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**中國建築股份有限公司**

CHINA STATE CONSTRUCTION ENGRG . CORP. LTD

## **Announcement on the Joint Increase of Capital by the Company and Its Controlling Shareholder in China State Construction Finance Co., Ltd. & 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 misunderstanding 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") and China State Construction Engineering Corporation (hereinafter, the "Group") have jointly increased capital in cash in China State Construction Finance Co., Ltd. (Hereinafter, the "Finance Company") in proportion to their respective shareholding ratios in the Finance Company. The Company increased its capital by RMB 3.2 billion and the Group by RMB 800 million. This matter does not need to be submitted to the General Meeting of Shareholders for deliberation.
- This related party transaction was effected on fair and rational commercial terms, with equitable and reasonable pricing. It was 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.

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

1. 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. The Company increased its capital by RMB 3.2 billion and the Group by RMB 800 million. Upon completion of the capital increase, the registered capital of the Finance Company will increase to RMB 10 billion.
2. This matter constitutes a related party transaction for the Company, but does not constitute a material assets reorganization as specified in the *Administrative Measures for the Material Assets Reorganization of Listed Companies*.
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.

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## **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 2.0484 trillion, its net assets (attributed to the shareholders of the parent company) reached RMB 140.9 billion, its main business revenue RMB 1.422 trillion, and its net profit RMB 63.4 billion.

## **III. Overview of the Subject Matter of the Related Party Transaction**

### **1. About the Finance Company**

The Finance Company has a registered capital of RMB 6,000 million, 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.

### **2. Shareholders and Equity Structure of the Finance Company**

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The registered capital of the Finance Company is RMB 600 million, of which the Company contributed RMB 480 million, with a shareholding ratio of 80%, and the Group contributed RMB 120 million, with a shareholding ratio of 20%.

### **3. Main Financial Indicators of the Finance Company for the Previous Year and the Latest Quarter**

As reflected in the audit of the Finance Company's financial statements carried out by PricewaterhouseCoopers Zhong Tian LLP, by December 31, 2019, the Finance Company's audited assets had totalled RMB 95.9 billion, its net assets RMB 8.02 billion, main business revenue RMB 2.08 billion, and net profit RMB 460 million.

As of September 30, 2020, the total assets of the Finance Company had amounted to RMB 95.2 billion, its net assets RMB 8.27 billion, its main business revenue RMB 1.94 billion, and its net profit of RMB 450 million. (The above data have not been audited)

### **4. Pricing Principle and Method for the Capital Increase**

The Company and the Group increase capital by RMB 4 billion in cash in the Finance Company according to their original shareholding ratios at the price of RMB 1 per Yuan of its registered capital. The Company increased its capital by RMB 3.2 billion and the Group by RMB 800 million.

## **IV. Arrangements for the Fulfilment of Obligations Regarding the Related Party Transaction**

The Company intends to enter into a Capital Increase Agreement with the Group and the Finance Company for the above-mentioned related party transaction. The Agreement mainly includes the following contents:

1. Method of capital increase: The Company and the Group increase capital in cash in the Finance Company in proportion to their original shareholding ratios at the price of RMB 1 per Yuan of its registered capital.

2. Arrangements for capital increase: The Finance Company intends to increase its registered capital by RMB 4 billion, while the Company and the Group subscribe to all of the added capital of the Finance Company in proportion to their original shareholding ratios in the Finance Company. The Company subscribes to the contribution of RMB 3.2 billion with RMB 3.2 billion in cash, while the Group subscribes to the contribution of RMB 800 million with RMB 800 million in cash. Upon completion of this capital increase, the registered capital of the Finance Company will be RMB 10 billion, the contribution by the Company will amount to RMB 8 billion, accounting for 80% of the registered capital, and the contribution by the Group will be RMB 2 billion, accounting for 20% of the registered capital.

3. Payments for the capital increase: The Company and the Group shall make full payments for the capital increase to the bank account of the Finance Company within 30 work days after the Capital Increase Agreement becomes effective and the preconditions for this capital increase are met.

4. Conditions for the validation and execution of the Capital Increase Agreement:

(1) This Agreement shall become effective as of the date of signing and sealing by the legal representatives or the authorized representatives of the three parties.

(2) For each related party, its capital increase obligation is based on the satisfaction of the following conditions:

① All necessary consents and approvals with respect to the Capital Increase Agreement, the revised *Articles of Association* and the proposed capital increase

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thereunder are obtained, including but not limited to all relevant regulatory approvals from the approval authorities; ② the amendment to the *Articles of Association* reflecting this capital increase is adopted by the shareholders' meeting of the Finance Company and signed by the related parties; ③ the statements and warranties made by all other related parties in the Capital Increase Agreement are authentic and accurate, there are no misleading statements on or before the due date of payments, and all related parties fulfil their capital increase obligations in accordance with the Capital Increase Agreement.

If any of the above-mentioned preconditions is not satisfied or waived within 90 work days after the Capital Increase Agreement is signed, this capital increase shall be deemed to be cancelled, and the parties do not need to make capital increase payments as agreed in Article 2 of the Capital Increase Agreement or bear any liabilities for breach of contract.

5. Liabilities for breach of contract: After the Capital Increase Agreement is signed, if any party fails to fulfil its obligations as agreed thereunder, or violates its statements, warranties or commitments, this will be deemed to be a breach of contract. The defaulting party shall compensate the non-defaulting parties for the losses caused by its default.

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

1. This capital increase is made by the Company and the Group to the Finance Company in proportion to their original shareholding ratios. Upon completion of the capital increase, the shareholding ratio of the Company in Finance Company remains unchanged.

2. This related party transaction is in line with the principle of being open, fair and equitable. This transaction will improve the Finance Company's capital adequacy, help it meet the regulatory requirements of the China Banking and Insurance Regulatory Commission ("CBIRC") for the capital adequacy ratio, enhance its ability to resist risks and respond to business needs, satisfy its needs for business development, and serve the interests of its shareholders. Besides, the Company's main operations will not become dependent on the related parties due to this related party transaction.

## **VI. Deliberation Procedure for This Related Party Transaction**

### **1. Approval procedure**

This related party transaction only needs to be submitted to the Company's Board of Directors for deliberation and does not constitute a matter for deliberation by its General Meeting of Shareholders. The 48th Meeting of the 2nd Board of Directors of the Company has 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*.

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. The Company's Board of Directors has six members, all of whom cast their vote at the Meeting. As related directors, Mr. Zhou Naixiang and Mr. Zheng Xuexuan withdrew from the voting process, while the other four independent directors with 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.

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The 30th Meeting of the 2nd Board of Supervisors has 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*. The Company's five supervisors unanimously voted in favour of the Proposal.

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

The independent directors received relevant materials about this related party transaction before the 48th Meeting of the 2nd Board of Directors of the Company, carefully reviewed such materials against relevant laws and regulations, and expressed their prior approval.

They also issued the following independent opinions:

(1) The Company and the Group increase capital by RMB 4 billion in cash in the Finance Company according to their original shareholding ratios, i.e. 80% and 20%, respectively at the price of RMB 1 per Yuan of its registered capital, wherein the Company increase its capital by RMB 3.2 billion and the Group by RMB 800 million. We have expressed prior approval of this related party transaction before this matter is submitted to the Board of Directors for deliberation.

(2) This capital increase is made by the Company and the Group to the Finance Company in proportion to their original shareholding ratios. Upon completion of the capital increase, the registered capital of the Finance Company will be increased from RMB 6 billion to RMB 10 billion. The shareholding ratios of the Company and the Group in the Finance Company will remain unchanged.

(3) This capital increase will improve the Finance Company's capital adequacy, help it meet the regulatory requirements of the CBRIC for the capital adequacy ratio, and enhance its ability to resist risks and respond to business needs.

(4) This related party transaction was conducted in line with the principle of being objective, fair and just and the Company's needs for business development, causing no harm to the interests of the shareholders, particularly the minority shareholders. This transaction will not bring negative impacts to the Company. We hereby approve 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*.

(5) According to the Company's *Articles of Association*, this related party transaction does not need to be submitted to the General Meeting of Shareholders for deliberation. The related directors have withdrawn from the voting, and the voting procedure was in compliance with relevant laws, regulations and the provisions of the Company's *Articles of Association*.

## **3. Approval by regulatory authorities**

According to the *Administrative Measures for Finance Companies of Enterprise Groups*, any change of the registered capital, change of shareholders, adjustment of the equity structure, or revision of articles of association of the finance company shall be reported to the CBRIC for examination and approval. The joint capital increase by the Company and the Group in the Finance Company is subject to approval by the CBRIC.

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

1. Resolution of the 48th Meeting of the 2nd Board of Directors
2. Resolution of the 30th Meeting of the 2nd Board of Supervisors

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3. Prior Approval by Independent Directors on the Joint Increase of Capital by the Company and Its Controlling Shareholder in China State Construction Finance Co., Ltd. & Related Party Transaction

4. Independent Opinions of Independent Directors on the Joint Increase of Capital by the Company and Its Controlling Shareholder in China State Construction Finance Co., Ltd. & Related Party Transaction

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited  
November 9, 2020