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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2021-043



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 Group will provide an entrusted loan of RMB 1.4 billion via the Finance Company to the Company. The loan term is one year, and early repayment is allowed. The annualized interest rate on the loan is 2.99%
- CSCEC, the Finance Company the Group signed the *Entrusted Loan Contract*, under which the Group will provide an entrusted loan of RMB 60 million via the Finance Company to the Company. The loan term is three years, and early repayment is allowed. The annualized interest rate on the loan is 3.8%
- These two related-party transactions are effected on fair and rational commercial terms, with equitable and reasonable pricing. The transactions are 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. The transactions 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 1.4 billion to CSCEC 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%

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2. 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 60 million to CSCEC via the Finance Company. The loan term is three years, and early repayment is allowed. The annualized interest rate on the loan is 3.8%

3. The provision of these two entrusted loans 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*.

4. As of the date of execution of these two related party transactions, except for those that have been disclosed, the related party transactions conducted between the Company and the Group in the past 12 months have reached RMB 1.657 billion (including these two related party transactions reviewed this time), accounting for 0.55% of the Company's latest audited net assets attributable to shareholders of the Company. These two related-party transactions only need to be brought to the Company's Board of Directors for deliberation, with no need to be brought to the General Meeting for deliberation.

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, 2020, the audited assets of the Group had amounted to RMB 2.21 trillion, its net assets reached RMB 574 billion, its business revenue RMB 1.62 trillion, and its net profit RMB 70.542 billion.

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III. Introduction to Other Entities Involved in the Two Related-Party Transactions

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 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, 2020, the audited assets of the Finance Company had amounted to RMB 111.8 billion, its net assets reached RMB 12.4 billion, its business revenue RMB 2.6 billion, and its net profit RMB 600 million.

IV. Overview of the Related-Party Transaction

(I) Entrusted Loan of RMB 1.4 billion

1. Entrusted loan amount: RMB 1.4 billion;
2. Trustor: the Group;
3. Borrower: CSCEC;
4. Agent: the Finance Company;
5. Term: one year (early repayment is allowed);
6. Interest rate: 2.99%, 86BP lower than one-year LPR in the same period, which is fair and reasonable;
7. Purpose of entrusted loan: daily operation of CSCEC.

(II) Entrusted Loan of RMB 60 million

1. Entrusted loan amount: RMB 160 million;
2. Trustor: the Group;
3. Borrower: CSCEC;
4. Agent: the Finance Company;
5. Term: 3 years (both parties may renew or terminate this agreement as required);
6. Interest rate: 3.8%, 5BP lower than one-year LPR in the same period, which is fair and reasonable;

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7. Purpose of entrusted loan: R&D projects of CSCEC's subsidiaries.

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

These two related-party transactions would help the Company raise capital at lower cost. These two related-party transactions would cause no harm to the interests of the Company and its shareholders, particularly its minority shareholders. These two related-party transactions are effected on fair and rational commercial terms, in line with the interests of all shareholders of the Company, and 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

These two related-party transactions only need to be brought to the Company's Board of Directors for deliberation and do not constitute a matter for deliberation by its General Meeting. The 2nd meeting of the Company's 3rd Board of Directors deliberated on and adopted the *Proposal on the Provision of Entrusted Loan of RMB 1.4 Billion by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited* and the *Proposal on the Provision of Entrusted Loan of RMB 60 Million 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 voting right unanimously voted in favour of and adopted these two related-party transactions. The number of directors participating in the voting constituted a quorum, and the Meeting and voting were deemed to be legally and validly.

The 2nd meeting of the Company's 3rd Board of Supervisors deliberated on and adopted the *Proposal on the Provision of Entrusted Loan of RMB 1.4 Billion by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited* and the *Proposal on the Provision of Entrusted Loan of RMB 60 Million 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 proposals.

2. Opinions of Independent Directors

The independent directors received relevant materials about these two related party transactions before the 2nd meeting of the 3rd Board of Directors of the Company, carefully reviewed such materials against relevant laws and regulations, and expressed their prior approval.

Independent directors of the Company issued independent opinions on the entrusted loan of RMB 1.4 billion. They held that: (1) The provision of an entrusted loan of RMB

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1.4 billion to the Company by the Group, its controlling shareholder, constitutes a related-party transaction. (2) The entrusted loan will be used mainly for the Company's daily operating, which could help the Company control the scale of external interest-bearing liabilities and raise capital at lower costs. 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 of RMB 1.4 Billion by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited*.

Independent directors of the Company issued independent opinions on the entrusted loan of RMB 60 million. They held that: (1) The provision of an entrusted loan of RMB 60 million to the Company by the Group, its controlling shareholder, constitutes a related-party transaction. (2) The entrusted loan will be used mainly for R&D projects of CSCEC's subsidiaries. The loan term is three years and the interest rate on the loan is 3.8%, which is fair and rational. 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 of RMB 60 Million by China State Construction Engineering Corporation to China State Construction Engineering Corporation Limited*.

VII. Overview of Historical Related-Party Transactions

As of the date of execution of these two related party transactions, except for those that have been disclosed, the related party transactions conducted between the Company and the Group in the past 12 months have reached RMB 1.657 billion (including these two related party transactions reviewed this time), accounting for 0.55% of the Company's latest audited net assets attributable to shareholders of the Company.

In the 12 months prior to these transactions, the progress of major related-party transactions including outbound investment disclosed by the Company and the Group is as follows: the 48th meeting of the 2nd Board of Directors and the 30th meeting of the 2nd Board of Supervisors have deliberated on and adopted the *Proposal for the Company and Its Controlling Shareholder to Jointly Increase Capital in China State Construction Finance Co., Ltd. & Proposal on Related Party Transaction* on November 9, 2020. The Company and the Group are to increase capital in cash in the Finance Company in proportion to their respective shareholding ratios in the Finance Company, of which the Company will increase RMB 3.2 billion and the Group RMB 800 million. For details, please refer to the *Announcement on the Joint Increase of Capital by the Company and Its Controlling Shareholder in China State Construction Finance Co.,*

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Ltd. & Related Party Transaction issued by the Company on November 10, 2020. The related-party transaction has been completed.

VIII. List of Documents for Future Review

1. Resolutions of the 2nd Meeting of the 3rd Board of Directors of China State Construction Engineering Corporation Limited
2. Resolutions of the 2nd Meeting of the 3rd Board of Supervisors of China State Construction Engineering Corporation Limited
3. Prior Approval Opinions from Independent Directors on the Provision of Entrusted Loan of RMB 1.4 Billion by China State Construction Engineering Corporation to CSCEC
4. Independent Opinions from Independent Directors on the Provision of Entrusted Loan of RMB 1.4 Billion by China State Construction Engineering Corporation to CSCEC
5. Prior Approval Opinions from Independent Directors on the Provision of Entrusted Loan of RMB 60 Million by China State Construction Engineering Corporation to CSCEC
6. Independent Opinions from Independent Directors on the Provision of Entrusted Loan of RMB 60 Million by China State Construction Engineering Corporation to CSCEC

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited
July 23, 2021