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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2020-030



中國建築股份有限公司

CHINA STATE CONSTRUCTION ENGRG . CORP. LTD

Announcement on Profit Distribution for 2019

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 misunderstanding statements or major omission, and they are jointly and severally liable for the truthfulness, accuracy and completeness of the said contents.

Important Notes:

- Distribution ratio per share: Cash dividend of RMB 0.185 (tax included).
- The profit distribution is based on the total share capital registered on the equity registration date of the implementing of rights and interests distribution. The date will be specified in the announcement on the implementing rights and interests distribution.
- If the total share capital of the Company changed before the equity registration date for the implementation of the equity distribution, it is proposed to maintain the distribution ratio per share and adjust the total distribution amount accordingly. Relevant announcement of the specific adjustments would be issued separately.
- A brief explanation of the reason why the cash dividend ratio of this year is less than 30%: considering characteristics of the industry the Company is engaged in, and the development stage and business model, the Company requires a large amount of funds to maintain daily operating turnover, and it needs to accumulate appropriate retained earnings to respond to funding problems in the development process.

I. Main Contents of the Profit Distribution Plan

It is audited by PWC Zhongtian (special general partnership). As of December 31, 2019, the Company's net profit available for distribution to common shareholders was RMB 19.702 billion. Upon resolution of the Board of Directors, the Company's 2019 profit distribution plan is as follows:

The Company intends to distribute cash dividends of RMB 1.85 (tax included) for every 10 shares to all shareholders. As of the date of disclosure, the Company's total share capital was 41,965,071,511. Based on this, the total proposed cash dividend was RMB 7.764 billion (tax included). The Company's cash dividends this year accounted for 18.53% of the net profit attributable to shareholders of the parent company in the consolidated statement.

From the date of disclosure of this announcement to the equity registration date of the implementation of equity distribution, if the total share capital of the Company changes due to share repurchase, repurchase and cancellation of shares granted by equity incentive, etc., it is proposed to maintain the distribution ratio per share and adjust the

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total distribution amount accordingly. If the total share capital changes subsequently, specific adjustments will be announced separately.

The profit distribution plan is subject to be submitted to the shareholders' conference for consideration.

II. Explanation of Cash Dividend Ratio lower than 30% in This Year

During the reporting period, the net profit attributable to shareholders of the listed company in the consolidated statement of the listed company was RMB 41.881 billion, the cumulative undistributed profit of the parent company was RMB 19.702 billion, and the total cash dividend to be distributed by the listed company was RMB 7.764 billion, accounting for less than 30% of the net profit for shareholders of the listed company this year. The specific reasons are as follows.

(I) Industrial Status Quo and Characteristics

The construction industry in which the Company is engaged is fully competitive. The profit of traditional construction business is gradually decreasing. Green buildings, prefabricated buildings and intelligent buildings have become new directions for the development of the industry. The construction industry is transforming from labor-intensive to technology-and-knowledge intensive. To hedge the impact of the epidemic on the economy, fiscal and financial policies have become more proactive and flexible, and countercyclical adjustments have been gradually increased, creating a good development environment for the construction industry. The rapid progress of new infrastructure construction such as 5G networks and data centres has brought new momentum to the construction industry.

(II) The Company's Development Stage and Business Model

In 2019, the Company's new contract value and operating revenue hit a record high, and its global competitiveness and brand influence continued to improve. The Company actively engaged in major national strategies, fully implementing policies on the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic Belt, the construction of Guangdong-Hong Kong-Macao Greater Bay Area and other national and regional coordinated development strategies. It implements the Belt and Road initiative, and effectively pursue the strategy of "prioritizing overseas markets". It is committed to building a world-class enterprise group with global competitiveness.

(III) Profitability and Capital Requirements of the Company

Since the listing of CSCEC, the return on net assets has been stable at more than 14%, which has created a stable return on investment for shareholders. To ensure resumption of projects under construction and the restoration of production, and to undertake new projects smoothly, the Company needs to retain more cash assets than in previous years. In addition, as the Company enhances its reform and innovation, it needs to increase input in innovative businesses and new technologies.

(IV) Reasons for the Company to Retain a Certain Percentage of Retained Earnings

At present, COVID-19 is still spreading rapidly around the world, and the downward pressure on the world economy continues to increase. In order to enhance the ability to resist risks, it is objectively necessary to retain a certain amount of earnings. The retained earnings accumulated by the Company over the years belong to all investors. As the Company accelerates its transformation from high-speed to high-quality

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development, the Company's profitability will steadily increase, and investors will be able to enjoy more generous returns in the future.

(V) Purpose of Retaining Earnings and the Estimated Revenue

The retained earnings will be used to support it in seizing strategic development opportunities and meeting daily needs for business turnover. The Company is committed to continuously improving the overall value and providing stable and lasting returns to shareholders. CSCEC has maintained a stable dividend policy over the years. The cash dividend per share in 2019 increased by 10.05% compared with the previous year, reflecting the steady development of the Company and its ability to keep issuing dividends. In 2020, the Company will focus on the development goal of "One Creation and Five Aspects of Strength" to create more values, achieve excellent operating performance and provide better return for shareholders.

III. Decision-making Procedures of the Company

(I) The Convening, Deliberation and Voting of Board Meetings

The Company held the 37th meeting of the second session of the Board of Directors on April 24, 2020, with 6 votes in favour, 0 votes against, and 0 abstentions on the *Proposal on 2019 Profit Distribution Plan for China State Construction Engineering Corporation Limited*.

(II) Opinions of Independent Directors

The independent directors believe that in order to continuously and steadily provide returns to shareholders and engage shareholders in the Company's growth and development results, in consideration of factors such as external macroeconomic situation, industrial characteristics, development stage, funding needs, and the impact of the epidemic, the Company has proposed measures for 2019 that as of the disclosure date, 41,965,071,511 shares are counted as the base for a cash dividend of RMB 1.85 (tax included) distributed to all ordinary shareholders for every 10 shares. If the total share capital of the Company changed before the equity registration date for the implementation of the equity distribution, it is proposed to maintain the distribution ratio per share and adjust the total distribution amount accordingly. Relevant announcement of the specific adjustments would be issued separately. The distribution plan complies with the provisions on cash dividends of the Articles of Association. The level of cash dividends is reasonable. It guarantees reasonable returns for investors and the Company's sustainable development. It meets the Company's long-term development needs but does not damage interests of minority shareholders. It is agreed to pass and submit the Proposal on Profit Distribution Plan 2019 to the 2019 general meeting for deliberation.

(III) Opinions from the Board of Supervisors

The Company held the 19th meeting of the second session of the Board of Supervisors on April 24, 2020, with 5 votes in favour, 0 votes in objection, and 0 abstentions on the *Proposal on 2019 Profit Distribution Plan for China State Construction Engineering Corporation Limited*. The profit distribution plan and decision-making procedure are believed to be in line with laws and regulations, the Articles of Association and internal management requirements in consideration of expectations of the capital market, overall cash flow arrangements and the impact of the epidemic. It not only enables investors to obtain a reasonable return on investment, but also takes into consideration the Company's production and operation in the interest of long-term development for the Company and all shareholders. It is agreed to submit this plan to the general meeting for approval.

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IV. Risk Tips

1. This profit distribution plan fully considers the industrial characteristics, the Company's development stage and its own business model, future capital needs and other factors, and will not have a significant impact on the Company's cash flow in operation, nor will it affect the Company's normal operation and long-term development.
2. The profit distribution proposal still needs to be submitted to the Company's 2019 Annual General Meeting for review and approval before it can be implemented.
3. Media outlets designated by the Company for information disclosure are *China Securities Journal*, *Shanghai Securities News*, *Securities Daily*, *Securities Times* and the Website of Shanghai Stock Exchange (www.sse.com.cn). Relevant information is subject to the announcements published in the above-mentioned designated media outlets. Investors are requested kindly to pay attention to that.

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited
April 24, 2020