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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2020-113



中國建築股份有限公司  
CHINA STATE CONSTRUCTION ENGRG.CORP.LTD

## Announcement on the Provision of Entrusted Loan by Controlling Shareholder to CSCEC & Related-Party Transaction

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

- China State Construction Engineering Corporation Limited (hereinafter, "CSCEC" or the "Company"), its subsidiary China State Construction Finance Co., Ltd. (hereinafter, the "Finance Company"), and its controlling shareholder China State Construction Engineering Corporation (hereinafter, the "Group") signed the *Entrusted Loan Contract*, under which the Company receives an entrusted loan of RMB 1.5 billion provided by the Group via the Finance Company. The loan term is one year, and early repayment is allowed. The annualized interest rate on the loan is 2.99%
- This related-party transaction is effected on fair and rational commercial terms, with equitable and reasonable pricing. The transaction is conducted in line with the principle of being objective, fair and equitable and in the interest of the Company, causing no harm to the interests of the shareholders, particularly the minority shareholders. This transaction will not bring negative impacts to the Company.
- This matter does not need to be brought to the General Meeting for deliberation, and no guarantee is required.

### I. Overview of the Related-Party Transaction

1. CSCEC intends to sign the *Entrusted Loan Contract* with the Group and the Finance Company, under which the Group will provide an entrusted loan of RMB 1.5 billion to CSCEC via the Finance Company.
2. The provision of the entrusted loan by the Group, the Company's controlling shareholder, constitutes a related-party transaction for the Company, but does not constitute the material assets restructuring as specified in the *Measures for the Administration of the Material Asset Restructurings of Listed Companies*.

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3. As of the date of execution of this related party transaction, except for those that have been reviewed and approved by the General Meeting of Shareholders the Company, the related party transactions conducted between the Company and the Group in the past 12 months have not reached 5% of the latest audited net assets of the Company. Therefore, this related party transaction does not need to be submitted to the General Meeting of Shareholders of the Company for review.

## **II. About the Related Parties**

### **1. Relationship between the Company and the Group**

To date, the Group has held 56.31% of the shares issued by the Company, representing the controlling shareholder of the Company. Pursuant to Article 10.1.3 of the *Stock Listing Rules of the Shanghai Stock Exchange*, the Group is a related legal person of the Company.

### **2. About the Group**

With a registered capital of RMB 10 billion, the Group is a major central enterprise under the leadership and management of the State-owned Assets Supervision and Administration Commission of the State Council. Its registered address is No. 15 Sanlihe Road, Haidian District, Beijing. Its legal representative is Zhou Naixiang. The Group is mainly engaged in the following businesses: (i) management of state-owned assets within the scope authorized by the State Council; (ii) survey, design, construction, installation, and consulting for civil and construction projects at home and abroad; (iii) real estate management; (iv) decoration projects; (v) sculpture and mural business; (vi) the State's overseas economic assistance projects; (vii) contracting of foreign-invested projects in China, operation of overseas non-trade enterprises, utilization of foreign resources, capital and technologies for domestic labour cooperation, and export of equipment and materials required by overseas projects; (viii) production and dealing of building materials and other non-metallic mineral products, construction metal products, tools, construction engineering machinery and drilling machinery; (ix) import and export of goods, technologies and agent services; (x) project investment; (xi) real estate development; (xii) engineering prospecting and design; (xiii) construction project management; (xiv) technical consultation and technical services; and (xv) property management.

As of December 31, 2019, the audited assets of the Group had amounted to RMB 2.05 trillion, its net assets reached RMB 498.1 billion, its business revenue RMB 1.42 trillion, and its net profit RMB 63.4 billion.

## **III. Introduction to Other Entities Involved in the Related-Party Transaction**

The Finance Company is a subsidiary controlled by CSCEC, in which CSCEC holds 80% equities and the Group holds 20% equities. The Finance Company has a registered capital of RMB 10 billion, with its registered address being Unit 1, 30th Floor, Building 3, Courtyard 5, Anding Road, Chaoyang District, Beijing, and its legal representative being Yan Liangjun. The company is mainly engaged in the following businesses: (i) providing financial and financing consulting, credit verification and related consulting and agency services for its member entities; (ii) assisting its member entities with the receipt and payment of transaction funds; (iii) providing approved insurance agency services; (iv) providing guarantee for its member entities; (v) dealing with entrusted loans between its member entities; (vi) dealing with bill acceptance and discount for its member entities; (vii) handling internal transfer settlements among its

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member entities and designing the corresponding settlement and liquidation plans; (viii) absorbing deposits from its member entities; (ix) handling loans and financial leases for its member entities; (x) carrying out interbank lending; (xi) investing in securities (except stock investment); and (xii) conducting local and foreign currency services for the above-mentioned businesses.

As of December 31, 2019, the audited assets of the Finance Company had amounted to RMB 95.9 billion, its net assets reached RMB 8 billion, its business revenue RMB 2.1 billion, and its net profit RMB 500 million.

#### **IV. Overview of the Related-Party Transaction**

1. Name and type of transaction: entrusted loan;
2. Loan amount: RMB 1.5 billion;
3. Loan interest rate and pricing basis: 2.99% on the basis of being no higher than the interest rates on one-year loans offered recently by main cooperative banks to CSCEC; the interest rate is fair and reasonable;
4. Loan term: one year; early repayment is allowed.
5. Loan usage: the principal borrowed under the contract is to be used for daily operations;
6. Conditions for contract validity: The contract is to be signed after being deliberated on and approved by the Board of Directors; the contract will become effective as of the date when the parties sign and stamp the contract and the fund is transferred to the Finance Company's account.

#### **V. Impacts of the Related-Party Transaction on the Company**

This related-party transaction will help CSCEC acquire fund at a lower cost, reflecting the policy support of the controlling shareholder for listed companies. This related-party transaction is effected on fair and rational commercial terms, and in line with the interests of all shareholders of the Company. The annualized interest rate on the loan is 2.99%, and an expected annual interest of RMB 44.85 million on the loan of RMB 1.5 billion will be accrued. This will not bring material impacts to the Company's independence and its business performance in the current period.

#### **VI. Deliberation Procedure for the Related-Party Transaction**

##### **1. Approval procedure**

This related-party transaction only needs to be brought to the Company's Board of Directors for deliberation and does not constitute a matter for deliberation by its General Meeting. The 51st Meeting of the Company's 2nd Board of Directors deliberated on and adopted the *Proposal on the Provision of Entrusted Loan by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited*.

According to regulatory requirements and the Company's *Articles of Association*, the related directors shall withdraw from the Meeting of the Board of Directors when deliberating on matters concerning the related-party transaction. All of the seven members of the Company's Board of Directors cast their votes at the Meeting. As related directors, Mr. Zhou Naixiang, Mr. Zheng Xuexuan, and Mr. Zhang Zhaoxiang withdrew from the voting process, while the other four Independent Directors with

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voting right unanimously voted in favour of and adopted this related-party transaction. The number of directors participating in the voting constituted a quorum, and the Meeting and voting were deemed to be legally and validly.

The 34th Meeting of the Company's 2nd Board of Supervisors deliberated on and adopted the *Proposal on the Provision of Entrusted Loan by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited*. The five Supervisors of the Company unanimously voted for and adopted the proposal.

## **2. Opinions of Independent Directors**

The Independent Directors received relevant materials about this matter before the 51st Meeting of the Company's 2nd Board of Directors, carefully reviewed such materials against relevant laws and regulations, and expressed their prior approval. They also issued the following independent opinions:

(1) The provision of an entrusted loan of RMB 1.5 billion to the Company by the Group, its controlling shareholder, constitutes a related-party transaction.

(2) The entrusted loan will be used mainly for replenishing the Company's daily operating funds. The loan term is one year and the interest rate on the loan is 2.99%, which is in line with the fair and rational commercial transaction principle. This transaction will not bring harm to the interests of the Company and its shareholders, particularly its minority shareholders, nor will it impact the Company's business independence and business performance in the current period.

(3) The related directors withdrew from the voting process during the deliberation on the proposal by the Board of Directors, and the voting procedure was in compliance with relevant laws, regulations, and the *Articles of Association*.

In summary, they gave their consent to the *Proposal on the Provision of Entrusted Loan by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited*.

## **VII. List of Documents for Future Review**

1. Resolutions of the 51st Meeting of the 2nd Board of Directors of China State Construction Engineering Corporation Limited
2. Resolutions of the 34th Meeting of the 2nd Board of Supervisors of China State Construction Engineering Corporation Limited
3. Prior Approval Opinions from Independent Directors on the Provision of Entrusted Loan by China State Construction Engineering Corporation to CSCEC
4. Independent Opinions from Independent Directors on the Provision of Entrusted Loan by China State Construction Engineering Corporation to CSCEC

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited  
December 29, 2020