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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2020-106



中國建築股份有限公司

CHINA STATE CONSTRUCTION ENGRG.CORP.LTD

## Announcement on the Granting of Shares under the Phase IV Restricted A Share Incentive Scheme

The Board of Directors of the Company and each member of the Board of Directors guarantee that the contents of the public announcement contain no false or misleading statements or major omission, and they are jointly and severally liable for the truthfulness, accuracy and completeness of the said contents.

### Important Notice:

- Date of share granting under the *Phase IV Restricted A Share Incentive Scheme*: December 23, 2020
- Number of shares granted under the *Phase IV Restricted A Share Incentive Scheme*: 912,036,000

As authorized by the 3rd Extraordinary General Meeting of China State Construction Engineering Corporation Limited (hereinafter, "CSCEC" or the "Company") held on December 7, 2020, the Company convened the 50th Meeting of the 2nd Board of Directors on December 23, 2020, which deliberated on and adopted the *Proposal on the Granting of the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*. As the conditions for the granting of shares under the *Phase IV Restricted A Share Incentive Scheme* (hereinafter, the "granting") have been met, the granting is agreed. The date of share granting under the *Phase IV Restricted A Share Incentive Scheme* (hereinafter, the "Share Scheme" or the "Scheme") is December 23, 2020, and 912.036 million restricted A shares will be granted to 2,765 Participants at the price of RMB 3.06 per share.

The details are as follows:

### I. Granting of Shares under the Phase IV Restricted A Share Incentive Scheme

(I) Decision-making Procedure and Information Disclosure with Respect to the Granting of Shares

On September 17, 2020, the 45th Meeting of the 2nd Board of Directors and the 27th Meeting of the 2nd Board of Supervisors of the Company deliberated on and adopted the *Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited (Draft)* and the *Implementation and Assessment Measures for the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*. The Company's Independent Directors issued independent opinions. The Company's Board of Supervisors expressed verification opinions.

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On October 14, 2020, the Company disclosed the *Announcement on the Approval of the Phase IV Restricted A Share Incentive Scheme by the State-Owned Asset Supervision and Administration Commission of the State Council*, stating that it is agreed in principle as specified in the *Approval (Guo Zi Kao Fen [2020] No. 527) by the State-Owned Asset Supervision and Administration Commission (SASAC)* that the Company may execute the *Phase IV Restricted A Share Incentive Scheme*.

On November 20, 2020, the 49th Meeting of the 2nd Board of Directors and the 31st Meeting of the 2nd Board of Supervisors of the Company deliberated on and adopted the *Proposal of China State Construction Engineering Corporation Limited Concerning the List of Participants of the Phase IV Restricted A Share Incentive Scheme and Shares Granted*. The Company's Independent Directors issued independent opinions. King & Wood Mallesons (Beijing) issued its Legal Opinions.

On December 2, 2020, the Company disclosed the *Review Opinions of the Board of Supervisors on the List of Participants of the Phase IV Restricted A Share Incentive Scheme and Notes on the Publicity Thereof*. The Company publicized the names and titles of the Participants on its Intranet, with the period of publicity being from November 21 to 30, 2020. During the publicity period, the Company did not receive any objections against the Participants.

On December 7, 2020, the 3rd Extraordinary General Meeting of the Company in 2020 deliberated on and adopted the *Proposal on Phase IV Restricted A Share Incentive Scheme (Draft) and Summary Thereof of China State Construction Engineering Corporation Limited*, the *Proposal of China State Construction Engineering Corporation Limited Concerning the List of Participants of the Phase IV Restricted A Share Incentive Scheme and Shares Granted*, and the *Proposal on the Administrative Measures for the Implementation and Assessment of the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*.

On December 8, 2020, the Company disclosed the *Self-Inspection Report on Transactions of the Company's Shares Involving People with Access to Insider Information about the Phase IV Restricted A Share Incentive Scheme*, and did not find any transactions of the Company's shares conducted by people with access to insider information about the Scheme by using the insider information thereof.

On December 23, 2020, the 50th Meeting of 2nd Board of Directors and the 33rd Meeting of the 2nd Board of Supervisors of the Company deliberated on and adopted the *Proposal on the Granting of Shares under the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*. The Company's Independent Directors issued independent opinions. The Company's Board of Supervisors expressed verification opinions. King & Wood Mallesons (Beijing) issued its Legal Opinions.

The Company has fulfilled its obligation of information disclosure in a timely manner in accordance with relevant laws and regulations. For the corresponding announcement on the above-mentioned matter, please visit the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) or see the relevant content published on *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, and *Securities Daily* on the same day.

(II) Notes on the Granting Conditions from the Board of Directors

According to the Share Scheme, the 2019 Annual Report of China State Construction Engineering Corporation Limited, and the results of personal performance assessment

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of the Incentive Participants in 2019, the conditions for granting restricted shares under the Share Scheme have been met. Specifically:

1. The Company's performance meets the granting conditions in the previous fiscal year.

Performance indicator	Granting conditions	Actual result in 2019
ROE	Not lower than 12% or the average level in the industry or the 50 <sup>th</sup> percentile of benchmark companies (4.28% or 9.73%)	16.07%
Net Profit Growth Rate (NPGR)	Not lower than 7% or the average level in the industry or the 50 <sup>th</sup> percentile of benchmark companies (13.8% or 9.39%)	14.19%
Economic value added (EVA)	The EVA target set by SASAC is fulfilled. (RMB 28.8 billion)	RMB 38.4 billion

2. The Company does not fall into any of the following circumstances:

(1) A Certified Public Accountant (CPA) issues an adverse opinion or a disclaimer of opinion over the financial statements for the most recent fiscal year;

(2) A Certified Public Accountant (CPA) issues an adverse opinion or a disclaimer of opinion over the internal control section of the financial statements for the most recent fiscal year;

(3) The Company has conducted any distribution of profits contrary to the laws, its *Articles of Association* or public undertakings within the most recent 36 months;

(4) Equity incentives are prohibited by relevant laws and regulations;

(5) Other circumstances prescribed by the CSRC.

3. The results of personal performance assessment of the Participants comply with relevant provisions of the *Share Scheme* in the previous fiscal year before the restricted shares are granted.

4. The Participants do not fall into any circumstances in which they are prohibited from becoming Participants or obtaining restricted shares under the *Share Scheme*.

### III. Specifics of Share Granting

1. Granting date: December 23, 2020

2. Number of shares granted: 912,036,000

3. Number of participants: 2,765

4. Granting price: RMB 3.06 per share

5. Source of shares: According to the *Announcement on the Outcome of Share Repurchase and Changes in Shareholdings*, the Company sources shares for the *Share Scheme* by repurchasing its A shares from the secondary market. As of December 14, 2020, the Company had repurchased 912,036,000 shares through centralized bidding.

6. Validity period, lock-up period, and unlocking arrangements

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(1) Validity period. The Share Scheme shall come into force on the day of its adoption by the General Meeting, and be terminated on the day when all the restricted shares granted based on the Share Scheme are unlocked/repurchased (unless the Share Scheme is terminated ahead of schedule) - the validity period lasts up to 10 years.

(2) Lock-up period. The lock-up period refers to two years after the restricted shares are granted. During the lock-up period, target shares (including target shares purchased by the Participants) to be granted to the Participants based on the Share Scheme shall be locked up, and may not be transferred, or used for provision of guarantees or debt repayment.

(3) Unlocking period. The unlocking period refers to three years after the expiry of the lock-up period. The Participants may unlock the restricted shares granted to them at equal intervals during the unlocking period of no less than three years. Where certain restricted shares fail to meet the conditions for unlock during the unlocking period, the Company shall repurchase them at the price set in the Share Scheme, and handle related matters in accordance with the *Company Law*.

Date	Unlocking ratio
2 years after the granting date	0
2 <sup>nd</sup> anniversary of the granting date	1/3
3 <sup>rd</sup> anniversary of the granting date	1/3
4 <sup>th</sup> anniversary of the granting date	1/3

## 7. List of Participants and share granting results

According to the approval by SASAC and the *Share Scheme*, the number of Participants under the *Share Scheme* shall not exceed 2,800 and the total number of shares granted shall not exceed 1 billion.

According to the *Proposal of China State Construction Engineering Corporation Limited Concerning the List of Participants of the Phase IV Restricted A Share Incentive Scheme and Shares Granted* deliberated on and adopted by the Board of Directors and the General Meeting of the Company, 2,765 Participants are finally qualified for share granting and willing to participate in the Share Scheme on a voluntary basis, and a total of 912,036,000 shares are granted. For details, see the *Proposal of China State Construction Engineering Corporation Limited Concerning the List of Participants of the Phase IV Restricted A Share Incentive Scheme* disclosed by the Company on the same day.

Title	Name	Number of restricted shares granted (10,000 shares)	% of granted shares to the total shares granted	% of granted shares to the Company's total equities
Secretary of the Board of Directors	Xue Keqing	72	0.08%	0.0017%
Backbone personnel (2,764)		91,131.6	99.92%	2.1716%
Total: 2,765		91,203.6	100.00%	2.1733%

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## **II. Verification of the List of Participants by the Board of Supervisors**

The Board of Supervisors verified the Participants to which the restricted shares were granted, and issued the following opinions:

1. The Participants under the *Share Scheme* are qualified in line with relevant laws and regulations, normative documents, and the *Articles of Association*, meet the eligibility conditions for incentive participants specified in the *Administrative Measures for Equity Incentives of Listed Companies*, fall within the scope of incentive participants specified in the *Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited (Draft)*, and have legitimate and valid qualification as Participants of the Phase IV Restricted A Share Incentive Scheme.
2. Apart from some Participants who waive their entitlement to the Phase IV Restricted Share Incentive Scheme, the list of Participants to which shares are granted this time is aligned with the list of Participants for the share scheme deliberated on and adopted at the 3rd Extraordinary General Meeting in 2020.
3. The conditions for granting restricted shares under the Phase IV Restricted A Share Incentive Scheme have been satisfied, and the Board of Supervisors therefore agrees that a total of 912,036,000 shares under the Phase IV Restricted A Share Incentive Scheme will be granted on December 23, 2020 to 2,765 Participants at a price of RMB 3.06 per share.

## **III. Trading of the Company's Shares Six Months before the Granting Date by Its Senior Executives Participating in the Share Scheme**

None of the Company's senior executives participating in the Share Scheme traded the Company's shares 6 months before the granting date.

## **IV. Impact of Share Granting to the Company's Financial Standing**

In accordance with the *Accounting Standards for Business Enterprises No. 11 - Share-Based Payments*, the Company adopts the following accounting method to measure and calculate the costs of the *Share Scheme*:

1. Accounting treatment on the granting date: upon receiving the share subscription payment from a Participant, the Company records it as bank deposit, resell treasury stock based on the cost of the treasury stock granted, adjusts capital reserves - equity premium, and accrues liabilities corresponding to the repurchase obligations associated with the *Share Scheme*.
2. Accounting method during the lock-up period: the Company adjusts the projected number of unlockable restricted shares based on relevant information updates on every balance sheet date before the restricted shares are unlocked, and records services provided by employees in each reporting period as costs and capital reserves - other capital reserves in line with the fair value of the restricted shares on the granting date. Costs of staff incentives incurred by the *Share Scheme* are disbursed as recurring profit or loss.
3. Accounting method on the lock-up expiry date: on the lock-up expiry date, if the restricted shares meet the conditions for lifting the trading restrictions, the amount recorded as capital reserves - other capital reserves is transferred to capital reserves - equity premium, and offset against the liabilities accrued against the repurchase obligations associated with the Equity Incentive Scheme on the granting date. If the

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trading restrictions are not lifted for all or part of the restricted shares, and such shares are therefore invalidated or canceled, accounting will be conducted on the shares actually repurchased. Related costs and expenses and the total owner's equity that have already been recognized will not be adjusted after the lock-up expiry date.

Total cost incurred by the *Share Scheme* are disbursed as administrative expenses. Without factoring in the positive effects of the Scheme on the Company's business performance, the amortization of the costs and expenses arising from the *Share Scheme* will affect the Company's net profits during the validity period thereof, but the effects will be limited. In view of the *Share Scheme*'s positive effects on the Company's business operations and development in terms of stimulating the management's and business teams' enthusiasm, improving productivity, and lowering operating costs, the improvement in the Company's business performance resulting from the *Share Scheme* will outweigh the increase in costs.

## **V. Conclusions of Legal Opinions**

King & Wood Mallesons (Beijing) issued the following legal opinions on matters concerning the granting of shares under the *Share Scheme*: (i) as of the date when these legal opinions were issued, necessary authorization and approval had been obtained for the granting of shares in the current phase; (ii) the granting date, participants of granting, and the number of granted shares are in compliance with the *Administrative Measures for Equity Incentives of Listed Companies*, the *Trial Measures for Implementing Equity Incentive Plans by State Holding Listed Companies (Domestic)*, the *Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies*, and the *Phase IV Restricted A Share Scheme of China State Construction Engineering Corporation Limited (Draft)*; (iii) the share granting conditions have been met, and the Company's granting of shares complies with the abovementioned regulations; (iv) this granting still requires the Company to fulfil relevant information disclosure obligation and go through relevant share granting registration procedures in accordance with relevant laws, regulations, and normative documents.

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited  
December 23, 2020