely to have a significant and extensive impact on the 2025 financial statements.

MANAGEMENT OF THE GROUP'S POSITION AND BASIS REGARDING THE DISCLAIMER OF OPINION

The Directors have reviewed the Group's cash flow forecasts prepared by the management of the Group (the "**Management**"), covering the 12 month period from the balance sheet date. The Directors of the Company are of the view that, based on the plans and measures recorded in Note II to the financial statements and taking into account expected cash flows to be generated from its operations, the Group will have sufficient working capital to fund its operations and to meet its financial obligations falling due within 12 months from 31 December 2025. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

However, in respect of the assumption that the Management will be successful in such plans and measures taken or to be taken continually, the independent auditor was unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis. As a result, the independent auditor expressed a disclaimer of opinion on the going concern basis.

Considering that the financial statements have been prepared by the Management on a going concern basis, and their validity depends on the outcome of the measures under the Management's assumptions, there is no disagreement between the Management and the independent auditor regarding the disclaimer of opinion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION AND MANAGEMENT'S POSITION

The Audit Committee has reviewed the information provided by the Management in relation to the audit matters. The Audit Committee has been advised by the independent auditor that its reasons for expressing the disclaimer of opinion are described in the section "Basis for Disclaimer of Opinion" as set out in the extract from the independent auditor's report included in this annual report. After due and careful consideration, the Audit Committee has reviewed and concurs with the Management's position of judgements in respect of the going concern assumptions, which are based on:

- (1) the Group has maintained normal operations, and undertook several large public building construction and municipal infrastructure construction projects during the year; and
- (2) the Company has been proactively implementing multiple plans and actions to alleviate liquidity pressure and improve the Group's financial position, the details of which are described in the section headed "THE GROUP'S ACTION PLAN FOR ADDRESSING THE DISCLAIMER OF OPINION".

The Audit Committee has no objection to the Management's position, and it also acknowledges that the independent auditor may hold a different view on the Group's going concern basis.

THE GROUP'S ACTION PLAN FOR ADDRESSING THE DISCLAIMER OF OPINION

The foregoing circumstances indicate the existence of material uncertainties regarding the Group's ability to continue as a going concern. In light of these matters, the Group has adopted and proposed to adopt continually multiple plans and measures to improve the Group's liquidity and financial position, including:

- (1) The Group will continue to negotiate with existing lenders regarding defaults and cross defaults to reach an agreement on concerted actions, under which lenders will refrain from exercising their rights to demand immediate repayment of principal and interest. This primarily includes: first, maintaining the normal classification of loans into five categories, and agreeing not to withdraw loans, discontinue lending, restrict credit lines, initiate litigation, be the first to classify loans as non-performing, or downgrade classification results; and second, further strengthening communication between both parties to assist the Company in coordinating with higher-level banks to adopt various policies, such as principal-free loan renewals. Within a reasonable scope, for loans that are about to mature, measures such as renewal, extension of principal and interest repayment periods, reduction of interest rates, and adjustment of repayment plans will be adopted in accordance with regulations to maintain the stability of loan quotas;
- (2) The Group will continue to negotiate with lenders on the renewal or extension of bank borrowings of the Company and, if necessary, obtain additional credit facilities from existing and other lenders;
- (3) The Group will continue to resolve defaults on commercial acceptance bills through measures such as property-for-debt swaps and negotiated installment payments;
- (4) The Group will continue to take active measures to control administrative costs and maintain restraint over capital expenditure; and
- (5) The Group will continue to take active measures to recover construction contract receivables and other receivables.

IMPACT ON THE FINANCIAL CONDITION OF THE GROUP

If the Group fails to materialize the above plans and measures, the going concern may be affected. The financial data must be adjusted to reduce the book value of the Group's assets to their recoverable amount, to recognize any potential additional liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The impact of these adjustments is not reflected in the financial statements of the Company for the year ended 31 December 2025.

AUDITORS

Ernst & Young Hua Ming LLP was the auditor of the Company for the year ended 31 December 2025, and will retire at the 2025 annual general meeting. Being eligible, the firm has offered itself for re-appointment. A resolution for the re-appointment/appointment of the auditor of the Company will be proposed at the 2025 annual general meeting. The remuneration paid to Ernst & Young Hua Ming LLP in respect of the audit services rendered for the year ended 31 December 2025 was RMB5.5 million. Ernst & Young Hua Ming LLP did not provide any non-audit services to the Company for the year ended 31 December 2025.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

Email: hebeijianshe@hebjs.com.cn

SHAREHOLDERS' RIGHTS

Requisition of Convening Extraordinary General Meeting by Shareholders

In accordance with Article 66 to the Articles of Association, a Shareholder alone or the Shareholders together holding at least 10 percent of the Company's Shares shall have the right to make a request to the Board in writing to call for convening an extraordinary general meeting. The Board shall, in accordance with laws and the Articles of Association, give a written response on whether or not it agrees to convene such meeting within 10 days after receipt of the request.

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

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

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

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

Putting Forward Proposals at General Meetings

In accordance with Article 72 to the Articles of Association, when the Company is to hold an annual general meeting, the Board and a Shareholder alone or Shareholders together holding one percent or more of the Company's Shares shall be entitled to propose motions to the Company.

A Shareholder alone or Shareholders together holding at least one percent of the Shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration unless such extempore motion violates the provisions of laws, administrative regulations or the Articles of Association or does not fall within the authority of the general meeting.

Except as provided in the preceding paragraph, the convener shall not modify the motions already included in the notice of the general meeting or add new motions after issuing the notice of the general meeting or making the public announcement.

Motions which are not included in the notice of the general meeting or fail to meet the requirements of the Articles of Association shall not be voted on and resolved at the general meeting.

THE ARTICLES OF ASSOCIATION

On 26 May 2025, the Board considered and approved, among other things, the resolution on abolition of the Board of Supervisors and amendments to the "Articles of Association", which primarily involved revisions to the content relating to the Board of Supervisors in the Articles of Association. The above resolution has been adopted at the 2024 annual general meeting held on 30 June 2025 by way of special resolution. The amended Articles of Association has become effective from 30 June 2025. The full text of the amended Articles of Association is available on the HKEXnews website of the Hong Kong Stock Exchange and the website of the Company. For details, please refer to the announcements of the Company dated 26 May 2025 and 30 June 2025, respectively, as well as the circular of 2024 annual general meeting dated 2 June 2025.

Save as described above, there were no other major changes on the Articles of Association by the Company during the Reporting Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Mr. Li Baozhong (李寶忠), aged 56, is the Chairman of the Board and an executive Director of the Company since 22 December 2015. Mr. Li is also the chairman of the Strategic Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company, and has served as the secretary to the Party Committee of the Company since January 2021. Mr. Li also serves as the chairman of Zhongming Zhiye Group Co., Ltd., Zhongru Investment Co., Ltd. and Baoding Langzhuo Gubao Intercity Railway Engineering Co., Ltd., an executive director and the general manager of Baoding Zhongcheng Investment Management Co., Ltd., a supervisor of Qianbao Investment Co., Ltd.. Mr. Li is a vice president of Hebei Construction Industry Association. Mr. Li has over 33 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015. Mr. Li was elected as a Deputy of the thirteenth session to the National People's Congress in March 2018.

Mr. Li obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, the PRC in September 2015, and obtained a doctor's degree in business administration from Singapore Management University in Singapore in June 2025. Mr. Li obtained the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008 and the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2009, respectively. Mr. Li was awarded the "Model Worker of Baoding (保定市勞動模範)" by the People's Government of Baoding in April 2013, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 2014, the "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016 and the "Quality Award of Hebei Government (河北省政府質量獎)" by the People's Government of Hebei Province in June 2017, and was appointed as an "Expert with Special Allowance of Hebei Provincial Government" by the People's Government of Hebei Province in September 2019.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shang Jinfeng (商金峰), aged 49, is an executive Director and the President of the Company since 31 March 2017. Mr. Shang is also a member of the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee under the Board of the Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering Co., Ltd., Hebei Lvjian Investment Company (河北綠建投資股份公司), Inner Mongolia Construction Investment Group Co., Ltd. (內蒙古建設投資集團有限公司), Zhongming Zhiye Group Co., Ltd., Zhongru Investment Co., Ltd. and Zhongcheng Real Estate Development Co., Ltd. Mr. Shang has over 27 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering from December 2010 to January 2017; and a vice President and a standing vice President of the Company from December 2013 to March 2017.

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

Mr. Zhao Wensheng (趙文生), aged 56, is the chief accountant and the director of finance of the Company since 23 January 2013 and an executive Director of the Company since 25 February 2019. Mr. Zhao is also a member of the Strategy Committee of the Board of Directors of the Company. Mr. Zhao Wensheng also serves as a director of Zhongcheng Real Estate Development Co., Ltd., and the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), HCG Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), HCG Decoration Engineering Co., Ltd. (河北建設集團裝飾工程有限公司), and a supervisor of HCG Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Zhongru Investment Co., Ltd. and Hebei Haikuo Environmental Technology Co., Ltd. (河北海闊環境科技有限公司). Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司) from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering Co., Ltd. from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

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

Mr. Tian Wei (田偉), aged 56, is an executive Director of the Company since 26 June 2023. Mr. Tian's previous primary work experience includes working in the First Branch and Inner Mongolia Branch of the Company from December 1991 to October 2019. Mr. Tian also serves as a director of Zhongru Investment Co., Ltd., HCG Tianchen Construction Engineering Co., Ltd., HCG Installment Engineering Co., Ltd., Hebei Haikuo Environmental Technology Co., Ltd. and Hebei Zhiping Construction Equipment Leasing Co., Ltd.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Wenzhong (張文忠), aged 50, is an executive Director of the Company since 26 June 2023. Mr. Zhang also serves as a director of HCG Tianchen Construction Engineering Co., Ltd., Hebei Haikuo Environmental Technology Co., Ltd., Hebei Zhiping Construction Equipment Leasing Co., Ltd. and Rongcheng County Xinrong City Development Co., Ltd (容城縣鑫融城市發展有限公司). Mr. Zhang's previous primary work experience includes working in Tianli Labor Company, Tianchen Construction Engineering Company Limited and the Third Branch of the Company from July 1998 to December 2020.

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

NON-EXECUTIVE DIRECTOR

Mr. Li Baoyuan (李寶元), aged 75, is the honorary Chairman of the Board and a non-executive Director of the Company since 22 December 2015. Mr. Li is also a member of the Audit Committee under the Board of the Company. Mr. Li also serves as a director of Zhongru Investment Co., Ltd. and the chairman of the board of directors of Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment Co., Ltd., and a director of Zhongming Zhiye Group Co., Ltd. Mr. Li has over 54 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company from October 1997 to January 2021. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Lifeng (申麗鳳), aged 59, is an independent non-executive Director of the Company since 15 December 2017. Ms. Shen is also the chairwoman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of the Company. Ms. Shen also serves as the chief advisor of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司); and a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會). Ms. Shen was a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) and her term ended on 31 December 2017. Ms. Shen served as a founding arbitrator of the Arbitration Committee of Shijiazhuang City (石家莊市仲裁委員會) and her term ended on 31 December 2018. Ms. Shen has more than 36 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖倫國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has served as an executive director and vice president of China Tianbao Group Development Company Limited since 11 November 2018; an external director of Shenzhen SEZ Construction Development Co., Ltd. (深圳市特區建設發展有限公司) as appointed by Shenzhen SASAC since November 2021, and an non-executive director of China South City Holdings Limited (In Liquidation) (Stock Code: 1668) (the company was ordered to be wound up by the High Court of Hong Kong Special Administrative Region on 11 August 2025) as appointed by Shenzhen SEZ Construction and Development Co., Ltd. since January 2023. Ms. Shen has also been appointed as a committee member (special invitee) of Hong Kong and Macau of the Chinese People's Political Consultative Conference of Hebei Province in January 2023.

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

Ms. Chen Xin (陳欣), aged 43, is an independent non-executive Director of the Company since 15 December 2017. Ms. Chen is also the chairwoman of the Nomination Committee and the Remuneration and Appraisal Committee and a member of the Audit Committee under the Board of the Company. Ms. Chen is currently the director of human resources consultant of Talentpool (HK) Limited. Ms. Chen has more than 18 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016. Ms. Chen was the Hong Kong director of human resources of Fortune Fountain Capital Limited in 2017.

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chan Ngai Sang Kenny (陳毅生), aged 61, is an independent non-executive Director of the Company since 15 December 2017. Mr. Chan is also a member of the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee of the Board of the Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. He has served as an independent non-executive director of Minsheng Education Group Company Limited (stock code: 1569) since March 2017; and he has served as an independent non-executive director of Jinshang Bank Co., Ltd. (stock code: 2558) since June 2023. All the companies above are listed on the Main Board of the Hong Kong Stock Exchange.

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

SENIOR MANAGEMENT

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

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

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

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lü Qian (呂謙), aged 60, is a Vice President of the Company since 1 September 2020. Mr. Lü also serves as a director of HCG Zhuocheng Road and Bridge Engineering Co., Ltd. and a director of Zhongru Investment Co., Ltd. Mr. Lü's previous primary work experience includes working in the 11th Working Area, the Fifth Branch and the Airport Branch of the Company from July 1987 to September 2020.

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

Mr. Chen Liewei (陳列偉), aged 56, is a Vice President of the Company since 26 December 2022. Mr. Chen also serves as a director of Zhongcheng Real Estate Development Co., Ltd., a director of Zhongming Zhiye Group Co., Ltd., the deputy secretary general of China Construction Enterprise Summit Forum, the executive vice president of Hebei Chamber of Commerce in Tianjin, the president of Baoding Baojin Chamber of Commerce, the deputy secretary of Tianjin Work Committee of Hebei Provincial Youth League Committee and other positions. His primary work experience includes: working in Baoding Architectural Design Institute from July 1992 to June 1996; serving as the general manager of the Infrastructure Branch of Hebei Construction Group from March 1999 to March 2001; assistant to the president and director of marketing department of Hebei Construction Group Co., Ltd. from March 2001 to January 2005; group vice president and chairman of the board of directors of the branch and general manager of Hebei Construction Group Qianqiu Management Co., Ltd. from January 2005 to October 2006; group vice president and general manager of branch of Tianjin Branch of Hebei Construction Group from October 2006 to September 2019; and the vice president of Zhongming Zhiye Group Co., Ltd. since October 2019.

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



DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Wutie (李武鐵), aged 39, is the Board secretary of the Company since 31 March 2017, the joint company secretary of the Company from 15 December 2017 to 29 March 2026, the company secretary of the Company since 30 March 2026 and the assistant to the President of the Company since January 2015. Mr. Li also serves as a director of Zhongru Investment Co., Ltd. and a director of Zhongming Zhiye Group Co., Ltd. Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014 and concurrently serving as the head of the Financial Securities Department of the Company from 4 June 2018 to December 2020.

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

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

COMPANY SECRETARY

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

EMPLOYEE INFORMATION

Employee Composition

As at 31 December 2025, the Group had 5,746 full-time employees. Set out below is a breakdown of the number of staff by function:

Employees of	Number of employees
The Company	4,240
The subsidiaries of the Company	<u>1,506</u>
Total	<u>5,746</u>

As of 31 December 2025, the percentage of male employees and female employees (including senior management) were 81% and 19%, respectively.

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

Employee Incentive

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

Employee Training

The Group attaches great importance to building a sound corporate culture, strives to improve the overall quality of employees and actively conducts comprehensive staff training at different levels. During the Reporting Period, it has pushed forward the development of systems, training courses, trainer qualification and management in accordance with corporate strategy and arrangement of key undertakings of the year, and with the support of the Company's training system. On that basis, it focused on coordinating and planning company-level training programs, and vigorously carried out training activities for departments and subsidiary enterprises. As at 31 December 2025, the Group has provided 576 training sessions for a total of 22,582 employees in 51,823 days with total training expenditure amounting to approximately RMB281,500.

Employee Evaluation and Remuneration

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

Pension Scheme

A total of 52 employees of the Company retired in 2025. Such employees are entitled to the social pension insurance scheme approved by local labour and social security authorities, which is a defined contribution plan and should be made monthly contribution by the Group. Details of the pension scheme are set out in note III-16 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young Hua Ming (2026) Shen Zi No. 70025454_B01
Hebei Construction Group Corporation Limited

To the Shareholders of Hebei Construction Group Corporation Limited:

I. DISCLAIMER OF OPINION

We have audited the financial statements of Hebei Construction Group Corporation Limited, which comprise the consolidated and company's balance sheet as of 31 December 2025, the consolidated and company income statements, the statements of changes in owners' equity and the statements of cash flows for the year then ended, and notes to the financial statements.

We do not express audit opinion on the accompanying financial statements of Hebei Construction Group Corporation Limited. Due to the significance of the matters described in the "Basis for the Disclaimer of Opinion" section, we were unable to obtain sufficient and appropriate audit evidence to form a basis of our audit opinion on the financial statements.

II. BASIS FOR DISCLAIMER OF OPINION

Material uncertainty related to going concern

For the year ended 31 December 2025, the consolidated net loss of Hebei Construction Group Corporation Limited was RMB596,239,000, the consolidated net cash outflow from operating activities was RMB1,868,791,000, and the Company's net cash outflow from operating activities was RMB1,150,330,000. As of 31 December 2025, Hebei Construction Group Corporation Limited had total outstanding commercial acceptances of RMB509,846,000 that had not been honoured as per the prescribed acceptance date; such default of the commercial acceptances has triggered cross-default provisions, involving total consolidated interest-bearing liabilities of RMB4,941,160,000 (including the Company's interest-bearing liabilities of RMB2,022,536,000). The above circumstances indicate the existence of a material uncertainty that may cast significant doubt on the continuing ability of Hebei Construction Group Corporation Limited. Note II to the financial statements disclosed the measures partially taken and to be taken continually by management to improve the financial position of Hebei Construction Group Corporation Limited. However, as of the date of the audit report, we were unable to obtain sufficient and appropriate audit evidence to assess whether it was appropriate for Hebei Construction Group Corporation Limited to prepare the financial statements on a going concern basis, or whether the disclosures in the financial statements were adequate. The matter is likely to have a significant and extensive impact on the 2025 financial statements.

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

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

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

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

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

Our responsibility is to audit the financial statements of Hebei Construction Group Corporation Limited in accordance with the Auditing Standards for Chinese Certified Public Accountants, with the aim of issuing an audit report. However, because of the matters described in the “Basis for Disclaimer of Opinion” section, we were unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

In accordance with the Chinese Institute of Certified Public Accountants' Independence Standard No. 1 – Independence Requirements for Financial Statement Audit and Review Engagements, and the China Code of Ethics for Certified Public Accountants, we are independent of Hebei Construction Group Corporation Limited and have fulfilled our other ethical responsibilities. We have complied with the independence requirements applicable to audits of entities of public interest.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountants:
Song Congyue
(Engagement Partner)

Chinese Certified Public Accountants:
Zhu Qiqi

Beijing, the PRC

30 March 2026

CONSOLIDATED BALANCE SHEET

31 December 2025

Unit: RMB'000

Assets	Note VI	31 December 2025	31 December 2024
Current assets			
Currency funds	1	4,355,441	5,750,362
Financial assets held for trading	2	16,114	16,499
Notes receivable	3	62,549	68,634
Accounts receivable	4	9,785,740	7,326,744
Receivables financing	5	6,970	106,202
Prepayments	6	398,442	699,026
Other receivables	7	2,611,141	2,299,267
Inventories	8	325,086	310,809
Contract assets	9	23,827,184	38,265,547
Current portion of non-current assets	11	43,128	43,128
Other current assets	10	441,874	508,747
Total current assets		41,873,669	55,394,965
Non-current assets			
Long-term receivables	11	126,409	170,007
Long-term equity investments	12	533,843	544,668
Contract assets	9	2,801,020	2,875,419
Other equity instrument investments	13	469,775	531,464
Investment property	14	194,000	201,300
Fixed assets	15	795,614	853,581
Construction in progress		-	76,892
Right-of-use assets	16	13,890	16,252
Intangible assets	17	163,255	91,918
Deferred income tax assets	18	817,717	1,078,569
Total non-current assets		5,915,523	6,440,070
Total assets		47,789,192	61,835,035

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

CONSOLIDATED BALANCE SHEET

31 December 2025

Unit: RMB'000

Liabilities and owners' equity	<i>Note VI</i>	31 December 2025	31 December 2024
Current liabilities			
Short-term borrowings	20	2,503,124	2,426,057
Bills payable		781,707	1,162,978
Accounts payable	21	21,143,984	32,346,648
Contract liabilities	22	5,451,454	6,101,267
Employee benefits payable	23	228,371	229,400
Taxes payable	24	910,345	882,346
Other payables		3,375,459	4,917,071
Current portion of non-current liabilities		2,895,417	462,277
Other current liabilities	25	3,619,015	3,732,706
Total current liabilities		40,908,876	52,260,750
Non-current liabilities			
Long-term borrowings	26	1,120,634	3,172,655
Lease liabilities	27	7,347	11,684
Total non-current liabilities		1,127,981	3,184,339
Total liabilities		42,036,857	55,445,089
Owners' equity			
Share capital	28	1,761,384	1,761,384
Capital reserve	29	1,662,063	1,662,063
Other comprehensive income	30	(3,969)	37,403
Surplus reserve	32	645,972	640,960
Retained profit	33	1,535,229	2,120,023

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

CONSOLIDATED BALANCE SHEET

31 December 2025

Unit: RMB'000

Liabilities and owners' equity	Note VI	31 December 2025	31 December 2024
Total equity attributable to owners of the Parent		5,600,679	6,221,833
Non-controlling interests		151,656	168,113
Total owners' equity		5,752,335	6,389,946
Total liabilities and owners' equity		47,789,192	61,835,035

The financial statements have been signed by:

Legal Representative:

Financial controller:

Accounting supervisor:

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

CONSOLIDATED INCOME STATEMENT

2025

Unit: RMB'000

	Note VI	2025	2024
Revenue	34	15,479,890	25,058,949
Less: Cost of sales		14,642,262	23,686,597
Taxes and surcharges		75,352	75,896
Selling expenses		1,169	2,220
Administrative expenses		279,779	409,984
Research and development costs		40,350	121,202
Finance costs	35	373,802	344,718
Including: Interest expenses		419,749	381,036
Interest income		25,097	37,786
Add: Other income	36	817	6,488
Investment income	37	11,856	8,654
Including: Share of profits of associates and joint ventures		7,192	12,093
Gains on derecognition of financial assets at amortised cost		(3,029)	(5,906)
Gains on fair value changes	38	(7,385)	(1,664)
Credit impairment losses	39	(222,071)	(174,431)
Impairment losses on assets	40	(98,974)	(74,369)
Gains from disposal of assets		4,017	21,277
Operating profit		(244,564)	204,287
Add: Non-operating income		6,554	4,788
Less: Non-operating expenses		2,891	5,072
Profit before tax		(240,901)	204,003
Less: Income tax expenses	42	355,338	44,552
Net profit		(596,239)	159,451

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

CONSOLIDATED INCOME STATEMENT

2025
Unit: RMB'000

	Note VI	2025	2024
Classified by the continuity of operation			
Net profit from continuing operations		(596,239)	159,451
Classified by the ownership			
Net profit attributable to shareholders of the parent		(579,782)	170,709
Net profit or loss attributable to non-controlling interests		(16,457)	(11,258)
Other comprehensive income, net of tax	30	(41,372)	3,795
Other comprehensive income attributable to shareholders of the parent, net of tax		(41,372)	3,795
Other comprehensive income not to be reclassified to profit or loss			
Changes in fair value of other equity instrument investments		(42,285)	3,109
Other comprehensive income to be reclassified to profit or loss			
Changes in fair value of receivables financing		913	686
Total comprehensive income		(637,611)	163,246
Including:			
Total comprehensive income attributable to owners of the Parent		(621,154)	174,504
Total comprehensive income attributable to non-controlling interests		(16,457)	(11,258)
Earnings per share (RMB/share)			
Basic and diluted earnings per share	43	(0.33)	0.10

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2025

Unit: RMB'000

2025

	Attributable to owners of the parent							Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. Opening balance of the current year	1,761,384	1,662,063	37,403	-	640,960	2,120,023	6,221,833	168,113	6,389,946
II. Changes for the year									
(I) Total comprehensive income	-	-	(41,372)	-	-	(579,782)	(621,154)	(16,457)	(637,611)
(II) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	5,012	(5,012)	-	-	-
(III) Special reserve									
1. Appropriation for the year	-	-	-	386,997	-	-	386,997	-	386,997
2. Use in the year	-	-	-	(386,997)	-	-	(386,997)	-	(386,997)
III. Closing balance of the year	1,761,384	1,662,063	(3,969)	-	645,972	1,535,229	5,600,679	151,656	5,752,335

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2025
Unit: RMB'000

2024

	Attributable to owners of the parent							Minority interests	Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. Opening balance of the current year	1,761,384	1,662,063	33,608	-	600,053	1,990,221	6,047,329	180,527	6,227,856
II. Changes for the year									
(I) Total comprehensive income	-	-	3,795	-	-	170,709	174,504	(11,258)	163,246
(II) Capital contribution and reduction by shareholders									
1. Capital contribution by minority shareholders	-	-	-	-	-	-	-	(1,156)	(1,156)
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	40,907	(40,907)	-	-	-
(IV) Special reserve									
1. Appropriation for the year	-	-	-	626,474	-	-	626,474	-	626,474
2. Use in the year	-	-	-	(626,474)	-	-	(626,474)	-	(626,474)
III. Closing balance of the year	1,761,384	1,662,063	37,403	-	640,960	2,120,023	6,221,833	168,113	6,389,946

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

CONSOLIDATED CASH FLOW STATEMENT

2025

Unit: RMB'000

	Note VI	2025	2024
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		21,107,442	28,483,370
Other cash receipts related to operating activities		4,020,107	4,358,112
Subtotal of cash inflows from operating activities		25,127,549	32,841,482
Cash paid for goods and services		19,646,370	27,961,335
Cash paid to and for employees		400,370	623,393
Taxes paid		635,802	754,568
Other cash payments related to operating activities		6,313,798	5,028,354
Subtotal of cash outflows from operating activities		26,996,340	34,367,650
Net cash flows from operating activities	44	(1,868,791)	(1,526,168)
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from return of investment		40,203	44,647
Cash received from investment income		3,395	400
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		19,915	69,050
Subtotal of cash inflows from investing activities		63,513	114,097
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		5,577	21,835
Cash paid to acquire investments		33,444	17,050

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

CONSOLIDATED CASH FLOW STATEMENT

2025
Unit: RMB'000

	Note VI	2025	2024
Subtotal of cash outflows from investing activities		39,021	38,885
Net cash flows from investing activities		24,492	75,212
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from borrowings		3,824,645	3,564,373
Subtotal of cash inflows from financing activities		3,824,645	3,564,373
Cash paid for repayments of debts		3,367,608	3,245,088
Cash paid for interest repayment		416,658	376,651
Cash paid for acquisition of minority interest		-	1,156
Other cash payments related to financing activities		21,645	17,035
Subtotal of cash outflows from financing activities		3,805,911	3,639,930
Net cash flows from financing activities		18,734	(75,557)
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		20,850	(1,468)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,804,715)	(1,527,981)
Add: Opening balance of cash and cash equivalents		4,999,705	6,527,686
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	46	3,194,990	4,999,705

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

BALANCE SHEET

31 December 2025

Unit: RMB'000

Assets	Note XV	31 December 2025	31 December 2024
Current assets			
Currency funds	1	2,863,014	3,643,132
Financial assets held for trading		16,114	15,964
Notes receivable		56,397	66,735
Accounts receivable	2	7,592,577	5,694,317
Receivables financing		4,235	56,315
Prepayments		229,270	510,667
Other receivables		1,384,383	1,714,729
Inventories		48,206	54,488
Contract assets	3	18,661,888	30,630,172
Other current assets		183,839	242,726
Total current assets		31,039,923	42,629,245
Non-current assets			
Long-term receivables		-	4,433
Long-term equity investments	4	3,021,314	3,127,582
Contract assets	3	44,743	71,967
Other equity instrument investments		469,775	526,310
Investment property		89,300	91,000
Fixed assets		626,743	661,126
Construction in progress		-	80,372
Right-of-use assets		13,344	14,550
Intangible assets		74,978	292
Deferred income tax assets		617,296	740,077
Total non-current assets		4,957,493	5,317,709
Total assets		35,997,416	47,946,954

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

BALANCE SHEET

31 December 2025

Unit: RMB'000

	31 December 2025	31 December 2024
Liabilities and owners' equity		
Current liabilities		
Short-term borrowings	1,826,536	1,539,562
Bills payable	387,044	400,597
Accounts payable	15,133,616	26,430,777
Contract liabilities	3,635,139	4,153,907
Employee benefits payable	197,052	189,108
Taxes payable	730,789	657,998
Other payables	4,558,129	4,851,397
Current portion of non-current liabilities	439,105	329,952
Other current liabilities	2,857,882	3,006,742
Total current liabilities	29,765,292	41,560,040
Non-current liabilities		
Long-term borrowings	-	159,284
Lease liabilities	7,329	10,976
Total non-current liabilities	7,329	170,260
Total liabilities	29,772,621	41,730,300
Owners' equity		
Share capital	1,761,384	1,761,384
Capital reserve	1,447,379	1,447,379
Other comprehensive income	(3,969)	38,011
Surplus reserve	384,260	379,248
Retained profit	2,635,741	2,590,632
Total owners' equity	6,224,795	6,216,654
Total liabilities and owners' equity	35,997,416	47,946,954

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

INCOME STATEMENT

2025

Unit: RMB'000

	Note XV	2025	2024
Revenue	5	9,832,082	18,319,317
Less: Cost of sales		9,361,975	17,376,552
Taxes and surcharges		41,074	54,966
Selling expenses		563	830
Administrative expenses		195,325	323,252
Research and development costs		36,311	85,486
Finance costs		114,580	75,066
Including: Interest expenses		142,475	97,069
Interest income		7,045	11,865
Add: Other income		-	200
Investment income		502,091	7,931
Including: Share of profits of associates and joint ventures		5,916	12,038
Gains on derecognition of financial assets at amortised cost		(757)	(4,107)
Gains on fair value changes		(1,785)	(7,129)
Credit impairment losses		(198,898)	(114,699)
Impairment losses on assets		(171,575)	(37,524)
Gains from disposal of assets		4,110	18,940
Operating profit		216,197	270,884
Add: Non-operating income		31,800	42,341
Less: Non-operating expenses		655	1,547
Total profit		247,342	311,678
Less: Income tax expenses		197,221	74,185
Net profit		50,121	237,493

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

INCOME STATEMENT

2025

Unit: RMB'000

	2025	2024
Other comprehensive income, net of tax	(41,980)	3,846
Other comprehensive income not to be reclassified to profit or loss		
Changes in fair value of other equity instrument investments	(42,285)	3,109
Other comprehensive income to be reclassified to profit or loss		
Changes in fair value of receivables financing	305	737
Total comprehensive income	8,141	241,339

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2025

Unit: RMB'000

2025

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the current year	1,761,384	1,447,379	38,011	-	379,248	2,590,632	6,216,654
II. Changes for the year							
(I) Total comprehensive income	-	-	(41,980)	-	-	50,121	8,141
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	5,012	(5,012)	-
(III) Special reserve							
1. Appropriation for the year	-	-	-	245,802	-	-	245,802
2. Use in the year	-	-	-	(245,802)	-	-	(245,802)
III. Closing balance of the year	1,761,384	1,447,379	(3,969)	-	384,260	2,635,741	6,224,795

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

STATEMENT OF CHANGES IN OWNERS' EQUITY

2025
Unit: RMB'000

2024

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Opening balance of the current year	1,761,384	1,447,379	34,165	-	355,498	2,376,889	5,975,315
II. Changes for the year							
(I) Total comprehensive income	-	-	3,846	-	-	237,493	241,339
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	23,750	(23,750)	-
(III) Special reserve							
1. Appropriation for the year	-	-	-	457,983	-	-	457,983
2. Use in the year	-	-	-	(457,983)	-	-	(457,983)
III. Closing balance of the year	1,761,384	1,447,379	38,011	-	379,248	2,590,632	6,216,654

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

CASH FLOW STATEMENT

2025

Unit: RMB'000

	2025	2024
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	14,847,905	19,925,561
Other cash receipts related to operating activities	3,613,725	3,348,753
Subtotal of cash inflows from operating activities	18,461,630	23,274,314
Cash paid for goods and services	15,512,996	21,023,585
Cash paid to and for employees	324,569	568,956
Taxes paid	388,536	502,966
Other cash payments related to operating activities	3,385,859	3,250,127
Subtotal of cash outflows from operating activities	19,611,960	25,345,634
Net cash flows from operating activities	(1,150,330)	(2,071,320)
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from return of investment	1,000	29,000
Cash received from investment income	3,395	400
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	19,366	41,518
Subtotal of cash inflows from investing activities	23,761	70,918
Cash paid for the purchase and construction of fixed assets	-	4,499
Cash paid to acquire investments	42,173	23,979
Subtotal of cash outflows from investing activities	42,173	28,478
Net cash flows from investing activities	(18,412)	42,440

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

CASH FLOW STATEMENT

2025

Unit: RMB'000

	2025	2024
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	2,115,787	2,034,325
Subtotal of cash inflows from financing activities	2,115,787	2,034,325
Cash paid for repayments of debts	1,879,567	1,915,735
Cash paid for interest repayment	140,048	95,520
Other cash payments related to financing activities	11,526	14,523
Subtotal of cash outflows from financing activities	2,031,141	2,025,778
Net cash flows from financing activities	84,646	8,547
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	20,850	(1,468)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,063,246)	(2,021,801)
Add: Opening balance of cash and cash equivalents	3,008,275	5,030,076
VI. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,945,029	3,008,275

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

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

I. BASIC INFORMATION

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

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

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

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

For the year ended 31 December 2025, the net loss of Group was RMB596,239,000, the net cash outflow from operating activities of the Group was RMB1,868,791,000, and the Company's net cash outflow from operating activities was RMB1,150,330,000. As of 31 December 2025, the Group had total outstanding commercial acceptances of RMB509,846,000 that had not been honoured as per the prescribed acceptance date; such default of the commercial acceptances has triggered cross-default provisions, involving the Group's total interest-bearing liabilities of RMB4,941,160,000 (including the Company's interest-bearing liabilities of RMB2,022,536,000).

The foregoing circumstances indicate the existence of material uncertainties regarding the Group's ability to continue as a going concern. In light of these matters, the Management has adopted partially and intends to adopt continually multiple plans and measures to improve the Group's liquidity and financial position, including:

- (1) The Group will negotiate with existing lenders regarding defaults and cross defaults, to reach an agreement and not to take any action to exercise their rights to demand immediate repayment of principal and interest;

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(Continued)

- (2) The Group will negotiate with lenders on the renewal or extension of bank borrowings of Hebei Construction Group Corporation Limited and, if necessary, obtain additional credit facilities from existing and other lenders;
- (3) The Group will continue to take active measures to control administrative costs and maintain restraint over capital expenditure; and
- (4) The Group will continue to take active measures to recover construction contract receivables and other receivables.

Should the Group be unable to achieve the above plans and measures, it may not be able to continue its operations, in which case the financial statements would not be prepared on a going concern basis and adjustments would be required. The effects of such adjustments have not been reflected in the financial statements.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(Continued)

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the requirements of the Accounting Standards for Business Enterprises, which truly and completely reflect the financial position of the Company and the Group as at 31 December 2025, as well as its operating results and cash flows in 2025.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information included in the 2025 financial statements of the Group has been prepared based on the following significant accounting policies and estimates formulated in accordance with Accounting Standards for Business Enterprises.

1. Accounting period

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

2. Functional currency

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Consolidated financial statements

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

3. Consolidated financial statements (Continued)

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

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

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

4. Joint arrangement classification and joint operation

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

5. Cash and cash equivalents

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments

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

The recognition and derecognition of financial instruments

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

The recognition and derecognition of financial instruments

(Continued)

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

Classification and measurement of financial assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortised cost

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

Debt instrument investments measured at fair value through other comprehensive income

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity instrument investments measured at fair value through other comprehensive income

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

Financial assets at fair value through profit or loss

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Classification and measurement of financial liabilities

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

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated on initial recognition as at fair value through profit or loss. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, with all changes in fair value recognized in profit or loss. For financial liabilities designated as at fair value through profit or loss, subsequent measurement is performed at fair value, with changes in fair value recognized in profit or loss, except for changes in fair value arising from changes in the Group's own credit risk, which are recognized in other comprehensive income. The Group recognizes all changes in fair value, including the amount of the effect of changes in its own credit risk, in profit or loss for the current period if the recognition of such changes in other comprehensive income caused by changes in the Group's own credit risk would create or enlarge an accounting mismatch in profit or loss.

Financial liabilities measured at amortised cost

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Impairment of financial instruments

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Impairment of financial instruments (Continued)

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

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

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

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

Elimination of financial instruments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

7. Financial instruments (Continued)

Financial guarantee contracts

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

Transfer of financial assets

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

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

If the continuing involvement is achieved by providing a financial guarantee over the transferred financial asset, the asset resulting from the continuing involvement is recognized at the lower of the carrying amount of the financial asset and the amount of the financial guarantee. The amount of the financial guarantee is the maximum amount of consideration received that will be required to be repaid.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

8. Inventories

Inventories are initially measured at cost. Inventories comprise raw materials and real estate development costs.

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

9. Long-term equity investments

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

9. Long-term equity investments (Continued)

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

10. Investment property

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

11. Fixed assets

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

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

	Useful life	Net of estimated residual value rate	Annual depreciation rate
Buildings	10-30 years	3%	3.23%-9.70%
Machinery equipment	5-10 years	1%-10%	9.00%-19.80%
Transportation vehicles	4-12 years	5%	7.92%-23.75%
Office equipment and others	3-10 years	1%-5%	9.50%-33.00%

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

12. Construction in progress

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

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

13. Intangible assets

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

	Useful life
Land use rights	50 years

14. Research and development expenditures

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

15. Impairment of assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

16. Employee benefits

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

Short-term remuneration

Short-term remuneration actually incurred is recognized as a liability in the accounting period in which the employee provides the service and is included in profit or loss or the cost of the related asset.

Post-employment benefits (defined contribution plans)

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

Termination benefits

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

17. Provisions

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

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

18. Revenue from contracts with customers

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

Construction contracts

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

Contracts for sales of goods

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

Significant financing components

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

Quality assurance obligation

The Group provides quality assurance for the assets constructed pursuant to contractual agreements and laws and regulations. The Group performs accounting treatments in accordance with Note III-17 with a view to providing guarantees to the customers that the assets constructed meet the established quality standards. In addition to providing guarantees to the customers that the assets constructed meet the established quality standards, the Group provided the customers with a separate quality assurance for services, regarding it as a separate performance obligation. Based on the relative proportion of the individual selling prices of providing quality assurance for assets constructed and services, part of the transaction price is allocated to quality assurance of services and revenue is recognised when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantees to the customers that the assets constructed meet the established quality standards, the Group considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Group's commitment to perform its obligations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

PPP project contract

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

PPP project contract (Continued)

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

18. Revenue from contracts with customers (Continued)

PPP project contract (Continued)

In the operational phase, when operation services are provided, the corresponding revenue is recognised.

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

Build and transfer contract (“BT Contract”)

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

19. Contract assets and contract liabilities

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

19. Contract assets and contract liabilities (Continued)

Contract assets

The right to receive consideration for goods or services transferred to a customer (and which depends on factors other than the passage of time) is recognised as a contract asset when the customer actually pays the contractual consideration or until such time as the consideration becomes due and payable; it is transferred to a receivable when the unconditional right to receive payment is subsequently obtained.

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

Contract liabilities

Obligations to transfer goods or services to customers for which consideration has been received from the customer or for which an unconditional right to receive consideration has been acquired prior to the transfer of the goods or services to the customer are recognised as contract liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

20. Government grants

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax (Continued)

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

21. Deferred income tax (Continued)

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

22. Leases

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

As lessee

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Leases (Continued)

As lessee (Continued)

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

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

Variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss for the current period as incurred, except for those included in the costs of the relevant assets as otherwise specified.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

22. Leases (Continued)

As lessee (Continued)

In the event of a change in the actual fixed payment amount, a change in the amounts expected to be payable under a residual value guarantee, a change in an index or a rate used to determine lease payments, or a change in the assessment and actual exercise of an option to purchase the underlying asset, to extend or terminate the lease, the Group shall remeasure the lease liabilities according to the present value of the changed lease payments.

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

As lessor

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

23. Profit distribution

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

24. Safety production expenses

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

25. Fair value measurement

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates

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

Judgements

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

Operating leases – as lessor

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

Method for determining the performance progress of a construction contract

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Business model

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

Contractual cash flow characteristics

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

Classification of investment property and self occupied properties

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Judgements (Continued)

Whether the contract is a lease or contains a lease

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

Estimation uncertainty

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

Impairment of financial instruments and contract assets

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

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

Deferred income tax assets

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

Construction and service contracts

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(Continued)

26. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Construction and service contracts (Continued)

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

Fair value of investment property

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

Contingent liabilities for litigation and claims

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

IV. TAXATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

2025

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V. SCOPE OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%) Direct	Indirect	Proportion of votes (%)
Hebei Tiansheng Construction Engineering Co., Ltd	PRC/PRC	Limited liability	Infrastructure construction	400,000	100	-	100
Bozhou Qihang Transportation Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	315,787	90	-	90
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	PRC/PRC	Limited liability	Automobile technology development and sales	300,000	90	-	90
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	220,000	80	-	80
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	205,000	100	-	100
HCG Installment Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	180,000	100	-	100
Gaoyang Tianxin Construction Co., Ltd	PRC/PRC	Limited liability	Infrastructure construction	125,000	90	-	90
HCG Ecological Environment Co., Ltd.	PRC/PRC	Limited liability	Garden engineering	108,000	100	-	100
Hebei Construction Group Decoration Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	101,000	100	-	100
Dangshan Soaring General Aviation Industry Development Co., Ltd.	PRC/PRC	Limited liability	Aviation industry	100,000	80	-	80

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%) Direct	Indirect	Proportion of votes (%)	
Dacheng County Zhongzhou Water Supply Co., Ltd.	PRC/PRC	Limited liability	Water Plant Operation	100,000	-	100	100	
Inner Mongolia Jiantou Development Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	100,000	60	-	60	
Dacheng County Zhongyu Water Supply Co., Ltd.	PRC/PRC	Limited liability	Water Plant Operation	88,480	20	80	100	
Shandong Juhe Agricultural Service Development Co., Ltd.	PRC/PRC	Limited liability	Agricultural sale	76,160	89	-	89	
Shaanxi Tianqin Jianan Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	70,000	100	-	100	
Baoding Zhongcheng Investment Management Co., Ltd.	PRC/PRC	Limited liability	Investment management	69,000	100	-	100	
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	PRC/PRC	Limited liability	Hospital management	60,000	90	-	90	
Hebei Lvjian Investment Company	PRC/PRC	Limited liability	Investment management	60,000	92	8	100	
Huainan Fengrui Infrastructure Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	58,420	80	-	80	Note 2
Baoding Zhongze Water Supply Co., Ltd.	PRC/PRC	Limited liability	Water Plant Operation	50,000	75	-	75	
Hebei Tiankai Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	50,000	100	-	100	

NOTES TO THE FINANCIAL STATEMENTS

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	
					Direct	Indirect		
Shenzhen Zhongru Investment Co., Ltd.	PRC/PRC	Limited liability	Investment advisory and consultation	50,000	100	-	100	
HCG Tianmian Construction Engineering Co., Ltd	PRC/PRC	Limited liability	Infrastructure construction	50,000	100	-	100	
Zhongrun Lvgu Ecological Development Co., Ltd.	PRC/PRC	Limited liability	Urban greening	50,000	-	100	100	
HCG Tianfu Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	45,000	100	-	100	
Hebei Shangbai Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	
Guizhou Tianze Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	
Hebei Tianyu Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	
HCG Zhichuang Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	
HCG Zhuoxin Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	
Tianjin Tianzheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	Note 1
Hebei Construction Group (Xiong'an) Construction Development Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	Note 1

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%) Direct	Indirect	Proportion of votes (%)	
Hebei Wangzhu Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	40,000	100	-	100	Note 1
Hebei Shenning Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	30,000	95	-	95	
HCG Zhengyuan Concrete Co., Ltd.	PRC/PRC	Limited liability	Concrete production and sale	30,000	100	-	100	Note 2
HCG Jianyuan Concrete Co., Ltd.	PRC/PRC	Limited liability	Concrete production and sale	25,000	-	100	100	
Fuping Fuyuan Concrete Co., Ltd.	PRC/PRC	Limited liability	Concrete production and sale	25,000	100	-	100	
Chengde City Fengyuan Concrete Co., Ltd.	PRC/PRC	Limited liability	Concrete production and sale	25,000	100	-	100	
Hebei Tuowei Investment Co., Ltd.	PRC/PRC	Limited liability	Investment and management of new energy industry	21,000	-	100	100	
Hebei Xindacheng Real Estate Development Co., Ltd.	PRC/PRC	Limited liability	Property development and operation	20,010	-	100	100	
HCG Wuhu Baojian Construction Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	20,000	100	-	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration		Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	
						Direct	Indirect		
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	PRC/PRC	Limited liability	Lease of machinery equipment		16,060	100	-	100	
Rongcheng County Xinrong City Development Co., Ltd.	PRC/PRC	Limited liability	Urban greening		15,000	80	-	80	
Anping County Xinjian Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction		10,000	-	80	80	
Anhui Zhengrui Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction		40,000	100	-	100	Note 2
Hebei Yuncai Network Technology Co., Ltd.	PRC/PRC	Limited liability	Internet development and sale		10,000	80	-	80	
Hebei Bingzheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction		10,000	100	-	100	
Hainan Qihui Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability	Supply chain management		10,000	100	-	100	
HCG (Ningbo) Supply Chain Management Co., Ltd.	PRC/PRC	Limited liability	Supply chain management		10,000	100	-	100	
Jiangsu Zhengrui Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction		10,000	100	-	100	Note 1

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%) Direct	Indirect	Proportion of votes (%)	
Shunping County Huanzhou Greening Co., Ltd.	PRC/PRC	Limited liability	Garden engineering	6,600	-	80	80	
HCG Jilin Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	6,000	100	-	100	
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	6,000	-	83	83	Note 2
Hebei Zhongru Software Technology Co., Ltd.	PRC/PRC	Limited liability	Construction software development and sale	5,500	70	-	70	
Rongcheng County Rongyu City Garden Engineering Co., Ltd.	PRC/PRC	Limited liability	Garden engineering	5,000	-	80	80	
HCG Zhibo Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	5,000	100	-	100	
HCG Langfang Ecological Construction Co., Ltd.	PRC/PRC	Limited liability	Ecological construction	5,000	51	49	100	Note 2
Hebei Zhuocheng Engineering Inspection Co., Ltd.	PRC/PRC	Limited liability	Construction project quality inspection	3,000	100	-	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%)		Proportion of votes (%)	
					Direct	Indirect		
Hebei Zhunwang Smart Technology Co., Ltd.	PRC/PRC	Limited liability	Technology promotion and application services	3,000	-	100	100	
HCG Jimu Door and Window Co., Ltd.	PRC/PRC	Limited liability	Curtain wall engineering	3,000	-	100	100	
Hebei Tiancheng Jiaye Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	3,000	100	-	100	Note 1
Hebei Xiongheng Baocheng Construction Engineering Co., Ltd.	PRC/PRC	Limited liability	Infrastructure construction	3,000	100	-	100	Note 1
Hebei Haikuo Environmental Technology Co., Ltd.	PRC/PRC	Limited liability	Environmental engineering	3,000	100	-	100	Note 2
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	PRC/PRC	Limited liability	Sewage treatment	1,000	-	100	100	
Zhangjiachuan County Tuoming New Energy Technology Co., Ltd.	PRC/PRC	Limited liability	Development of new energy technology	1,000	-	100	100	

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

1. Information about subsidiaries (Continued)

	Principal place of business/ Place of registration	Type of corporation	Nature of business	Registered capital	Shareholding (%) Direct	Indirect	Proportion of votes (%)
Tianshui Tuoyang New Energy Technology Co., Ltd.	PRC/PRC	Limited liability	Development of new energy technology	1,000	-	100	100
Baoding Tuohui New Energy Technology Co., Ltd.	PRC/PRC	Limited liability	Development of new energy technology	1,000	-	100	100
Baoding Tuo'an Electrical Installation Co., Ltd.	PRC/PRC	Limited liability	Electrical equipment installation and sales	1,000	-	100	100
Shaanxi Dream Home Technology Development Co., Ltd.	PRC/PRC	Limited liability	Technology promotion and application services	500	-	100	100
Baoding Bowang New Material Technology Co., Ltd.	PRC/PRC	Limited liability	New material technology promotion service	300	100	-	100
Baoding Yungong Trading Co., Ltd.	PRC/PRC	Limited liability	Comprehensive sales	100	-	100	100
Langfang Xingxi Corporate Management Co., Ltd.	PRC/PRC	Limited liability	Advisory service	10	100	-	100

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

1. Information about subsidiaries (Continued)

Notes:

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

Note 2: The registered capital of Huainan Fengrui Infrastructure Construction Co., Ltd. was changed from RMB161.65 million to RMB58.42 million during the year. The registered capital of HCG Langfang Ecological Construction Co., Ltd. was changed from RMB50 million to RMB5 million during the year. The registered capital of Hebei Haikuo Environmental Technology Co., Ltd. was changed from RMB30 million to RMB3 million during the year. The registered capital of Inner Mongolia Xinglifeng Construction Management Co., Ltd. was changed from RMB10 million to RMB6 million during the year. The registered capital of Anhui Zhengrui Construction Engineering Co., Ltd. was changed from RMB10 million to RMB40 million during the year. The registered capital of HCG Zhengyuan Concrete Co., Ltd. was changed from RMB5 million to RMB30 million during the year.

Note 3: During the year, Hebei Construction Group Corporation Limited and its subsidiaries transferred 100% equity interests in Hebei Tianrui Project Management Co., Ltd., Beijing Tianjia Construction Engineering Co., Ltd., Hebei Tiansheng Construction Engineering Co., Ltd., Hebei Tianying Construction Engineering Co., Ltd., HCG Tianyong Construction Engineering Co., Ltd., Hebei Construction Group Deyuan Concrete Co., Ltd. and Yunnan Tianyi Construction Co., Ltd. to third parties.

Note 4: Hebei Baina Production Base Co., Ltd. and Hebei Tuopu Construction Engineering Co., Ltd. were cancelled during the year.

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

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

2. Material non-controlling interests

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

2025

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(11,331)	19,918
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(52)	16,861

2024

	Shareholding proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Cumulative non-controlling interests as at the end of the year
Baoding Zhongze Water Supply Co., Ltd.	25	(4,919)	31,249
Inner Mongolia Xinglifeng Construction Management Co., Ltd.	17	(1)	16,913

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

2. Material non-controlling interests (Continued)

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

2025

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.
Current assets	219,065	10,497
Non-current assets	795,795	11,432
Total assets	1,014,860	21,929
Current liabilities	889,565	709
Total liabilities	889,565	709
Operating revenue	40,290	-
Net profit	(45,323)	(305)
Total comprehensive income	(45,323)	(305)
Net cash flows generated from operating activities	30,232	-

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

2. Material non-controlling interests (Continued)

2024

	Baoding Zhongze Water Supply Co., Ltd.	Inner Mongolia Xinglifeng Construction Management Co., Ltd.
Current assets	231,948	10,497
Non-current assets	815,149	11,736
Total assets	1,047,097	22,233
Current liabilities	194,503	709
Non-current liabilities	681,976	-
Total liabilities	876,479	709
Operating revenue	3,456	-
Net profit	(19,676)	(8)
Total comprehensive income	(19,676)	(8)
Net cash flows generated from operating activities	(111,444)	(123)

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

VI. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2025	2024
Cash on hand	5,288	2,687
Bank deposits	3,189,702	4,890,420
Other currency funds	1,160,451	857,255
Total	4,355,441	5,750,362

2. Financial assets held for trading

	2025	2024
Financial assets at fair value through profit or loss		
Equity instrument investment	16,114	16,499

3. Notes receivable

	2025	2024
Commercial promissory note	62,549	68,634

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

4. Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

	2025	2024
Within 1 year	8,577,412	6,294,717
1 to 2 years	1,357,086	1,156,111
2 to 3 years	558,741	501,379
Over 3 years	1,114,713	987,408
	11,607,952	8,939,615
Less: Bad debt allowance on accounts receivable	1,822,212	1,612,871
Total	9,785,740	7,326,744

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

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

	Opening balance	Accrual during the year	Recovery or reversal during the year	Closing balance
2025	1,612,871	655,449	(446,108)	1,822,212
2024	1,447,583	475,909	(310,621)	1,612,871

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

4. Accounts receivable (Continued)

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

	2025			
	Book balance		Bad debt provisions	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	2,803,283	24.15	1,228,372	43.82
Provision for bad debts according to credit risk portfolio	8,804,669	75.85	593,840	6.74
Total	11,607,952	100.00	1,822,212	

	2024			
	Book balance		Bad debt provisions	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	3,038,934	33.99	1,239,425	40.78
Provision for bad debts according to credit risk portfolio	5,900,681	66.01	373,446	6.33
Total	8,939,615	100.00	1,612,871	

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

4. Accounts receivable (Continued)

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

	2025			2024		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	6,937,761	1.91	132,822	4,586,805	1.29	59,168
1 to 2 years	1,111,408	9.15	101,726	715,534	6.79	48,585
2 to 3 years	387,406	25.05	97,039	323,634	21.56	69,775
3 to 4 years	197,833	50.97	100,840	131,519	45.86	60,314
4 to 5 years	69,348	87.24	60,500	57,117	86.72	49,532
Over 5 years	100,913	100.00	100,913	86,072	100.00	86,072
Total	8,804,669		593,840	5,900,681		373,446

5. Receivables financing

	2025	2024
Bank acceptance bill	6,970	106,202

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

6. Prepayments

The ageing analysis of prepayments is as follows:

	2025		2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	313,890	79	601,390	86
1 to 2 years	65,643	16	77,854	11
2 to 3 years	14,596	4	15,124	2
Over 3 years	4,313	1	4,658	1
Total	398,442	100	699,026	100

The breakdown of prepayments by nature is as follows:

	2025	2024
Prepayments for subcontracting works	251,579	516,656
Prepayments for materials	146,863	182,370
Total	398,442	699,026

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

7. Other receivables

The overdue ageing analysis of other receivables is as follows:

	2025	2024
Not overdue and overdue for no more than 1 year	2,724,697	2,393,503
Overdue for 1 to 2 years	34,452	39,933
Overdue for 2 to 3 years	9,480	10,298
Overdue for over 3 years	44,046	44,037
	2,812,675	2,487,771
Less: Bad debt allowance on other receivables	201,534	188,504
Total	2,611,141	2,299,267

The breakdown of other receivables by nature is as follows:

	2025	2024
Performance bond	1,060,752	865,413
Project advances	955,411	830,977
Security deposit	359,164	358,531
Tender deposit	181,766	182,998
Other deposit	166,221	163,144
Others	89,361	86,708
	2,812,675	2,487,771
Less: Bad debt allowance on other receivables	201,534	188,504
Total	2,611,141	2,299,267

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

7. Other receivables (Continued)

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

2025

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit Losses (not Credit Impaired)	Stage 3 Lifetime expected credit losses (Credit Impaired)	Total
Opening balance	23,116	121,069	44,319	188,504
Transfer of opening balance among stages during the year	(2,747)	(78,564)	81,311	-
Provision during the year	18,684	12,627	158	31,469
Reversal during the year	(876)	(17,563)	-	(18,439)
Closing balance	38,177	37,569	125,788	201,534

2024

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Lifetime expected credit Losses (not Credit Impaired)	Stage 3 Lifetime expected credit losses (Credit Impaired)	Total
Opening balance	20,790	79,426	78,651	178,867
Transfer of opening balance among stages during the year	(738)	738	-	-
Provision during the year	15,589	49,572	-	65,161
Reversal during the year	(12,525)	(8,667)	(34,332)	(55,524)
Closing balance	23,116	121,069	44,319	188,504

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

8. Inventories

	2025	2024
Raw materials	74,795	94,529
Property development costs	250,291	216,280
Total	325,086	310,809

As at 31 December 2025, the management of the Group believes that there is no need to make provision for the inventory impairment.

9. Contract assets

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

	2025			2024		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	28,907,536	(2,279,332)	26,628,204	43,321,324	(2,180,358)	41,140,966
Including:						
Non-current assets	2,906,901	(105,881)	2,801,020	2,971,001	(95,582)	2,875,419

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

9. Contract assets (Continued)

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

	Opening balance	Accrual during the year	Reversal during the year	Closing balance
2025	2,180,358	351,884	(252,910)	2,279,332
2024	2,105,989	291,710	(217,341)	2,180,358
	2025			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	7,540,668	26.09	1,875,487	24.87
Provision for impairment according to credit risk portfolio	21,366,868	73.91	403,845	1.89
Total	28,907,536	100	2,279,332	

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

9. Contract assets (Continued)

	2024			
	Book balance		Impairment provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Individual provision for bad debts	7,382,137	17.04	1,716,742	23.26
Provision for impairment according to credit risk portfolio	35,939,187	82.96	463,616	1.29
Total	43,321,324	100	2,180,358	

As at 31 December 2025, part of the performance progress of the Group's relevant construction contracts were settled for work performed, resulting in a decrease in the carrying amount of the contract assets.

10. Other current assets

	2025	2024
Assets for debt settlement	146,732	185,250
Prepaid EIT	137,103	147,223
Prepaid VAT and deductible input tax	90,625	95,181
Prepaid surcharges	35,021	41,529
Prepaid land use tax	10,666	10,689
Prepaid deed tax	7,543	6,641
Prepaid stamp duty	5,375	5,488
Prepaid personal income tax	577	273
Others	8,232	16,473
Total	441,874	508,747

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

11. Long-term receivables

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

	2025	2024
Long-term concession project receivables	169,537	208,702
Project receivables	-	4,733
	169,537	213,435
Less: Bad debt allowance on long-term receivables	-	300
	169,537	213,135
Less: Long-term receivables due within one year	43,128	43,128
Total	126,409	170,007

The ageing of long-term receivables shall be calculated from the date of completion settlement of the concession project.

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

12. Long-term equity investments

(1) Details of long-term equity investments

	2025	2024
Joint ventures		
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	381,519	374,676
Other joint ventures	19,663	18,622
Associates	141,210	159,919
	542,392	553,217
Less: Provision for impairment of long-term equity investments	8,549	8,549
Total	533,843	544,668

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

12. Long-term equity investments (Continued)

(1) Details of long-term equity investments (Continued)

Provision for impairment of long-term equity investments:

2025

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

2024

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

(2) Significant joint ventures

	Principal place of business/ registration	Nature of business	Strategic or not for the Group's activities	Shareholding (%)	Accounting treatment
Joint ventures					
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	PRC/PRC	Road management	Yes	49.50	Equity method

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

12. Long-term equity investments (Continued)

(3) Key financial information of significant joint ventures

The following table presents financial information of Qinhuangdao Yuanyi Road Construction Management Co., Ltd., adjusted for differences in accounting policies and reconciled to the carrying value in these financial statements:

	2025	2024
Current assets	1,672,060	1,731,557
Of which: Cash and cash equivalents	77,212	83,523
Non-current assets	71,955	77,638
Total assets	1,744,015	1,809,195
Current liabilities	11,770	3,274
Non-current liabilities	961,500	1,049,000
Total liabilities	973,270	1,052,274
Net assets	770,745	756,921
Share of net assets in proportion to shareholding	381,519	374,676
Carrying value of investments	381,519	374,676
Operating income	59,535	51,801
Finance costs	35,358	42,038
Income tax expense	-	-
Net profit	12,523	3,096
Total comprehensive income	12,523	3,096

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

12. Long-term equity investments (Continued)

(4) Summarized financial information for immaterial joint ventures and associates

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

	2025	2024
Joint ventures		
Total carrying amount of investments	11,114	10,073
Total amounts calculated as per shareholding as follows		
Net profit	1,977	669
Total comprehensive income	1,977	669
Associates		
Total book value of investments	141,210	159,919
Total of the following items by percentage of shareholding		
Net profit	(984)	9,891
Total comprehensive income	(984)	9,891

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

13. Other equity instrument investments

	2025	2024
Baoding Commercial Bank Co., Ltd.	428,400	474,300
Other Enterprises	41,375	57,164
Total	469,775	531,464

	Dividend income for the year	Gains or losses recognized in other comprehensive income during the year	Gains or losses accumulated in other comprehensive income	Reasons for designation as at fair value through other comprehensive income
Baoding Commercial Bank Co., Ltd.	-	(34,425)	(12,825)	Strategic investment
Other Enterprises	895	(7,860)	8,857	Strategic investment
Total	895	(42,285)	(3,968)	

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

14. Investment property

Subsequently measured by adopting the fair value model:

2025

	Houses and buildings
Cost	
Opening balance	201,300
Adjustment on the fair value	(7,300)
Closing balance	194,000

2024

	Houses and buildings
Cost	
Opening balance	98,600
Transferred to	104,846
Adjustment on the fair value	(2,146)
Closing balance	201,300

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

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

15. Fixed assets

2025

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	950,324	128,553	48,890	115,879	1,243,646
Acquisitions	3,363	-	967	2,456	6,786
Transfer from construction in progress	2,150	-	-	-	2,150
Disposal or retirement	(6,544)	(20,024)	(15,225)	(90,799)	(132,592)
Closing balance	949,293	108,529	34,632	27,536	1,119,990
Accumulated depreciation					
Opening balance	(151,038)	(83,712)	(44,518)	(110,797)	(390,065)
Provision	(33,150)	(15,752)	(4,170)	(3,242)	(56,314)
Disposal or retirement	1,653	19,020	14,606	86,724	122,003
Closing balance	(182,535)	(80,444)	(34,082)	(27,315)	(324,376)
Carrying amount					
At the end of the year	766,758	28,085	550	221	795,614
At the beginning of the year	799,286	44,841	4,372	5,082	853,581

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

15. Fixed assets (Continued)

2024

	Buildings	Machinery equipment	Vehicles	Office equipment and others	Total
Cost					
Opening balance	999,770	178,602	70,713	112,450	1,361,535
Acquisitions	342	4,469	981	3,728	9,520
Disposal or retirement	(49,788)	(54,518)	(22,804)	(299)	(127,409)
Closing balance	950,324	128,553	48,890	115,879	1,243,646
Accumulated depreciation					
Opening balance	(128,186)	(118,688)	(59,034)	(107,155)	(413,063)
Provision	(33,106)	(16,322)	(6,284)	(3,926)	(59,638)
Disposal or retirement	10,254	51,298	20,800	284	82,636
Closing balance	(151,038)	(83,712)	(44,518)	(110,797)	(390,065)
Carrying amount					
At the end of the year	799,286	44,841	4,372	5,082	853,581
At the beginning of the year	871,584	59,914	11,679	5,295	948,472

As at 31 December 2025, the management of the Group considers that no impairment provision is required for fixed assets.

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

16. Right-of-use assets

2025

	Buildings
Cost	
Opening balance	48,117
Addition	12,337
Disposal	(1,297)
Closing balance	59,157
Accumulated depreciation	
Opening balance	(31,865)
Provision	(14,699)
Disposal	1,297
Closing balance	(45,267)
Carrying amount	
At the end of the year	13,890
At the beginning of the year	16,252

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

16. Right-of-use assets (Continued)

2024

	Buildings
Cost	
Opening balance	40,563
Addition	7,646
Disposal	(92)
Closing balance	48,117
Accumulated depreciation	
Opening balance	(21,559)
Provision	(10,398)
Disposal	92
Closing balance	(31,865)
Carrying amount	
At the end of the year	16,252
At the beginning of the year	19,004

As at 31 December 2025, the management of the Group considers that no impairment provision is required for intangible assets.

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

17. Intangible assets

2025

	Land use rights
Cost	
Opening balance	114,062
Transfer from construction in progress	74,750
Disposal	(5,950)
closing balance	182,862
Accumulated amortization	
Opening balance	(22,144)
Provision	(2,196)
Disposal	4,733
Closing balance	(19,607)
Carrying amount	
At the end of the year	163,255
At the beginning of the year	91,918

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

17. Intangible assets (Continued)

2024

	Land use rights
Cost	
Opening and closing balance	114,062
Accumulated amortization	
Opening balance	(19,937)
Provision	(2,207)
Closing balance	(22,144)
Carrying amount	
At the end of the year	91,918
At the beginning of the year	94,125

As at 31 December 2025, the management of the Group considers that no impairment provision is required for intangible assets.

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

18. Deferred income tax assets

Certain deferred tax assets and liabilities recognised have been offset and the Group presents such net amount after offsetting in the balance sheet. As at 31 December 2025, the offset amount was RMB25,798,000 (31 December 2024: RMB39,585,000).

Deferred income tax assets recognised:

	2025	2024
Asset impairment provision	764,643	928,162
Withholding expenses	74,055	72,509
Unrealised profit from internal transactions	-	65,728
Lease liabilities	3,494	4,291
Fair value adjustment for other equity instrument investments	1,323	-
Deductible losses	-	47,183
Adjustment to change in fair value of receivables financing	-	281
Total	843,515	1,118,154

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

As at 31 December 2025, the unrecognised deductible temporary differences for deferred income tax assets of the Group amounted to RMB1,149,828,000 (31 December 2024: RMB293,667,000) and the deductible loss of unrecognised deferred income tax assets amounted to RMB688,396,000 (31 December 2024: RMB347,420,000), falling due of the deductible loss in 2026 to 2030.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

18. Deferred income tax assets (Continued)

Deferred income tax liabilities recognised:

	2025	2024
Fair value adjustment for investment property	22,325	22,750
Fair value adjustment for other equity instrument investments	-	12,772
Adjustment for right-of-use assets	3,473	4,063
Total	25,798	39,585

19. Assets with restricted ownership

	2025	2024
Currency funds	1,160,451	750,657 <i>Note 1</i>
Accounts receivable	364,372	129,374 <i>Note 2</i>
Inventories	42,290	- <i>Note 3</i>
Contract assets	3,563,275	2,491,704 <i>Note 2</i>
Long-term receivables (including long-term receivables due within one year)	169,537	208,702 <i>Note 2</i>
Investment property	89,300	91,000 <i>Note 5</i>
Fixed assets	468,834	409,274 <i>Note 6</i>
Intangible assets	88,277	91,626 <i>Note 6</i>
Total	5,946,336	4,172,337

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

19. Assets with restricted ownership (Continued)

Note 1: As at 31 December 2025, the Group's currency funds with restricted ownership included RMB1,047,158,000 frozen and sealed for judicial and other reasons (31 December 2024: RMB568,308,000), bill deposits of RMB45,942,000 (31 December 2024: RMB85,699,000), letter of credit deposits of RMB67,351,000 (31 December 2024: RMB96,650,000).

Note 2: As at 31 December 2025, the Group obtained short-term borrowings of RMB686,834,000 jointly secured by contract assets with a carrying amount of RMB1,079,914,000 and accounts receivable with a carrying amount of RMB364,372,000.

As at 31 December 2025, the Group obtained long-term borrowings of RMB 2,060,320,000 jointly secured by contract assets with a carrying amount of RMB2,483,361,000 and long-term receivables with a carrying amount of RMB169,537,000.

As at 31 December 2024, the Group obtained short-term borrowings of RMB129,374,000 secured by accounts receivable with a carrying amount of RMB129,374,000.

As at 31 December 2024, the Group obtained long-term borrowings of RMB2,150,419,000 jointly secured by contract assets with a carrying amount of RMB2,491,704,000 and long-term receivables with a carrying amount of RMB208,702,000.

Note 3: As at 31 December 2025, the Group obtained long-term borrowings of RMB25,500,000 secured by inventories with a carrying amount of RMB42,290,000 (31 December 2024: Nil).

Note 4: As at 31 December 2025, the Group obtained short-term bank borrowings of RMB100,000,000 (31 December 2024: RMB100,095,000) secured by investment property with a carrying amount of RMB89,300,000 (31 December 2024: RMB91,000,000).

Note 5: As at 31 December 2025, the Group obtained short-term borrowings of RMB494,000,000 (31 December 2024: RMB320,349,000) and long-term borrowings of RMB10,000,000 (31 December 2024: RMB10,019,000) secured by fixed assets with a carrying amount of RMB468,834,000 (31 December 2024: RMB409,274,000) and intangible assets with a carrying amount of RMB88,277,000 (31 December 2024: RMB91,961,000).

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

20. Short-term borrowings

	2025	2024
Unsecured loans	188,000	526,931
Guaranteed loans	1,034,290	1,349,308
Loans secured by mortgages	594,000	420,444
Loans secured by pledges	686,834	129,374
Total	2,503,124	2,426,057

As of 31 December 2025, the carrying value of the Group's short-term bank borrowings with covenants amounted to approximately RMB2,503,124,000 (31 December 2024: RMB2,426,057,000). Such covenants relate to financial information such as the borrowers' credit standing, gearing ratio, and the period for which the covenants should be complied with is the entire duration of the borrowings. Among these, as of 31 December 2025, defaults in respect of commercial acceptance bills payable of RMB509,846,000 that were not honoured on the scheduled acceptance dates had triggered the repayment on demand by the banks of the Group's short-term borrowings totalling RMB2,370,624,000 ("Cross-default Borrowings").

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

21. Accounts payable

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

The ageing analysis of accounts payable is as follows:

	2025	2024
Within 1 year	13,078,457	20,640,524
1 to 2 years	5,289,554	8,877,374
2 to 3 years	1,553,963	1,521,756
Over 3 years	1,222,010	1,306,994
Total	21,143,984	32,346,648

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

22. Contract liabilities

	2025	2024
Receipts in advance from customers for contract works	5,451,454	6,101,267

As at 31 December 2025, the decrease in contract liabilities was mainly due to the offsetting of advance receipts in accordance with the progress of the completion.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

23. Employee benefits payable

2025

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Wages, bonuses, allowances and subsidies	187,081	310,238	(312,877)	184,442
Contribution to the social insurance	12,535	20,338	(22,119)	10,754
Including: Medical insurance	8,879	18,596	(19,256)	8,219
Work-related injuries insurance	3,414	1,499	(2,644)	2,269
Maternity insurance	242	243	(219)	266
Housing provident fund	6,635	22,865	(17,926)	11,574
	<u>206,251</u>	<u>353,441</u>	<u>(352,922)</u>	<u>206,770</u>
Defined contribution plans	23,149	45,900	(47,448)	21,601
Including: Basic pension insurance	22,113	43,997	(45,450)	20,660
Unemployment insurance	1,036	1,903	(1,998)	941
Total	<u>229,400</u>	<u>399,341</u>	<u>(400,370)</u>	<u>228,371</u>

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

23. Employee benefits payable (Continued)

2024

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Wages, bonuses, allowances and subsidies	130,564	458,762	(402,245)	187,081
Contribution to the social insurance	34,725	25,719	(47,909)	12,535
Including: Medical insurance	26,567	23,552	(41,240)	8,879
Work-related injuries insurance	5,191	1,862	(3,639)	3,414
Maternity insurance	2,967	305	(3,030)	242
Housing provident fund	48,566	29,506	(71,437)	6,635
	213,855	513,987	(521,591)	206,251
Defined contribution plans	69,510	55,441	(101,802)	23,149
Including: Basic pension insurance	66,632	52,921	(97,440)	22,113
Unemployment insurance	2,878	2,520	(4,362)	1,036
Total	283,365	569,428	(623,393)	229,400

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

24. Taxes payable

	2025	2024
Enterprise income tax	799,988	839,135
Value-added tax	79,616	20,210
City maintenance and construction tax	14,060	10,667
Educational surcharge	9,843	7,547
Individual income Tax	3,667	4,033
Others	3,111	754
Total	910,345	882,346

25. Other current liabilities

	2025	2024
VAT amounts to be transferred to output	3,603,181	3,714,887
Financial guarantee contracts	15,834	17,819
Total	3,619,015	3,732,706

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

26. Long-term borrowings

	2025	2024
Guaranteed loans	1,913,600	1,469,012
Guaranteed loans and loans secured by pledges	836,755	881,428
Loans secured by pledges	1,223,565	1,268,991
Secured loans	35,500	10,019
	4,009,420	3,629,450
Less: Long-term borrowings due within one year or on demand	2,888,786	456,795
Total	1,120,634	3,172,655

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

	2025	2024
Within 1 year or on demand	2,888,786	456,795
1 to 2 years	200,027	865,455
2 to 5 years	157,955	215,180
Over 5 years	762,652	2,092,020
Total	4,009,420	3,629,450

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

26. Long-term borrowings (Continued)

As of 31 December 2025, the carrying value of the Group's long-term bank borrowings with covenants (including portions due within one year or repayable on demand) amounted to approximately RMB4,009,420,000 (31 December 2024: RMB3,629,450,000). Such covenants relate to financial information such as the borrowers' credit standing, gearing ratio, and the period for which the covenants should be complied with is the entire duration of the borrowings. Among these, as of 31 December 2025, defaults in respect of commercial acceptance bills payable of RMB509,846,000 that were not honoured on the scheduled acceptance dates had triggered the repayment on demand by the banks of the Group's long-term borrowings (including portions due within one year or repayable on demand) totalling RMB2,570,536,000 ("Cross-default Borrowings").

27. Lease liabilities

	2025	2024
Lease liabilities for buildings	13,978	17,166
Less: Lease liabilities due within one year	6,631	5,482
Total	7,347	11,684

The term analysis of lease liabilities is as follows:

	2025	2024
Within 1 year	6,631	5,482
1 to 2 years	4,442	4,344
2 to 5 years	2,905	7,340
Total	13,978	17,166

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

28. Share capital

	2025 RMB	2024 RMB
Zhongru Investment Co., Ltd.	1,202,500	1,202,500
H Shares on the Main Board of Hong Kong	461,384	461,384
Qianbao Investment Co., Ltd.	97,500	97,500
Total	1,761,384	1,761,384

29. Capital reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

30. Other comprehensive income

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

2025

	1 January 2025	Additions and reduction	31 December 2025
Other comprehensive income not transferable to profit or loss under the equity method			
Changes in fair value of investments in other equity instruments	38,316	(42,285)	(3,969)
Other comprehensive income that can be transferred to profit or loss under the equity method			
Changes in fair value of receivables financing	(913)	913	-
Total	37,403	(41,372)	(3,969)

2024

	1 January 2024	Additions and reduction	31 December 2024
Other comprehensive income not transferable to profit or loss under the equity method			
Changes in fair value of investments in other equity instruments	35,207	3,109	38,316
Other comprehensive income that can be transferred to profit or loss under the equity method			
Changes in fair value of receivables financing	(1,599)	686	(913)
Total	33,608	3,795	37,403

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

30. Other comprehensive income (Continued)

Other comprehensive income incurred:

2025

	Amount before tax	Less: Income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	(56,380)	(14,095)	(42,285)
Other comprehensive income that reclassified to profit or loss			
Changes in fair value of receivables financing	1,194	281	913
Total	(55,186)	(13,814)	(41,372)

2024

	Amount before tax	Less: income tax	Attributable to shareholders of the parent
Other comprehensive income that cannot be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	4,145	1,036	3,109
Other comprehensive income that reclassified to profit or loss			
Changes in fair value of receivables financing	899	213	686
Total	5,044	1,249	3,795

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

31. Special reserve

2025

	Safety production costs
Opening balance	-
Appropriation for the year	386,997
Use in the year	(386,997)
Closing balance	-

2024

	Safety production costs
Opening balance	-
Appropriation for the year	626,474
Use in the year	(626,474)
Closing balance	-

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

32. Surplus reserve

2025

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Statutory surplus reserve	640,960	5,012	-	645,972

2024

	Opening balance	Addition during the year	Decrease during the year	Closing balance
Statutory surplus reserve	600,053	40,907	-	640,960

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

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

33. Retained earnings

	2025	2024
Retained earnings at the end of last year	2,120,023	1,990,221
Net profit attributable to shareholders of the parent	(579,782)	170,709
Less: Appropriation to statutory surplus reserve	5,012	40,907
Retained earnings at the end of the year	1,535,229	2,120,023

The Company does not recommend the payment of dividend for the year ended 31 December 2025.

34. Revenue

	2025	2024
Revenue from primary business	14,893,473	24,443,437
Revenue from other business	586,417	615,512
Total	15,479,890	25,058,949

The revenue is as follows:

	2025	2024
Revenue from contracts with customers	15,456,681	25,029,698
Rental income	23,209	29,251
Total	15,479,890	25,058,949

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

34. Revenue (Continued)

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

2025

Reporting segment	Construction	Others	Total
Major products			
Building construction	8,799,370	-	8,799,370
Infrastructure construction	4,334,546	309,265	4,643,811
Specialized and other construction	1,450,292	-	1,450,292
Sewage and reclaimed water treatment	-	119,555	119,555
Sales of goods and others	262,539	181,114	443,653
Total	14,846,747	609,934	15,456,681
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	14,778,875	609,934	15,388,809
Other countries and regions	67,872	-	67,872
Total	14,846,747	609,934	15,456,681
Timing of revenue recognition			
At a point of time	262,539	181,114	443,653
Within a period of time	14,584,208	428,820	15,013,028
Total	14,846,747	609,934	15,456,681

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

34. Revenue (Continued)

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

2024

Reporting segment	Construction	Others	Total
Major products			
Building construction	15,452,299	-	15,452,299
Infrastructure construction	6,791,287	519,658	7,310,945
Specialized and other construction	1,680,193	-	1,680,193
Sewage and reclaimed water treatment	-	65,884	65,884
Sales of goods and others	348,665	171,712	520,377
Total	24,272,444	757,254	25,029,698
Major operating regions			
Mainland China (excluding Hong Kong, Macau and Taiwan)	24,272,444	757,254	25,029,698
Total	24,272,444	757,254	25,029,698
Timing of revenue recognition			
At a point of time	348,665	171,712	520,377
Within a period of time	23,923,779	585,542	24,509,321
Total	24,272,444	757,254	25,029,698

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

34. Revenue (Continued)

Recognized revenue is derived from:

	2025	2024
The opening carrying amount of contract liabilities	6,101,267	6,704,485

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

Construction services

The performance obligation is fulfilled within the time when the service is provided, and the contract price is usually settled within 90 days after the project payment is invoiced. Generally, the customer retains a certain percentage as the warranty money. The warranty money is usually settled after the warranty period expires.

Sale of goods

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

Sewage and reclaimed water treatment

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

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

35. Finance costs

	2025	2024
Interest expenses	419,749	381,036
Less: Interest income	25,097	37,786
Exchange gains or losses	(20,850)	1,468
Total	373,802	344,718

There were no capitalised borrowing costs during the year (2024: nil).

36. Other income

	2025	2024
Government subsidies related to income	817	6,488

37. Investment income

	2025	2024
Long-term equity investment income under the equity method	7,192	12,093
Dividend income from other equity instrument investments held	895	400
Gains from derecognition of financial assets at amortised cost	(3,029)	(5,906)
Gain on disposal of long-term equity investments	7,247	2,524
Others	(449)	(457)
Total	11,856	8,654

During the year, the Group derecognised part of the financial assets measured at amortized cost and recognized a loss of RMB3,029,000 (2024: losses of RMB5,906,000), which was included in investment income, due to the non-recourse factoring of accounts receivable.

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

38. Gains from changes in fair value

	2025	2024
Financial assets at fair value through profit or loss	(85)	482
Investment property measured at fair value	(7,300)	(2,146)
Total	(7,385)	(1,664)

39. Credit impairment losses

	2025	2024
Losses from bad debts	(222,071)	(174,431)

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

40. Impairment losses on assets

	2025	2024
Impairment loss for contract assets	(98,974)	(74,369)

41. Expenses by nature

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

	2025	2024
Construction costs	14,642,262	23,686,597
Employee benefits included in administrative expenses and selling expenses	162,763	249,865
Research and development costs	40,350	121,202
Depreciation and amortization included in administrative expenses and selling expenses	28,811	29,391
Audit fees	5,500	5,500
Others	83,874	127,448
Total	14,963,560	24,220,003

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

42. Income tax expenses

	2025	2024
Current income tax	80,672	119,105
Deferred income tax	274,666	(74,553)
Total	355,338	44,552

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

	2025	2024
Total profit	(240,901)	204,003
Income tax expenses at the statutory tax rate	(60,225)	51,001
Tax effect of share of profits and losses of joint ventures and associates	(2,174)	(3,285)
Effect of non-taxable income	(224)	(200)
Effect of non-deductible expenses	1,350	1,919
Effect of utilisation of unrecognised deductible tax losses	(17,788)	(16,244)
Effect of unrecognized deductible temporary differences and deductible losses on deferred tax	438,085	15,448
Adjustments on the income tax of previous periods	(3,686)	(4,087)
Income tax expenses	355,338	44,552

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

43. Earnings per share

	2025 RMB per share	2024 RMB per share
Basic earnings per share		
Continuing operations	(0.33)	0.10

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

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

	2025	2024
Earnings		
Net profit for the year attributable to owners of the Company		
Continuing operations	(579,782)	170,709
Shares		
Weighted average number of ordinary shares in issue of the Company	1,761,383,500	1,761,383,500

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

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

44. Cash flows from operating activities

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

	2025	2024
Net profit	(596,239)	159,451
Add: Provision for asset impairment	98,974	74,369
Provision for credit impairment	222,071	174,431
Depreciation of fixed assets	56,314	59,638
Depreciation of right-of-use assets	14,699	10,398
Amortisation of intangible assets	2,196	2,207
Gains on the disposal of fixed assets, intangible assets and other long-term assets	(4,017)	(21,277)
Loss on change in fair value	7,385	1,664
Finance expenses	398,899	382,504
Investment income	(11,856)	(8,654)
Decrease in deferred income tax assets	274,666	(74,553)
Increase in inventories	(14,277)	(120,409)
Decrease in operating receivables	3,888,466	1,365,883
Decrease in operating payables	(6,206,072)	(3,531,820)
Net cash flows generated from operating activities	(1,868,791)	(1,526,168)

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

45. Net change in cash and cash equivalents

	2025	2024
Closing balance of cash for the year	3,194,990	4,999,705
Less: Opening balance of cash for the year	4,999,705	6,527,686
Net increase in cash and cash equivalents	(1,804,715)	(1,527,981)

46. Cash and cash equivalents

	2025	2024
Cash	4,355,441	5,750,362
Including: Cash on hand	5,288	2,687
Bank deposits	3,189,702	4,890,420
Other currency funds	1,160,451	857,255
Less: Restricted monetary funds of the Company or subsidiaries of the Group	1,160,451	750,657
Closing balance of cash and cash equivalents	3,194,990	4,999,705
Including: No material use of restricted cash and cash equivalents of the Company or subsidiaries of the Group	1,784,404	1,990,352

The use of restricted cash and cash equivalents by the Company or subsidiaries within the Group is exclusively for the payment of migrant workers' wages and resettlement-related expenses, payable at any time without material restriction.

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

47. Vendor financing arrangements

The Group handles its reverse factoring business through the ICBC data financial services platform provided by Industrial and Commercial Bank of China and the Jianxin Rongtong platform provided by China Construction Bank. The original creditor (the Group's supplier) initiates the application through the platform and provides accounts receivable information and trade background materials. Upon review by the platform, an electronic debt certificate is generated and issued to the creditor (the Group's supplier) via the platform. The Group's payment obligations under the electronic debt certificate are unconditional and irrevocable, unaffected by commercial disputes between the parties involved in the transfer of the electronic debt certificate. The Group shall not claim set-off or raise defenses regarding this payment obligation. The Group will, in accordance with the platform's business rules, transfer an amount equivalent to that under the electronic debt certificate on the payment date.

Additionally, the Group conducts reverse factoring transactions through the Agricultural Bank of China to provide factoring services for its suppliers. The Group recommends upstream suppliers to the Agricultural Bank of China as borrowers and assists in collecting relevant credit information of the borrowers as required by the Agricultural Bank of China. The Agricultural Bank of China independently evaluates the suppliers recommended by the Group, obtaining order information and accounts payable details from the suppliers' online loan applications. After approval, the Agricultural Bank of China determines whether to provide loans. In parallel, the suppliers pledge the relevant accounts receivable as collateral. The payment terms between the Group and the suppliers remain unchanged under these reverse factoring arrangements, and the Group does not provide any guarantees to the bank.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

47. Vendor financing arrangements (Continued)

The information regarding financial liabilities related to supplier financing is as follows:

	2025			
	Carrying amount	Of which: amount received by suppliers	Maturity date range	Maturity date range for comparable accounts payable
Accounts payable	<u>1,836,459</u>	<u>1,836,459</u>	<u>2026/1/1 to 2026/12/31</u>	<u>2026/1/1 to 2026/12/31</u>

	2024			
	Carrying amount	Of which: amount received by suppliers	Maturity date range	Maturity date range for comparable accounts payable
Accounts payable	<u>1,249,159</u>	<u>1,249,159</u>	<u>2025/1/1 to 2025/12/31</u>	<u>2025/1/1 to 2025/12/31</u>

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

48. Leases

(1) As lessee

	2025	2024
Interest expense on lease liabilities	3,046	2,379
Short-term lease expense under the simplified approach through profit or loss	5,873	11,041
Total cash outflow in relation to leases	25,593	21,531

Assets leased by the Group include buildings and machinery equipment for operation which generally have a lease term of 1 year to 5 years.

For details of right-of-use assets, please refer to Note VI-16; for the simplified approach regarding short-term leases and leases of low-value asset, please refer to Note III-22; and for details of lease liabilities, please refer to Note VI-27.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

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

48. Leases (Continued)

(2) As lessor

The Group leases out certain buildings for a term of 20 years which constitutes operating leases. The Group also leases out certain idle machinery equipment for a term within 1 year, which constitutes operating lease.

Operating leases

Profit or loss related to operating leases are as follows:

	2025	2024
Lease income	23,209	29,251

Pursuant to the lease contracts entered into with the lessees, the undiscounted minimum lease payments are as follows:

	2025	2024
Within 1 year (including 1 year)	9,347	16,530
1 to 2 years (including 2 years)	3,339	4,073
2 to 3 years (including 3 years)	524	3,339
3 to 4 years (including 4 years)	-	524
Total	13,210	24,466

As at 31 December 2025, the carrying amount of investment property under operating leases was RMB194,000,000 (31 December 2024: RMB201,300,000).

VII. SEGMENT REPORT

1. Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (1) The construction contracting segment mainly engages in the construction general contracting and subcontracting business;
- (2) Other segment mainly includes concession arrangements and other services of the Group.

The management monitors the results of the business units separately for the purpose of decision-making regarding resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit. The indicator is measured consistently with the Group's total profit from continuing operations.

2025

	Construction contracting	Other	Adjustment and offset	Total
Sales to external customers	14,846,747	633,143	-	15,479,890
Intersegment sales	17,515	14,755	(32,270)	-
Investment income under the equity method	7,192	-	-	7,192
Credit impairment losses	194,840	27,231	-	222,071
Asset impairment losses	76,721	22,253	-	98,974
Depreciation and amortisation	37,047	36,162	-	73,209
Total profit	(311,768)	87,982	(17,115)	(240,901)
Total assets	43,505,239	6,937,838	(2,653,885)	47,789,192
Total liabilities	38,349,096	4,767,634	(1,079,873)	42,036,857
Other disclosures				
Long-term equity investment under the equity method	533,843	-	-	533,843
Increase in non-current assets other than long-term equity investments	29,693	(10,563)	-	19,130

VII. SEGMENT REPORT (Continued)

1. Operating segments (Continued)

2024

	Construction contracting	Other	Adjustment and offset	Total
Sales to external customers	24,272,444	786,505	-	25,058,949
Intersegment sales	100,594	37,975	(138,569)	-
Investment income under the equity method	12,093	-	-	12,093
Credit impairment losses	144,585	29,846	-	174,431
Asset impairment losses	70,655	3,714	-	74,369
Depreciation and amortisation	44,462	27,781	-	72,243
Total profit	296,337	(90,004)	(2,330)	204,003
Total assets	57,561,597	7,150,155	(2,876,717)	61,835,035
Total liabilities	51,785,354	5,296,958	(1,637,223)	55,445,089
Other disclosures				
Long-term equity investment under the equity method	544,668	-	-	544,668
Increase in non-current assets other than long-term equity investments	25,002	4,479	-	29,481

VII. SEGMENT REPORT (Continued)

2. Other information

Geographical information

Revenue from external transactions

As the majority of the Group's revenue is derived from customers in Mainland China, no further information of geographical segments is required. Revenue from external transactions is analysed by geographic locations where the customers are located.

Total non-current assets

All non-current assets held by the Group are located in Mainland China. Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

Information about major customers

No operating revenue from a single customer accounted for more than 10% of the Group's revenue.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS

1. Financial instruments risks

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

(1) Credit risk

According to the policies of the Group, credit risk assessment will be conducted when accepting new customers and a credit risk exposure limit for individual customers will be set. There are no significant concentrations of credit risk within the Group.

The maximum credit risk exposure of the Group's financial assets and contract assets equals to their carrying amounts.

Criteria for determining significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. When determining whether the credit risk has significantly increased since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers that credit risk of financial instrument has significantly increased when there is a material adverse change in the operating or financial condition of the principal debtor.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Financial instruments risks (Continued)

(1) Credit risk (Continued)

Definition of credit-impaired assets

The criteria adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative indicators. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single identifiable event.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Financial instruments risks (Continued)

(1) Credit risk (Continued)

Parameters of measurement of expected credit losses

Based on whether there is a significant increase in credit risk and whether the financial assets are credit-impaired, the Group recognises impairment allowance for different assets using either 12-month expected credit losses or lifetime expected credit losses. The measurement of expected credit loss model is a function of the probability of default, the loss given default and the exposure at default as key parameters. The Group establishes the model of the probability of default, the loss given default and the exposure at default by considering the quantitative analysis of historical statistics and forward-looking information.

Definitions are as follows:

- (1) The probability of default is the probability that the debtor will not be able to meet its repayment obligations within the following 12 months or throughout the remaining duration. To reflect the macro-economic expected credit loss environment conditions, the Group's assessment of the probability of default is based on the calculation of expected credit loss model adjusted by forward-looking information;

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Financial instruments risks (Continued)

(1) Credit risk (Continued)

Parameters of measurement of expected credit losses (Continued)

- (2) The loss given default refers to the Group's expectation of the extent of the loss of default risk exposure. The loss given default varies depending on the type of counterparty, the way and priority of recourse, and the type of collateral. The loss given default is the percentage of the risk exposure loss at the time of default, calculated on the basis of the next 12 months or the entire duration;
- (3) The exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

The assessment of a significant increase in credit risk and calculation of expected credit losses involve forward-looking information. The Group identifies key economic ratios that affect credit risk and expected credit losses of different businesses by historical data analysis.

As at 31 December 2025, no provision was provided for impairment losses of other receivables which were overdue over one year based on 12-month expected credit losses (31 December 2024: Nil).

For information on exposure at default of accounts receivable, other receivables, contract assets and long-term receivables, please refer to Notes VI-4,7,9 and 11.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Financial instruments risks (Continued)

(2) Liquidity risk

The Group's objective is to meet the liquidity requirements by maintaining sufficient capital and credit lines. The Group funds its operations by revenue from its operating activities and borrowings.

The Group, through supplier financing arrangements, has a concentration of liquidity risk with China Construction Bank. As of 31 December 2024, the Group's future payment obligations to this financial institution account for 1.55% of total liabilities, with repayment due dates ranging from 1 January 2025 to 31 December 2025.

The maturity analysis of the financial liabilities based on the contractual undiscounted cash flow, is as follows:

2025

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,577,167	-	-	2,577,167
Bills payable	781,707	-	-	781,707
Accounts payable	21,143,984	-	-	21,143,984
Other payables	3,375,459	-	-	3,375,459
Long-term borrowings	-	519,626	883,885	1,403,511
Non-current liabilities due within one year	2,895,909	-	-	2,895,909
Lease liabilities	-	8,725	-	8,725
Total	30,774,226	528,351	883,885	32,186,462
Financial guarantee contract	63,226	292,393	226,988	582,607

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**1. Financial instruments risks** (Continued)**(2) Liquidity risk** (Continued)

The maturity analysis of the financial liabilities based on the contractual undiscounted cash flow, is as follows: (Continued)

2024

	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term borrowings	2,484,905	-	-	2,484,905
Bills payable	1,162,978	-	-	1,162,978
Accounts payable	32,346,648	-	-	32,346,648
Other payables	4,917,071	-	-	4,917,071
Long-term borrowings due within one year	646,870	-	-	646,870
Long-term borrowings	-	1,595,797	2,700,848	4,296,645
Lease liabilities due within one year	12,551	-	-	12,551
Lease liabilities	-	13,822	-	13,822
Total	41,571,023	1,609,619	2,700,848	45,881,490
Financial guarantee contract	49,513	281,023	301,584	632,120

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

1. Financial instruments risks (Continued)

(3) Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowings with floating interest rates. The Group manages interest rate risk by closely monitoring changes in interest rates and reviewing its borrowings on a regular basis.

As at 31 December 2025, under the assumption that other variables were held constant, if the interest rate of borrowings increased/decreased by 100 basis points, the net profit/loss of the Group would decrease/increase by RMB15,316,000 (31 December 2024: RMB12,480,000) due to the changes in interest expenses of borrowings with floating interest rates.

Price risk of equity instrument investments

The Group's exposure to the price risk of equity instrument investments primarily relates to the shares of listed companies held by the Group.

As at 31 December 2025, under the assumption that other variables were held constant, if the fair value of the corresponding equity instrument investments increased/decreased by 100 base points, the other comprehensive income (net of tax) of the Group would increase/decrease by RMB310,000 (31 December 2024: RMB389,000) due to the change in the fair value of other equity instrument investments.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)**2. Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to provide returns for the shareholders and to optimise its capital structure in order to minimise the costs of capital.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce liabilities. No changes were made in the objectives, policies or processes for capital management for the years of 2025 and 2024.

The Group monitors capital using the gearing ratio, which is the sum of short-term borrowings, current portion of non-current liabilities and long-term borrowings divided by total equity. The Group's gearing ratio as at the balance sheet date was as follows:

	2025	2024
Gearing ratio	113%	95%

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Transfer of financial assets

Financial assets being transferred but not derecognised as a whole

As at 31 December 2025, the carrying amount of bills endorsed to suppliers for settlement of accounts payable amounted to RMB41,954,000 (31 December 2024: RMB43,017,000). The Group considers that it has retained substantially all the risks and rewards, including default risks relating to such bills. Accordingly, the bills and relevant settled amounts payable are fully recognised. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the right of sale, transfer or pledge of the bills to any other third parties. As at 31 December 2025, the carrying amount of the accounts payable settled by the Group and the suppliers with recourse amounted to RMB41,954,000 (31 December 2024: RMB43,017,000).

As part of the daily business, the Group and some financial institutions have reached factoring arrangements for accounts receivable and transferred certain accounts receivable to the financial institutions. Pursuant to such arrangements, if the debtor of the accounts receivable delays payment, the Group is required to repay the amount. For the financial assets which the Group retains almost all of their risks and rewards of ownership, such financial assets will not be derecognised. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 31 December 2025, the original carrying amount of accounts receivable transferred under such arrangements but not yet settled was RMB13,888,000 (31 December 2024: RMB129,374,000), and the related liabilities amounted to RMB13,888,000 (31 December 2024: RMB129,374,000), which were included in short-term borrowings.

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

3. Transfer of financial assets (Continued)

Transferred financial assets that are derecognised as a whole with continuing involvement

As at 31 December 2025, the carrying amount of bank acceptance bills endorsed to suppliers for settlement of accounts payable/discounted amounted to RMB105,249,000 (31 December 2024: RMB123,584,000). As at 31 December 2024, the bills have a maturity of 1 to 12 months. In accordance with the Negotiable Instruments Law, if the acceptance bank refuses to pay, the holder of bills may exercise recourse against any one, several or all of the debtors of the bills, including the Group, without regard to the order of the debtors of the bills (the “Continuing Involvement”). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, the full carrying amount of accounts payable settled by the bills was derecognised and the discount expenses were recognised. The maximum loss and undiscounted cash flow of the Continuing Involvement and repurchase approximate to their carrying amounts. In the opinion of the Group, the fair value of the Group’s Continuing Involvement is not significant.

In 2025, the Group has not recognised any gain or loss on the date of transfer of the bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement/discount has been made evenly throughout the year.

IX. FAIR VALUE

1. Assets and liabilities measured at fair value

2025

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	16,114	-	-	16,114
Receivables financing	-	6,970	-	6,970
Other equity instrument investments	41,375	-	428,400	469,775
Investment property	-	-	194,000	194,000
Total	57,489	6,970	622,400	686,859

IX. FAIR VALUE (Continued)**1. Assets and liabilities measured at fair value** (Continued)

2024

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Ongoing fair value measurement				
Financial assets held for trading	16,499	-	-	16,499
Receivables financing	-	106,202	-	106,202
Other equity instrument investments	51,805	-	479,659	531,464
Investment property	-	-	201,300	201,300
Total	68,304	106,202	680,959	855,465

IX. FAIR VALUE (Continued)

2. Valuation techniques and inputs for fair value measurement

The Group's finance department headed by the finance manager is responsible for developing the policies and processes for the fair value measurement of financial instruments. The finance manager reports directly to the Chief Finance Officer. At each balance sheet date, the finance department analyses the movements in the fair value of the financial instruments and determines the major input applicable to the valuation. The valuation is reviewed and approved by the Chief Finance Officer.

The fair values of listed equity instrument investments are determined by the market value. Investments in unlisted equity instruments are estimated at fair value using the market approach based on unobservable market prices or interest rate assumptions. The Group needs to determine comparable public companies based on industry, size, leverage and strategy, and calculates an appropriate market multiple, such as price to earnings ("P/E") multiple and price to net assets ("P/B") multiple, for each comparable public company identified. Adjustments are made based on company-specific facts and circumstances, taking into account factors such as liquidity and size differences between comparable public companies. The Group believes that the fair value estimated using valuation techniques is reasonable and the most appropriate value as of the balance sheet date. For the fair value of the non-listed equity instrument investment, the Group estimated the potential impact of adopting other reasonable and possible assumptions as input value in the valuation model.

The fair value of receivables financing is calculated by discounting the expected future cash flows using market rates of return currently available for other financial instruments with similar credit risk and remaining maturities.

IX. FAIR VALUE (Continued)

2. Valuation techniques and inputs for fair value measurement (Continued)

The following is an overview of the significant unobservable inputs in the fair value measurement categorised within level 3:

	Fair value at the end of the year	Valuation technique	Unobservable inputs	Scope (Weighted average)
Non-listed equity investments				
Baoding Commercial Bank Co., Ltd.	2025: 428,400 2024: 474,300	Listed companies comparison method	P/B multiple Median of peers Discount for liquidity	2025: 0.6-0.8 2024: 0.6-0.8 2025:30% 2024:30%
Investment property				
RT-Mart	2025: 89,300 2024: 91,000	Discounted cash flow method	Yield rate Monthly market rental (per square metre)	2025: 6.50% 2024: 6.50% 2025: 75-105 2024: 100-116
Qingyuan Green Industrial Park	2025: 104,700 2024: 110,300	Discounted cash flow method	Yield rate Monthly market rental (per square metre)	2025: 5.95% 2024: 6.00% 2025: 15-27 2024: 15-27

3. Transfer of hierarchy of continuous fair value measurement

There were no transfers of fair value measurements of the Group's financial assets and financial liabilities between Level 1 and Level 2 and no transfers into or out from Level 3.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

IX. FAIR VALUE (Continued)

4. Financial assets and financial liabilities not measured at fair value

2025

	Carrying amount	Fair value	Inputs used in fair value disclosure		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-rate long-term borrowings	2,114,684	2,122,852	-	2,122,852	-

2024

	Carrying amount	Fair value	Inputs used in fair value disclosure		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-rate long-term borrowings	1,697,903	1,601,228	-	1,601,228	-

The management has assessed that the fair values of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, bills and accounts payables, other payables and current portion of non-current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of long-term receivables and long-term borrowings is calculated by discounting the future cash flows using market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 31 December 2025 and 31 December 2024, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed to be insignificant. As of 31 December 2025 and 31 December 2024, the fair value of long-term receivables approximates their carrying amount.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Definition of related parties

Related parties of the Company are as follows:

- (1) Parent companies of the Company;
- (2) Subsidiaries of the Company;
- (3) Other enterprises under common control by the parent company
- (4) The investor with common control over the Company;
- (5) The investor with significant influence over the Company;
- (6) Joint ventures of the Group;
- (7) Associates of the Group;
- (8) Joint ventures or associates of other members (including parent company and subsidiaries) within the same group as the Company;
- (9) A joint venture or associate of an enterprise that exercises joint control over the Company;
- (10) Joint ventures of enterprises with significant influence over the Company;

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

1. Definition of related parties (Continued)

- (11) Major individual investors of the Company and their close family members;
- (12) Key management personnel of the Company or the parent companies and their close family members;
- (13) Other enterprises (being under the significant influence of the same party does not constitute a related party) under the control or common control or exert significant influence of the Company's major individual investors, key management personnel or their close family members;

The joint ventures mentioned above include the joint ventures and their subsidiaries, and the associates include the associates and their subsidiaries.

2. Parent companies and subsidiaries

Name of the parent company	Place of registration	Nature of business	Proportion of shareholding in the Company (%)	Proportion of votes in the Company (%)	Registered capital
Zhongru Investment Co., Ltd.	Beijing	Investment management	68.30	68.30	RMB1,202,500,000
Qianbao Investment Co., Ltd.	Baoding, Hebei	Investment	5.70	5.70	RMB97,500,000

The ultimate controlling party of the Company and the Group is Qianbao Investment Co., Ltd.

Details of the Company's major subsidiaries are set out in Note V-1.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties

Name of related party	Related party relationships	Note
Yizongliangheng	Associate	
Bozhou Xiangju	Associate	
Zhongyuan Environmental	Associate	
Hebei Guangbo Construction Engineering Co., Ltd.	Associate	
Inner Mongolia Jiantou Northern Engineering Co., Ltd.	Associate	
Rongcheng County Hengda Construction Investment Co., Ltd.	Associate	
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	Joint venture	
Bazhou Hengzhiheng Landscape Engineering Co., Ltd.	Joint venture	
Inner Mongolia Construction Investment Group Co., Ltd.	Joint venture	
Baoding Nongtou Construction Engineering Co., Ltd.	Joint venture	
Zhongming Zhiye Group Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Tianli Labor Service Co., Ltd.	Other enterprises under common control by the parent company	
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	Other enterprises under common control by the parent company	
Sanhe Baolan Heat Co., Ltd.	Other enterprises under common control by the parent company	
Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Xi'an Zhongyuan Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Baoding Taiji Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

3. Other related parties (Continued)

Name of related party	Related party relationships	Note
Huailai Zhongcheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Construction Group Qianqiu Management Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Qianyuan Red Agricultural Group Co., Ltd.	Other enterprises under common control by the parent company	
Huailai Jingsheng Real Estate Development Co., Ltd.	Other enterprises under common control by the parent company	
Hebei Zhongcheng Property Service Co., Ltd.	Other enterprises under common control by the parent company	
Laiyuan Zhongcheng Construction Development Co., Ltd.	Other enterprises under common control by the parent company	
Guangan Zhongcheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Zitan Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Baoding Zhucheng Real Estate Development Co., Ltd.	Associate of other enterprises under common control by the parent company	
Datang Baoding Heat Supply Co., Ltd.	Associate of other enterprises under common control by the parent company	
Hebei Baocang Expressway Co., Ltd.	Associate of other enterprises under common control by the parent company	
Baoding Zhongze Water Supply Co., Ltd.	Associate of other enterprises under common control by the parent company	
Fuping County Ruifu Building Material Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Hebei Keshengxing Start-up Incubator Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Huailai Shengcheng Real Estate Development Co., Ltd.	Subsidiary of other enterprises under common control by the parent company	
Key management personnel	Key management personnel of the Group	

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Related party transactions***Purchases from related parties***

	2025	2024
Fuping County Ruifu Building Material Co., Ltd.	3,510	2,260
Hebei Qianyuan Red Agricultural Group Co., Ltd.	1,414	2,426
Total	4,924	4,686

Acceptance of services from related parties

	2025	2024
Baoding Tianli Labor Service Co., Ltd.	1,158,315	1,986,915
Hebei Zhongcheng Property Service Co., Ltd.	7,502	5,201
Total	1,165,817	1,992,116

NOTES TO THE FINANCIAL STATEMENTS

2025

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Related party transactions (Continued)

Rendering of services to related parties

	2025	2024
Hebei Baocang Expressway Co., Ltd.	28,354	-
Baoding Zhucheng Real Estate Development Co., Ltd.	17,803	8,975
Zhongyuan Environmental	12,595	24,284
Baoding Taiji Real Estate Development Co., Ltd.	10,264	16,672
Xi'an Zhongyuan Real Estate Development Co., Ltd.	6,844	30,533
Zhongcheng Real Estate Development Co., Ltd.	5,502	230
Huailai Jingsheng Real Estate Development Co., Ltd.	3,769	14,083
Datang Baoding Heat Supply Co., Ltd.	3,526	1,468
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	2,054	16,287
Huailai Zhongcheng Real Estate Development Co., Ltd.	977	22,211
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	942	29
Huailai Shengcheng Real Estate Development Co., Ltd.	325	3,984
Zhongyuan Environmental	-	24,284
Baoding Zhongze Water Supply Co., Ltd.	-	3,644
Hebei Zitan Real Estate Development Co., Ltd.	-	179
Hebei Guangbo Construction Engineering Co., Ltd.	-	137
Hebei Zhongcheng Property Service Co., Ltd.	-	23
Total	93,069	142,739

Acceptance of services from related parties

	Type of leased asset	2025 Leasing fees	2024 Leasing fees
Zhongming Zhiye Group Co., Ltd.	Office buildings	3,999	4,002

Note: The transaction price of property lease between the Group and its related party was determined by both parties through negotiation with reference to market prices and other factors

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)***Receiving guarantees from related parties*****2025**

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	30,000	31/08/2023	30/08/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	10,000	31/08/2023	30/08/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	40,000	07/12/2023	06/12/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	100,000	28/11/2023	26/11/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	100,000	17/12/2024	16/12/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	200,000	20/12/2024	19/12/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	80,000	17/07/2024	16/07/2025	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	80,000	31/05/2024	28/05/2025	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	20,000	31/05/2024	28/05/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	15,000	03/12/2024	02/12/2025	Yes	-
Zhongming Zhiye Group Co., Ltd.	25,000	04/12/2024	02/12/2025	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	150,000	27/05/2024	26/05/2026	No	147,000
Zhongming Zhiye Group Co., Ltd.	100,000	28/03/2025	27/03/2028	No	99,000
Zhongcheng Real Estate Development Co., Ltd.	100,000	26/05/2025	25/05/2026	No	100,000
Zhongming Zhiye Group Co., Ltd.	40,000	29/07/2025	28/07/2026	No	39,990
Zhongming Zhiye Group Co., Ltd.	39,000	29/08/2025	28/08/2026	No	39,000
Zhongming Zhiye Group Co., Ltd.	97,000	26/11/2025	23/11/2027	No	97,000
Zhongming Zhiye Group Co., Ltd.	15,000	26/11/2025	23/11/2026	No	15,000

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

Receiving guarantees from related parties (Continued)

2025

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongming Zhiye Group Co., Ltd.	25,000	26/11/2025	23/11/2026	No	25,000
Zhongming Zhiye Group Co., Ltd.	42,000	05/12/2025	04/12/2026	No	42,000
Zhongming Zhiye Group Co., Ltd.	42,000	10/12/2025	09/12/2026	No	42,000
Zhongming Zhiye Group Co., Ltd.	42,000	12/12/2025	11/12/2026	No	42,000
Zhongming Zhiye Group Co., Ltd.	40,800	16/12/2025	15/12/2026	No	40,800
Zhongming Zhiye Group Co., Ltd.	39,000	19/12/2025	18/12/2026	No	39,000
Zhongming Zhiye Group Co., Ltd.	200,000	19/12/2025	18/12/2026	No	200,000
Zhongming Zhiye Group Co., Ltd.	38,000	22/12/2025	21/12/2026	No	38,000
Zhongru Investment Co., Ltd.	9,000	26/11/2025	26/08/2026	No	9,000
Zhongru Investment Co., Ltd.	7,000	28/11/2025	27/08/2026	No	6,950
Zhongru Investment Co., Ltd.	10,000	17/12/2025	17/09/2026	No	10,000
Zhongru Investment Co., Ltd.	10,000	18/12/2025	18/09/2026	No	10,000
Zhongru Investment Co., Ltd.	5,000	19/12/2025	19/09/2026	No	5,000
Zhongming Zhiye Group Co., Ltd.	3,991	19/12/2025	22/09/2026	No	3,991
Zhongming Zhiye Group Co., Ltd.	5,000	19/12/2025	21/09/2026	No	5,000
Zhongming Zhiye Group Co., Ltd.	2,146	19/12/2025	20/08/2026	No	2,146
Zhongming Zhiye Group Co., Ltd.	4,440	19/12/2025	23/09/2026	No	4,440
Zhongming Zhiye Group Co., Ltd.	1,000	24/12/2025	21/08/2026	No	1,000
Zhongming Zhiye Group Co., Ltd.	5,000	24/12/2025	26/08/2026	No	5,000
Zhongming Zhiye Group Co., Ltd.	3,024	19/12/2025	21/09/2026	No	3,024
Zhongming Zhiye Group Co., Ltd.	120,000	29/12/2025	28/12/2026	No	120,000
Zhongming Zhiye Group Co., Ltd.	3,195	19/12/2025	12/09/2026	No	3,195

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)***Receiving guarantees from related parties (Continued)***

2024

Guarantor	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Zhongcheng Real Estate Development Co., Ltd.	120,000	2022/6/8	2024/6/6	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	30,000	2022/6/14	2024/6/11	Yes	-
Zhongru Investment Co., Ltd.	70,000	2023/1/28	2024/1/28	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	100,000	2023/6/12	2024/6/12	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	34,000	2023/6/12	2024/6/12	Yes	-
Zhongming Zhiye Group Co., Ltd.	30,000	2023/8/31	2025/8/30	No	27,750
Zhongming Zhiye Group Co., Ltd.	10,000	2023/8/31	2025/8/30	No	9,250
Zhongming Zhiye Group Co., Ltd.	100,000	2023/11/28	2025/11/26	No	98,000
Zhongming Zhiye Group Co., Ltd.	25,000	2023/11/28	2024/11/26	Yes	-
Zhongming Zhiye Group Co., Ltd.	40,000	2023/12/7	2025/12/6	No	38,000
Zhongming Zhiye Group Co., Ltd.	200,000	2023/12/20	2024/12/29	Yes	-
Zhongru Investment Co., Ltd.	70,000	2024/1/23	2024/7/28	Yes	-
Zhongcheng Real Estate Development Co., Ltd.	150,000	2024/5/27	2026/5/23	No	149,000
Zhongcheng Real Estate Development Co., Ltd.	80,000	2024/5/31	2025/5/28	No	80,000
Zhongcheng Real Estate Development Co., Ltd.	20,000	2024/5/31	2025/5/28	No	20,000
Zhongming Zhiye Group Co., Ltd.	80,000	2024/7/17	2025/7/16	No	80,000
Zhongming Zhiye Group Co., Ltd.	15,000	2024/12/3	2025/12/2	No	15,000
Zhongming Zhiye Group Co., Ltd.	25,000	2024/12/4	2025/12/2	No	25,000
Zhongming Zhiye Group Co., Ltd.	100,000	2024/12/17	2025/12/16	No	100,000
Zhongming Zhiye Group Co., Ltd.	200,000	2024/12/20	2025/12/19	No	200,000

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

4. Major transactions with related parties (Continued)

Providing guarantees to related parties

2025

Guaranteed party	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	600,000	2019/8/29	2036/12/20	No	495,000

2024

Guaranteed party	Amount of guarantees	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed	The actual guaranteed amount
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	600,000	2019/8/29	2036/12/20	No	524,500

Emolument of key management personnel

	2025	2024
Employee benefits	6,620	7,136

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties***Accounts receivable***

Related party	2025		2024	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Accounts receivable				
Huilai Zhongcheng Real Estate Development Co., Ltd.	71,170	6,110	71,113	1,346
Baoding Zhucheng Real Estate Development Co., Ltd.	61,412	1,050	23,738	914
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	35,865	1,475	24,906	321
Huilai Jingsheng Real Estate Development Co., Ltd.	24,979	1,003	13,194	170
Xi'an Zhongyuan Real Estate Development Co., Ltd.	24,565	420	1,604	21
Baoding Zhucheng Real Estate Development Co., Ltd.	23,925	804	23,738	914
Zhongcheng Real Estate Development Co., Ltd.	12,524	510	5,516	71
Hebei Baocang Expressway Co., Ltd.	3,739	64	-	-
Hebei Zitan Real Estate Development Co., Ltd.	3,488	685	3,511	182
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	2,429	42	2,008	26
Huilai Shengcheng Real Estate Development Co., Ltd.	1,962	471	6,761	458
Sanhe Baolan Heat Co., Ltd.	1,395	24	-	-
Baoding Taiji Real Estate Development Co., Ltd.	-	-	16,144	653
Bozhou Xiangju	-	-	3,511	45

NOTES TO THE FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties (Continued)

Accounts receivable (Continued)

Related party	2025		2024	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Contract asset				
Guangan Zhongcheng Real Estate Development Co., Ltd.	49,386	845	124,261	1,603
Yizongliangheng	48,346	827	57,811	746
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	42,048	719	101,858	1,314
Huailai Shengcheng Real Estate Development Co., Ltd.	35,422	606	49,032	633
Xi'an Zhongyuan Real Estate Development Co., Ltd.	29,362	502	78,044	1,007
Hebei Zitan Real Estate Development Co., Ltd.	20,946	358	35,504	458
Huailai Jingsheng Real Estate Development Co., Ltd.	14,545	249	33,452	432
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	6,153	105	36,856	475
Baoding Zhucheng Real Estate Development Co., Ltd.	4,278	73	3,064	40
Huailai Zhongcheng Real Estate Development Co., Ltd.	276	5	5,146	66
Datang Baoding Heat Supply Co., Ltd.	192	3	1,376	18
Zhongcheng Real Estate Development Co., Ltd.	31	1	2,412	31
Sanhe Baolan Heat Co., Ltd.	-	-	1,395	18
Hebei Baocang Expressway Co., Ltd.	-	-	31	-
Baoding Taiji Real Estate Development Co., Ltd.	-	-	14,728	190
Zhongyuan Environmental	-	-	14,102	182

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties (Continued)***Accounts receivable (Continued)***

Related party	2025		2024	
	Book balance	Bad debt allowance	Book balance	Bad debt allowance
Other receivables				
Zhongcheng Real Estate Development Co., Ltd.	66,621	1,139	12,868	166
Huailai Zhongcheng Real Estate Development Co., Ltd.	37,367	639	34,146	440
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	1,725	29	19,950	555
Hebei Keshengxing Start-up Incubator Co., Ltd.	1,294	22	1,261	51
Inner Mongolia Jiantou Northern Engineering Co., Ltd.	212	4	150	2
Huailai Jingsheng Real Estate Development Co., Ltd.	109	2	54	1
Xi'an Zhongyuan Real Estate Development Co., Ltd.	100	2	2,277	29
Hebei Baocang Expressway Co., Ltd.	-	-	100	1
Inner Mongolia Construction Investment Group Co., Ltd.	-	-	91	1
Baoding Taiji Real Estate Development Co., Ltd.	-	-	393	5
Hebei Guangbo Construction Engineering Co., Ltd.	-	-	355	5
Qianbao Investment Co., Ltd.	-	-	5	-

NOTES TO THE FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

5. Balances of amounts due from/to related parties (Continued)

Accounts payable

Related party	2025	2024
Accounts payable		
Baoding Tianli Labor Service Co., Ltd.	642,089	1,022,204
Hebei Qianyuan Red Agricultural Group Co., Ltd.	1,598	2,741
Fuping County Ruifu Building Material Co., Ltd.	1,704	2,707
Hebei Construction Group Qianqiu Management Co., Ltd.	480	480
Hebei Zhongcheng Property Service Co., Ltd.	250	570
Other payables		
Key management personnel	12,009	16,250
Qianbao Investment Co., Ltd.	8,650	8,650
Hebei Qianyuan Red Agricultural Group Co., Ltd.	6,705	249
Zhongming Zhiye Group Co., Ltd.	7,692	3,691
Baoding Zhucheng Real Estate Development Co., Ltd.	-	47,800
Hebei Construction Group Qianqiu Management Co., Ltd.	-	-
Contract liabilities		
Xi'an Zhongyuan Real Estate Development Co., Ltd.	59,764	1,587
Baoding Zhucheng Real Estate Development Co., Ltd.	36,751	36,323
Zhongcheng Real Estate Development Co., Ltd.	11,310	8,729
Guangan Zhongcheng Real Estate Development Co., Ltd.	8,861	4,636
Huilai Shengcheng Real Estate Development Co., Ltd.	4,636	3,483
Datang Baoding Heat Supply Co., Ltd.	3,483	5,859
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	2,333	354
Baoding Taiji Real Estate Development Co., Ltd.	1,207	-
Chengde Summer Resort Cultural Industrial Park Co., Ltd.	604	1,505
Hebei Zhongcheng Property Service Co., Ltd.	563	200
Huilai Jingsheng Real Estate Development Co., Ltd.	200	432
Laiyuan Zhongcheng Construction Development Co., Ltd.	86	200

Amounts due from/to related parties are interest-free, unsecured and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

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XI. CONTINGENCIES

	2025	2024	Notes
Contingent liabilities arising from unresolved litigation or arbitration	51,823	40,132	Note 1

Note 1: The Group is involved in disputes, litigations or claims with customers, subcontractors, suppliers and other parties in the course of its operations. After consultation with the relevant legal advisers and after management's careful estimation of the outcome of such outstanding disputes, litigations or claims, the Group has no disputes, litigations or claims that are likely to result in losses. No provision will be made for the abovementioned outstanding disputes, litigations and claims for which the ultimate outcome cannot be reasonably estimated or for which, in the opinion of management, it is not probable that such disputes, litigations or claims will have a material adverse effect on the Group's results of operations or financial position.

XII. COMMITMENTS

As at 31 December 2025, the Group had no material capital commitment (31 December 2024: Nil).

XIII. POST BALANCE SHEET DATE EVENTS

As of the date of approval for publication of these financial statements, the Group has not had any non-adjusting events in material post balance sheet date events that would significantly affect the reading and understanding of these financial statements.

XIV. OTHER IMPORTANT EVENTS

1. Other financial information

Directors' and supervisors' remuneration is disclosed as follows:

	2025	2024
Fees	660	657
Others emoluments:		
Salaries, allowances and benefits in kind	1,111	1,382
Performance-related bonuses	2,923	2,949
Pension scheme contributions	328	407
Total	5,022	5,395

(1) Independent non-executive directors

	2025	2024
Shen Lifeng	220	219
Chen Xin	220	219
Chan Ngai Sang Kenny	220	219
Total	660	657

As at 31 December 2025, there was no other remuneration payable to the independent non-executive directors during the year (31 December 2024: Nil).

XIV. OTHER IMPORTANT EVENTS (Continued)**1. Other financial information** (Continued)**(2) Executive directors, non-executive directors and supervisors****2025**

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Li Baozhong	-	197	884	58	1,139
Shang Jinfeng	-	167	631	58	856
Zhao Wensheng	-	149	456	58	663
Tian Wei	-	149	456	58	663
Zhang Wenzhong	-	129	381	27	537
Non-executive director					
Li Baoyuan	-	162	2	-	164
Supervisors					
Wang Feng	-	64	52	29	145
Chen Qinghan	-	64	47	29	140
Zhang Pengyuan (Note 6)	-	30	14	11	55
Total	-	1,111	2,923	328	4,362

NOTES TO THE FINANCIAL STATEMENTS

2025

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XIV. OTHER IMPORTANT EVENTS (Continued)

1. Other financial information (Continued)

(2) Executive directors, non-executive directors and supervisors (Continued)

2024

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
Executive directors					
Li Baozhong	-	202	884	56	1,142
Shang Jinfeng	-	172	631	56	859
Zhao Wensheng	-	156	456	56	668
Tian Wei	-	154	456	56	666
Zhang Wenzhong (Note 1)	-	130	-	31	161
Non-executive director					
Li Baoyuan	-	170	-	-	170
Supervisors					
Wang Feng	-	129	163	56	348
Yue Jianming (Note 5)	-	123	161	56	330
Chen Qinghan	-	99	165	30	294
Mr. Zhang Pengyuan (Note 6)	-	47	43	10	100
Total	-	1,382	2,949	407	4,738

XIV. OTHER IMPORTANT EVENTS (Continued)**1. Other financial information** (Continued)**(2) Executive directors, non-executive directors and supervisors**
(Continued)

Note 1: Upon approval by the Shareholders at the 2024 annual general meeting, 2025 first Domestic Shareholders class meeting and 2025 first H Shareholders class meeting to abolish the Board of Supervisors, the Company ceased to have the Board of Supervisors effective from 30 June 2025 and each of the Supervisors retired from office as the Supervisors effective from 30 June 2025.

Note 2: Mr. Yue Jianming retired as an executive Director of the Company with effect from December 2024.

Note 3: Mr. Zhang Pengyuan was democratically elected by employees as an employee representative Supervisor in 2024, and has been a Supervisor of the Company since 30 December 2024.

During the year, there was no agreement under which a director or chief executive officer waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included five directors (2024: five employees including five directors), details of whose remuneration are set out in Note XIV-1.

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Currency funds

	2025	2024
Cash on hand	4,877	2,171
Bank deposits	1,940,152	2,921,677
Other currency funds	917,985	719,284
Total	2,863,014	3,643,132

As at 31 December 2025, the Group's currency funds with restricted ownership amounted to RMB917,985,000 (31 December 2024: RMB634,857,000).

2. Accounts receivable

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

The ageing analysis of accounts receivable is as follows:

	2025	2024
Within 1 year	6,851,789	4,998,218
1 to 2 years	926,431	819,603
2 to 3 years	349,140	324,812
Over 3 years	585,005	487,529
	8,712,365	6,630,162
Less: Impairment allowance	1,119,788	935,845
Total	7,592,577	5,694,317

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

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

	Opening balance	Accrual during the year	Recovered or reversed during the year	Closing balance
2025	935,845	497,414	(313,471)	1,119,788
2024	836,590	341,199	(241,944)	935,845

NOTES TO THE FINANCIAL STATEMENTS

2025

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XV.NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

Accounts receivable and bad debt allowance are disclosed by types as follows:

	2025			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	2,069,160	23.75	691,252	33.41
Provision for bad debts according to credit risk portfolio	6,643,205	76.25	428,536	6.45
Total	8,712,365	100.00	1,119,788	

	2024			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	2,282,518	34.43	674,481	29.55
Provision for bad debts according to credit risk portfolio	4,347,644	65.57	261,364	6.01
Total	6,630,162	100.00	935,845	

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

The expected credit losses on accounts receivable of the Company by ageing are as follows:

	2025			2024		
	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss	Closing balance of estimated default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	5,381,646	1.92	53,217	3,448,023	1.29	44,480
1 to 2 years	739,880	9.20	63,879	495,661	6.79	33,655
2 to 3 years	253,742	25.04	60,705	222,569	21.56	47,985
3 to 4 years	140,090	51.81	68,253	73,391	45.86	33,657
4 to 5 years	48,198	86.16	43,398	48,291	86.72	41,878
Over 5 years	79,649	100.00	78,328	59,709	100.00	59,709
Total	6,643,205		367,780	4,347,644		261,364

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Contract assets

Contract assets are mainly generated by the construction contracting business of the Company. The Company provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Company make progress billings with the Company based on the performance progress and make payment for the progress billings within the credit term.

	2025			2024		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Completed but unbilled	<u>20,422,787</u>	<u>(1,716,156)</u>	<u>18,706,631</u>	<u>32,398,434</u>	<u>(1,696,295)</u>	<u>30,702,139</u>
Including:						
Non-current assets	<u>49,896</u>	<u>(5,153)</u>	<u>44,743</u>	<u>77,120</u>	<u>(5,153)</u>	<u>71,967</u>

Changes in impairment provision for contract assets are as follows:

	Opening balance	Accrual during the year	Recovered or reversed during the year	Closing balance
2025	<u>1,696,295</u>	<u>210,598</u>	<u>(190,737)</u>	<u>1,716,156</u>
2024	<u>1,658,771</u>	<u>225,731</u>	<u>(188,207)</u>	<u>1,696,295</u>

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Contract assets (Continued)

	2025			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	5,739,242	28.10	1,438,068	25.06
Provision for bad debts according to credit risk portfolio	14,683,545	71.90	278,088	1.89
Total	20,422,787	100.00	1,716,156	

	2024			
	Book balance		Impairment provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual provision for bad debts	6,609,814	20.40	1,364,507	20.64
Provision for bad debts according to credit risk portfolio	25,788,620	79.60	331,788	1.29
Total	32,398,434	100.00	1,696,295	

As at 31 December 2025, part of the performance progress of the Company's relevant construction contracts was settled for work performed, resulting in a decrease in the carrying amount of the contract assets.

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Long-term equity investments

2025

	Balance of long-term equity investments	Financial guarantee for subsidiaries	Less: Provision for impairment of long-term equity investments	Carrying amount of the long-term equity investments
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	381,519	-	-	381,519
Other joint ventures	11,114	-	-	11,114
Associates	130,175	-	-	130,175
Hebei Construction Group Tianchen Construction Engineering Co., Ltd.	400,000	62,042	(79,429)	382,613
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	270,000	-	(1,037)	268,963
Bozhou Qihang Transportation Construction Co., Ltd.	259,550	-	-	259,550
HCG Ecological Environment Co., Ltd.	205,041	7,737	-	212,778
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	205,000	29,492	-	234,492
HCG Installment Engineering Co., Ltd.	180,000	55,131	-	235,131
Baoding Zhongze Water Supply Co., Ltd.	140,152	60,849	-	201,001
Hebei Construction Group Decoration Engineering Co., Ltd.	101,000	35,430	-	136,430
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	82,750	9,255	-	92,005
Dangshan Soaring General Aviation Industry Development Co., Ltd.	80,000	-	-	80,000
Baoding Zhongcheng Investment Management Co., Ltd.	69,000	-	-	69,000
Hebei Lvjian Investment Company	58,171	1,752	(47,870)	12,053
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	50,000	-	-	50,000
Gaoyang Tianxin Construction Co., Ltd.	50,000	-	(7,839)	42,161
Huainan Fengrui Infrastructure Construction Co., Ltd.	46,740	-	-	46,740
Hebei Shangbai Construction Engineering Co., Ltd.	40,000	1,330	-	41,330
Shandong Juhe Agricultural Service Development Co., Ltd.	29,370	-	(2,909)	26,461
Rongcheng County Xinrong City Development Co., Ltd.	24,240	-	-	24,240
Hebei Tiankai Construction Engineering Co., Ltd.	24,000	-	-	24,000
Hebei Shenning Construction Engineering Co., Ltd.	20,000	-	-	20,000
Dacheng County Zhongyu Water Supply Co., Ltd.	17,696	-	-	17,696

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Long-term equity investments (Continued)

	Balance of long-term equity investments	Financial guarantee for subsidiaries	Less: Provision for impairment of long-term equity investments	Carrying amount of the long-term equity investments
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	16,060	-	(8,726)	7,334
Yuncai Network Technology Co., Ltd.	8,000	-	-	8,000
Hebei Zhongru Software Technology Co., Ltd.	4,685	-	(2,704)	1,981
Hebei Haikuo Environmental Technology Co., Ltd.	1,600	-	-	1,600
Hebei Bingzheng Construction Engineering Co., Ltd.	1,200	-	(1,200)	-
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	1,000	-	-	1,000
Hebei Zhuocheng Engineering Inspection Co., Ltd.	333	-	-	333
Hebei Tianyu Construction Engineering Co., Ltd.	98	-	-	98
Hebei Construction Group Hongkong Co., Limited	9	-	-	9
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	-	1,066	-	1,066
Hainan Qihui Supply Chain Management Co., Ltd.	-	127	-	127
HCG Ningbo Supply Chain Management Co., Ltd.	-	111	-	111
Fuping Fuyuan Concrete Co., Ltd.	-	102	-	102
HCG Tianfu Construction Engineering Co., Ltd.	-	101	-	101
	2,908,503	264,525	(151,714)	3,021,314

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Long-term equity investments

2024

	Balance of long-term equity investments	Financial guarantee for subsidiaries	Less: Provision for impairment of long-term equity investments	Carrying amount of the long-term equity investments
Qinhuangdao Yuanyi Road Construction Management Co., Ltd.	374,676	-	-	374,676
Other joint ventures	10,073	-	-	10,073
Associates	150,158	-	-	150,158
Hebei Construction Group Tianchen Construction Engineering Co., Ltd.	400,000	55,366	-	455,366
Haiyang Longhai Automobile Innovation Park Development Co., Ltd.	270,000	-	-	270,000
Bozhou Qihang Transportation Construction Co., Ltd.	259,550	-	-	259,550
HCG Ecological Environment Co., Ltd.	205,041	7,611	-	212,652
HCG Zhuocheng Road and Bridge Engineering Co., Ltd.	205,000	29,463	-	234,463
HCG Installment Engineering Co., Ltd.	180,000	49,021	-	229,021
Baoding Zhongze Water Supply Co., Ltd.	140,152	60,849	-	201,001
Hebei Construction Group Decoration Engineering Co., Ltd.	101,000	31,664	-	132,664
Hebei Tongchuang Liantai Hospital Management Co., Ltd.	82,750	9,255	-	92,005
Dangshan Soaring General Aviation Industry Development Co., Ltd.	80,000	-	-	80,000
Baoding Zhongcheng Investment Management Co., Ltd.	69,000	-	-	69,000
Hebei Lvjian Investment Company	58,171	1,752	-	59,923
Hengshui Jizhou District Jiuchen Construction Development Co., Ltd.	50,000	-	-	50,000
Gaoyang Tianxin Construction Co., Ltd.	50,000	-	-	50,000
Huainan Fengrui Infrastructure Construction Co., Ltd.	46,740	-	-	46,740
Hebei Shangbai Construction Engineering Co., Ltd.	-	1,330	-	1,330
Shandong Juhe Agricultural Service Development Co., Ltd.	29,370	-	-	29,370
Rongcheng County Xinrong City Development Co., Ltd.	24,240	-	-	24,240
Hebei Tiankai Construction Engineering Co., Ltd.	24,000	-	-	24,000
Hebei Shenning Construction Engineering Co., Ltd.	20,000	-	-	20,000
Dacheng County Zhongyu Water Supply Co., Ltd.	17,696	-	-	17,696
Hebei Zhiping Construction Equipment Leasing Co., Ltd.	16,060	-	-	16,060

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Long-term equity investments (Continued)

	Balance of long-term equity investments	Financial guarantee for subsidiaries	Less: Provision for impairment of long-term equity investments	Carrying amount of the long-term equity investments
Yuncai Network Technology Co., Ltd.	8,000	-	-	8,000
Hebei Zhongru Software Technology Co., Ltd.	4,685	-	-	4,685
Hebei Bingzheng Construction Engineering Co., Ltd.	1,200	-	-	1,200
Hebei Tianrui Project Management Co., Ltd.	1,000	-	-	1,000
Hebei Construction Group Wuhu Baojian Construction Co., Ltd.	1,000	-	-	1,000
Hebei Zhuocheng Engineering Inspection Co., Ltd.	333	-	-	333
Hebei Tianyu Construction Engineering Co., Ltd.	98	-	-	98
Hebei Construction Group Hongkong Co., Limited	9	-	-	9
Dingzhou Tiande Environmental Science and Technology Co., Ltd.	-	1,066	-	1,066
Hainan Qihui Supply Chain Management Co., Ltd.	-	-	-	-
HCG Ningbo Supply Chain Management Co., Ltd.	-	-	-	-
Fuping Fuyuan Concrete Co., Ltd.	-	102	-	102
HCG Tianfu Construction Engineering Co., Ltd.	-	101	-	101
	<u>2,880,002</u>	<u>247,580</u>	<u>-</u>	<u>3,127,582</u>

NOTES TO THE FINANCIAL STATEMENTS

2025

Unit: RMB'000

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

5. Revenue

Revenue is presented as follows:

	2025	2024
Revenue from primary business	9,768,269	18,047,310
Revenue from other business	63,813	272,007
Total	9,832,082	18,319,317

Note: The principal business revenue of the Company is engineering construction revenue, and the Company considers that it is a performance obligation to be performed within a certain period of time and recognises revenue according to the completion progress.

XVI. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by resolution of the Company's board of directors on 30 March 2026.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

		Year ended 31 December				
	2025	2024	2023	2022	2021	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
RESULTS						
Revenue	15,479,890	25,058,949	33,492,866	40,006,018	47,828,266	
Less: Cost of sales	14,642,262	23,686,597	31,697,268	38,371,416	45,341,436	
Taxes and surcharges	75,352	75,896	98,055	116,072	137,598	
Selling expenses	1,169	2,220	1,126	1,542	1,061	
Administrative expenses	279,779	409,984	527,733	570,825	535,823	
Research and development costs	40,350	121,202	148,139	150,126	76,417	
Finance costs	373,802	344,718	305,027	297,487	308,076	
Including: Interest expenses (to be stated as a positive figure)	419,749	381,036	347,501	343,031	326,851	
Interest income (to be stated as a positive figure)	25,097	37,786	45,626	39,238	40,926	
Add: Other income	817	6,488	3,977	2,285	4,982	
Investment income	11,856	8,654	(2,854)	24,740	3,679	
Including: Share of profits of associates and joint ventures	7,192	12,093	(1,932)	2,866	(1,274)	
Gains on derecognition of financial assets at amortised cost	(3,029)	(5,906)	(3,852)	(14,679)	(64,795)	
Gains on fair value changes	(7,385)	(1,664)	(418)	(37,447)	66	
Credit impairment losses (Losses to be stated as negative figures)	(222,071)	(174,431)	(339,084)	131,355	(623,156)	
Impairment losses on assets (Losses to be stated as negative figures)	(98,974)	(74,369)	(148,197)	(179,498)	(1,301,616)	
Gains from disposal of assets (Losses to be stated as negative figures)	4,017	21,277	66	(85)	(1,624)	
Operating profit	(244,564)	204,287	229,008	439,900	(489,814)	
Add: Non-operating income	6,554	4,788	1,612	3,512	8,039	
Less: Non-operating expenses	2,891	5,072	3,344	14,531	13,522	
Total profit	(240,901)	204,003	227,276	428,881	(495,297)	
Less: Income tax expenses	355,338	44,552	69,207	113,442	(137,131)	
Net profit	(596,239)	159,451	158,069	315,439	(358,166)	

FIVE YEAR FINANCIAL SUMMARY

	2025 RMB'000	Year ended 31 December			
		2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Classified by the continuity of operation					
Net profit from continuing operations	(596,239)	159,451	158,069	315,439	(358,166)
Net profit from discontinued operations	-	-	-	-	-
Classified by the ownership					
Net profit attributable to owners of the Company	(579,782)	170,709	171,395	326,725	(345,975)
Net loss attributable to non-controlling interests	(16,457)	(11,258)	(13,326)	(11,286)	(12,191)
Other comprehensive income, net of tax	(41,372)	3,795	(118,868)	(25,616)	39,488
Total comprehensive income	(637,611)	163,246	39,201	289,823	(318,678)
Including:					
Total comprehensive income attributable to owners of the Company	(621,154)	174,504	52,527	301,109	(306,487)
Total comprehensive income attributable to non-controlling interests	(16,457)	(11,258)	(13,326)	(11,286)	(12,191)

Assets, liabilities and non-controlling interests:

	2025 RMB'000	As at 31 December			
		2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Total assets	47,789,192	61,835,035	64,885,597	67,631,850	66,947,253
Total liabilities	(42,036,857)	(55,445,089)	(58,657,741)	(61,464,375)	(61,074,661)
Non-controlling interests	(151,656)	(168,113)	(180,527)	(172,673)	(178,899)
Equity attributable to owners of the Company	5,600,679	6,221,833	6,047,329	5,994,802	5,693,693

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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

“Articles of Association” or “Articles”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the Audit Committee of the Board
“Baoding Tianli”	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a company incorporated in the PRC with limited liability on 27 November 2001. Baoding Tianli is a subsidiary wholly owned by Zhongming Zhiye as of the Latest Practicable Date, thus a connected person of the Company
“Baoding Zhongcheng”	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC on 20 September 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date
“Beijing-Tianjin-Hebei Region”	an economic region in China comprising Beijing, Tianjin, and Hebei Province
“Board” or “Board of Directors”	the board of Directors of the Company
“Board Committee(s)”	collectively, the Strategic Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee
“Board of Supervisors”	the board of Supervisors of the Company (effective from 30 June 2025, the Company will no longer establish the Board of Supervisors)
“CASBE”	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
“Company”	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on 7 April 2017, whose H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2017 (Stock Code: 1727). Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a company established under the laws of the PRC with limited liability on 29 September 1997)
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and as of the Latest Practicable Date, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
“EIT”	PRC Enterprise Income Tax

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or (as the context may require) in respect of the period before the Company becomes the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time
“H Share(s)”	overseas listed foreign Shares in the ordinary Shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“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
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party(ies)”	party(ies) not connected with the Company within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“Initial Public Offering” or “IPO”	the initial public offering of the Company, the details of which are stated in the Prospectus
“Latest Practicable Date”	15 April 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lu Ban Award”	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD for construction quality excellence
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the Nomination Committee of the Board
“Prospectus”	the prospectus of the Company dated 5 December 2017
“province”	a province in PRC or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (formerly known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC with limited liability on 19 April 2010. As of the Latest Practicable Date, Qianbao Investment directly and indirectly through Zhongru Investment held approximately 73.8% equity interest of the Company in aggregate and is a Controlling Shareholder of the Company
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Board
“Reporting Period” or “2025” or “the Year”	the year beginning from 1 January 2025 and ending on 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State- owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“senior management”	senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders(s)”	holder(s) of the Share(s) of the Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“State”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Strategic Committee”	the Strategic Committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
“Supervisor(s)”	supervisors of the Company (effective from 30 June 2025, the Company will no longer establish the Board of Supervisors)
“Zhongming Zhiye”	Zhongming Zhiye Group Co., Ltd. (中明置業集團有限公司) (formerly known as Zhongming Zhiye Co., Ltd. (中明置業有限公司)), a company incorporated in the PRC with limited liability on 1 December 2016. As of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Therefore, Zhongming Zhiye is a connected person of the Company
“Zhongru Investment”	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (formerly known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As of the Latest Practicable Date, Zhongru Investment directly held 68.27% equity interest of the Company and is a Controlling Shareholder of the Company
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this annual report in connection with the Group and its business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“BOT”	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and maintenance of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the service supplied to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
“curtain wall”	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
“electrical and mechanical installation”	generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems
“EPC”	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction, testing and commissioning of an engineering project, or any combination of the above, either through the contractor’s own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project



DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“m ² ” or “sq.m.”	square meters
“PPP”	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
“prefabricated construction”	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
“steel structure(s)”	structural supporting elements comprising steel columns, girders and beams of a construction project
“VAT”	value-added tax



河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED