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河北建設集團股份有限公司

HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

(Stock Code: 1727)

**CONNECTED TRANSACTION
IN RELATION TO THE OFFICE BUILDING ACQUISITION AGREEMENT**

THE OFFICE BUILDING ACQUISITION AGREEMENT

The Board announces that, on 31 December 2019 (after trading hours), the Company and Baoding Zhucheng entered into the Office Building Acquisition Agreement, pursuant to which, Baoding Zhucheng proposed to sell and the Company proposed to acquire the Target Property at a consideration of RMB350 million for use as the Group's office premise.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively and Baoding Zhucheng is a subsidiary of Zhongming Zhiye, Baoding Zhucheng is a connected person of the Group. Hence, the Property Acquisition contemplated under the Office Building Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) thereof is higher than 0.1% but less than 5%, the Property Acquisition shall comply with the notification and announcement requirements but is exempted from the circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

The Board announces that, on 31 December 2019 (after trading hours), the Company and Baoding Zhucheng entered into the Office Building Acquisition Agreement, pursuant to which, Baoding Zhucheng proposed to sell and the Company proposed to acquire the Target Property at a consideration of RMB350 million for use as the Group's office premise.

II. THE OFFICE BUILDING ACQUISITION AGREEMENT

The principal terms of the Office Building Acquisition Agreement are set out below:

1. Date

31 December 2019

2. Parties

The Company (as the purchaser); and

Baoding Zhucheng (as the vendor).

3. The Target Property

Details of the Target Property are set out below:

Name:	Certain floors of the commercial office building of the Hebei Construction Business Center Project
No. of land use right certificate:	Ji (2017) Bao Ding Shi Bu Dong Chan Quan Di No. 0017012
Location:	Lugang Road, Baoding City, Hebei Province, the PRC
Above-ground area (m^2):	approximately 41,017.39
Nature of land use right:	Business and finance
Term of land use right:	From 11 July 2017 to 11 July 2057
Source of land use right:	Granted
Purpose:	Office and car parking
Appraisal value as at 30 September 2019 (RMB):	350 million

4. Consideration, Basis of Determination and Payment

The acquisition consideration of the Target Property is RMB350 million, which is determined based on the valuation results as set out in the Property Valuation Report issued by the Valuer upon its valuation of the Target Property on the valuation date, being 30 September 2019. According to the Property Valuation Report issued by the Valuer, the appraisal value of the Target Property is RMB350 million.

Both parties agree that, the Company shall settle the acquisition consideration of the Target Property in cash to Baoding Zhucheng in the amounts specified below:

- (1) RMB30 million shall be settled within five business days from the entering into of the Office Building Acquisition Agreement;
- (2) RMB170 million shall be settled by 30 May 2020;
- (3) RMB150 million shall be settled by 30 May 2021.

The overall development costs incurred by the Target Property upon being ready for delivery will be approximately RMB302.26 million.

5. Completion

Baoding Zhucheng shall deliver the Target Property to the Company before 5 January 2020.

Both parties agree that they will actively sign and prepare all the necessary documents related to the Property Acquisition, cooperate with each other to handle various approval procedures thereof and implement the Property Acquisition as agreed in the Office Building Acquisition Agreement since its effectiveness. In the implementation of the Property Acquisition, both parties shall provide each other with necessary assistance in the principle of good faith. The delivery of the Target Property by Baoding Zhucheng does not exempt it from the obligation to handle the completion examination acceptance filing and Baoding Zhucheng shall be responsible for obtaining the real estate certificate for the Company after handling the completion examination acceptance filing. The creditor registered on the real estate certificate shall be the Company.

Both parties agree that, the Target Property delivered by Baoding Zhucheng has no interior and exterior decoration and furnishing and the Company will conduct such decoration and furnishing and corresponding procurement of information facilities and ancillary equipment. All the fees incurred from the above-mentioned decoration and furnishing and procurement shall be contributed and borne by the Company.

III. REASONS FOR AND BENEFITS OF THE PROPERTY ACQUISITION

The Directors (including the independent non-executive Directors) are of the opinion that the Property Acquisition is conducted based on the following reason and is in the best interests of the Company:

The office building currently used by the Group is aging, which cannot fully meet the Group's demands in terms of space and staff accommodation capacity and requires upgrading with respect to office hardware. The acquisition of the Target Property by the Company from Baoding Zhucheng for use as the Group's own office premise is conducive for creating a more efficient, convenient and comfortable office environment and enhancing the work efficiency of the staff at the headquarters. Meanwhile, replacing the current office building with the newly acquired one will, to some extent, contribute to the promotion of the Group's overall image and its competitiveness.

In Baoding, there are relatively few office buildings that satisfy the office demands of the Group's headquarters, and it is difficult to seek other alternatives to replace the Target Property. Therefore, it is relatively necessary to use the Target Property as the office building of Group's headquarters. Through acquisition of the title of the Target Property, there is no need for the Company to enter into a building leasing agreement with Baoding Zhucheng, so that continuing connected transactions and large amounts of rent are avoided, which is beneficial to safeguard the independence of the Company and reduce routine operation expenses.

On 17 May 2019, the Company entered into the Equity Swap and Transfer Agreement with Zhongming Zhiye, pursuant to which, the Company disposed of partial equity interests of its certain subsidiaries to Zhongming Zhiye and acquired HCG Garden Engineering. For details, please refer to the announcement of the Company dated 17 May 2019 which is published on the website of The Stock Exchange of Hong Kong Limited. As the Property Acquisition is an independent decision made by the Company for the purpose of enhancing its operation efficiency, it is substantially different from the transactions contemplated under the Equity Swap and Transfer Agreement in terms of transaction nature and purpose.

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

IV. INFORMATION ON THE TARGET PROPERTY

The Target Property represents certain floors of the commercial office building of the Hebei Construction Business Center Project constructed by Baoding Zhucheng, which is located in Lugang Road, Baoding City, Hebei Province, the PRC and boasts of 21 above-ground floors (excluding the 4th, 5th and 6th floor) with an area of approximately 41,017.39 m², 3 under-ground floors and a total of 400 under-ground car parking spaces. Its land use right shall be effective for the period from 11 July 2017 to 11 July 2057. As of the date of this announcement, Baoding Zhucheng confirmed that, it had obtained the relevant licenses and approvals for the construction and pre-sale of the Target Property.

The book-value of the Target Property as of 30 September 2019 is RMB281.25 million. The overall costs incurred by the Target Property upon being ready for delivery is expected to be RMB327.26 million, which include the cost of land, construction cost, financial expenses, administrative costs, relative value-added tax expenses and the transaction taxes and fees. The appraised value of the Target Property is RMB350 million, taking into consideration of reasonable profit.

The Target Property has not been completed and accordingly, no revenue or loss was recorded for the two financial years ended 31 December 2017 and 2018.

V. INFORMATION ON THE COMPANY AND BAODING ZHUCHENG

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

Baoding Zhucheng is a company incorporated in the PRC on 29 June 2017 with limited liability and is held indirectly as to 51% by Zhongming Zhiye as at the date of this announcement. Baoding Zhucheng is the constructing unit of the Hebei Construction Business Center Project and is primarily engaged in, among others, real estate development and management; agency housing sales, and agency housing rentals.

VI. LISTING RULES IMPLICATIONS

As at the date of this announcement, as Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively and Baoding Zhucheng is a subsidiary of Zhongming Zhiye, Baoding Zhucheng is a connected person of the Group. Hence, the Property Acquisition contemplated under the Office Building Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) thereof is higher than 0.1% but less than 5%, the Property Acquisition shall comply with the notification and announcement requirements but is exempted from the circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VII. BOARD OPINION

As Mr. LI Baozhong, Mr. SHANG Jinfeng, Mr. LIU Yongjian, Mr. ZHAO Wensheng, Mr. LI Baoyuan and Mr. CAO Qingshe are interested in or hold management positions in the controlling shareholders of the Company and/or its associates and are therefore deemed to be connected to the Office Building Acquisition Agreement and the transactions contemplated thereunder, they have abstained from voting on the Board resolution to approve the entering into of the Office Building Acquisition Agreement. Save for those disclosed above, none of the other Directors has any material interest in the entering into of the Office Building Acquisition Agreement, and none of the other Directors is required to abstain from voting on the Board resolution to consider and approve the entering into of the Office Building Acquisition Agreement.

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

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baoding Zhucheng”	Baoding Zhucheng Real Estate Development Co., Ltd. (保定築誠房地產開發有限公司), a company incorporated in the PRC on 29 June 2017 with limited liability. As at the date of this announcement, Baoding Zhucheng is held indirectly as to 51% by Zhongming Zhiye
“Board”	the board of Directors of the Company
“Company”	Hebei Construction Group Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Swap and Transfer Agreement”	the equity swap and transfer agreement entered into between the Company and (among others) Zhongming Zhiye on 17 May 2019, in relation to the disposal of partial equity interests of certain subsidiaries of the Company and the acquisition of all the equity interests in HCG Garden Engineering, details of which are set out in the announcement dated 17 May 2019 published on the website of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries

“HCG Garden Engineering”	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on 26 February 2006, and a wholly-owned subsidiary of the Company as at the date of this announcement. Unless the context otherwise requires, its subsidiary(ies) is included
“Hebei Construction Business Center Project”	the project located in Lugang Road, Baoding City, Hebei Province, the PRC, with a site area of 35,197 m ² and total floor area of 236,395.72 m ² , including 168,008.47 m ² of above-ground floor area and 68,387.25 m ² of under-ground floor area
“Independent Shareholders”	shareholders of the Company other than Zhongru Investment and Qianbao Investment
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Office Building Acquisition Agreement”	the office building acquisition agreement entered into between the Company and Baoding Zhucheng in relation to the Property Acquisition on 31 December 2019
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property Acquisition”	the acquisition of the Target Property from Baoding Zhucheng by the Company in accordance with the Office Building Acquisition Agreement
“Property Valuation Report”	the property valuation report prepared by the Valuer concerning the valuation of the Target Property as at the valuation date of 30 September 2019
“Qianbao Investment”	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on 19 April 2010 with limited liability. As at the date of this announcement, Qianbao Investment directly and indirectly (through Zhongru Investment) holds approximately 73.8% equity interests of the Company in aggregate and is a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the Share(s) of the Company
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Target Property”	certain floors of the commercial office building of the Hebei Construction Business Center Project constructed by Baoding Zhucheng, which is located in Lugang Road, Baoding City, Hebei Province, the PRC and boasts of 21 above-ground floors with an area of 41,017.39 m ² , 3 under-ground floors and a total of 400 under-ground car parking spaces
“Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent professional and qualified valuer entrusted by the Company to value the Target Property and issue the Property Valuation Report thereon
“Zhongming Zhiye”	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated in the PRC on 1 December 2016 with limited liability. As at the date of this announcement, Zhongming Zhiye is owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the controlling shareholders of the Company, respectively
“Zhongru Investment”	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on 2 August 2010. As at the date of this announcement, Zhongru Investment directly holds approximately 68.3% equity interests of the Company and is a controlling shareholder of the Company
“%”	per cent

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

Hebei, the PRC
31 December 2019

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