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Stock code: 601668	Abbreviation: CSCEC	No.: Interim 2020-111
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中國建築股份有限公司
CHINA STATE CONSTRUCTION ENGRG.CORP.LTD

Announcement on the Renewal of the Comprehensive Service Framework Agreement between China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation & Daily 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:

- This daily related-party transaction needs to be submitted to the General Meeting for deliberation.
- The impact of this daily related-party transaction on the Company: This daily related-party transaction causes no harm to the interests of the Company and its minority shareholders, nor does it bring adverse impact to the Company's current and future financial standing and business performance.
- Other matters that need to be brought to the attention of investors: none

I. Basic Information on Daily Related-Party Transaction

(I) Overview

In order to continue to properly manage the related-party transactions of China State Construction Engineering Corporation Limited (hereinafter, "CSCEC" or the "Company"), the Company intends to renew the *Comprehensive Service Framework Agreement between China State Construction Engineering Corporation and China State Construction Engineering Corporation Limited* (hereinafter, the "Comprehensive Service Framework Agreement") with China State Construction Engineering Corporation (hereinafter, the "Group") with respect to related-party transactions arising from sales, procurement, commercial factoring service, finance lease, property rental and other business between the Company and the Group and its subsidiaries (excluding CSCEC and its subsidiaries).

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(II) Deliberation Procedure

On December 29, 2020, the 51st Meeting of the Company's 2nd Board of Directors deliberated on and adopted the *Proposal on the Renewal of the Comprehensive Service Framework Agreement between China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation* and agreed to submit this proposal to the General Meeting for deliberation. Related shareholders should withdraw from voting on this proposal at the General Meeting.

When deliberating on this proposal, related directors Zhou Naixiang, Zheng Xuexuan and Zhang Zhaoxiang withdrew from voting, and non-related directors unanimously agreed on the proposal.

With prior approval, the independent directors of the Company agreed to submit the *Proposal on the Renewal of the Comprehensive Service Framework Agreement between China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation* to the Board of Directors for deliberation and, up approval thereby, submit the same to the General Meeting for deliberation.

Independent directors of the Company issued independent opinions on the related-party transaction involved in this proposal. They held that the renewal of the *Comprehensive Service Framework Agreement* between the Company and the Group (the controlling shareholder of the Company) constituted a related-party transaction, which was based on the Company's business characteristics and normal operating needs, subject to reasonable and fair pricing in line with the market price, harmless to the lawful interests of the Company and all of its shareholders, particularly its minority shareholders, and conducive to the stable operations of the Company. According to the *Articles of Association*, the related directors withdrew from the voting on the said proposal during the deliberation thereon by the Board of Directors, and the voting procedure was in compliance with relevant laws, regulations, and the *Articles of Association*. As a result, the Board of Directors agreed to submit the *Proposal on the Renewal of the Comprehensive Service Framework Agreement between China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation* to the General Meeting for deliberation.

(III) Forecast and Implementation of the Previous Daily Related-Party Transactions

As approved by the 2019 Annual General Meeting, the Company and the Group signed the *2020 Comprehensive Service Framework Agreement*. The expected amounts incurred by related-party transactions in 2020 under the agreement and the implementation thereof are detailed as follows:

Unit: RMB 100,000,000

Type of Related-Party Transaction	Related Party	Expected amount incurred in 2020	Actual amount incurred in 2020 (as of October 31, 2020)
Related sales	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	25	9.6
	CSCEC Taixing Water Co., Ltd.		
	CSCEC Water and Environment Protection Co., Ltd.		
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.		

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	CSCEC Dingchuang Environment Protection Technology Co., Ltd.		
	CSCEC Water Fengning Investment Co., Ltd.		
	Others		
Related procurement	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	30	25.3
	CSCEC E-commerce Co., Ltd.		
	CSCEC Water and Environment Protection Co., Ltd.		
	China Construction Aluminum New Material Co., Ltd.		
	China Construction Aluminum New Material (Chengdu) Co., Ltd.		
	China Construction Aluminum New Material (Fujian) Co., Ltd.		
	China Construction Aluminum New Material (Guangdong) Co., Ltd.		
	China Construction Aluminum New Material (Henan) Co., Ltd.		
	Others		
Business factoring service	The Group and its subsidiaries	Maximum balance: 5 Interest and service fee: 0.4	Maximum balance: 0.01 Interest and service fee: 0.0004
Financial leasing service	The Group and its subsidiaries	Maximum balance: 3 Interest and service fee: 0.25	Maximum balance: 0 Interest and service fee: 0
Property rental	Beijing Zhongyi Chengjian Property Management Co., Ltd.	2	0.2
	Beijing Hongde Materials Co., Ltd.		
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.		
	Lanzhou Changxin Property Management Co., Ltd.		
	China Construction 7th Engineering Division (Zhengzhou) Industry Co., Ltd.		
	CSCEC E-commerce Co., Ltd.		
	CSCEC Water and Environment Protection Co., Ltd.		
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.		
	China Construction Aluminum New Material Co., Ltd.		
	China Construction Aluminum New Material (Fujian) Co., Ltd.		
	CSCEC SCIMEE Sci & Tech Co., Ltd.		
Others			
Other business	China State Construction Engineering Corporation	6	0.6
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.		
	China Construction 7th Engineering Division (Zhengzhou) Industry Co., Ltd.		
	CSCEC E-commerce Co., Ltd.		
	CSCEC Water and Environment Protection Co., Ltd.		

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	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.		
	China Construction Aluminum New Material (Chengdu) Co., Ltd.		
	CSCEC SCIMEE Sci & Tech Co., Ltd.		
	Others		

(IV) Expected Amount and Type of the Current Daily Related-Party Transaction

The Company intends to renew the *Comprehensive Service Framework Agreement* with the Group with respect to related-party transactions arising from sales, procurement, commercial factoring service, financial leasing service, property rental and other business between the Company and the Group and its subsidiaries. Before the renewal is deliberated on and approved by the General Meeting, the parties concerned may carry out daily related-party transactions under the *Comprehensive Service Framework Agreement*, provided that the incurred amounts of such daily related-party transactions do not go beyond the deliberation authority of the Board of Directors. Wherein, the expected amounts incurred by daily related-party transactions are as follows:

During term of the agreement, the sales volume between the Company and the Group and its subsidiaries will not exceed RMB 3.1 billion; the procurement will not exceed RMB 9.2 billion; the maximum balance of commercial factoring (excluding commercial factoring service provided by the Finance Company) will not exceed RMB 500 million, and commercial factoring interest and service fees will not exceed RMB 30 million; the maximum balance of financial leasing service (excluding financial leasing service provided by the Finance Company) will not exceed RMB 200 million, and lease interest and service fees will not exceed RMB 10 million; property rental will not exceed RMB 200 million; other daily related-party transactions will not exceed RMB 600 million (interest on borrowed funds amount to RMB 350 million, trademark license agreement amounts to RMB 50 million, and other business amounts to RMB 200 million).

Unit: RMB 100,000,000

Type of Related-Party Transaction	Related Party	Expected amount incurred in 2021
Related sales	China State Construction Engineering Corporation	31
	CSCEC Taixing Water Co.,Ltd.	
	Liyang CSCEC Water Co.,Ltd.	
	CSCEC E-commerce Co., Ltd.	
	CSCEC Water and Environment Protection Co.,Ltd.	
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.	
	Others	
Related procurement	Beijing Hongde Materials Co.,Ltd.	92
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	
	CSCEC E-commerce Co., Ltd.	
	CSCEC Water and Environment Protection Co.,Ltd.	
	China Construction Aluminum New Material Co., Ltd.	

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	China Construction Aluminum New Material (Chengdu) Co., Ltd.	
	China Construction Aluminum New Material (Fujian) Co., Ltd.	
	China Construction Aluminum New Material (Guangdong) Co., Ltd.	
	Others	
Business factoring service	The Group and its subsidiaries	Maximum balance: 5 Interest and service fee: 0.3
Financial leasing service	The Group and its subsidiaries	Maximum balance: 2 Interest and service fee: 0.1
Property rental	Beijing Zhongyi Chengjian Property Management Co., Ltd.	2
	Beijing Hongde Materials Co.,Ltd.	
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	
	Lanzhou Changxin Property Management Co., Ltd.	
	China State Construction Property Management Co., Ltd.	
	CSCEC E-commerce Co., Ltd.	
	CSCEC Water and Environment Protection Co.,Ltd.	
Others		
Other business	China State Construction Engineering Corporation	6
	Beijing Jianzhong Shituo Mechanization Construction Co., Ltd.	
	CSCEC Training Center	
	CSCEC E-commerce Co., Ltd.	
	CSCEC Water and Environment Protection Co.,Ltd.	
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.	
	China Construction Aluminum New Material Co., Ltd.	
Others		

(V) Reason for Expected Growth of Daily Related-Party Transactions

The expected growth in related sales against the previous year is mainly because of the growth of cooperative business between the Company and CSCEC Water and Environment Protection Co., Ltd. The business scope of CSCEC Water and Environment Protection Co., Ltd. covers multiple fields including comprehensive treatment of water environment, rural sewage treatment, sponge city, and municipal water supply and drainage. Since its founding, the company has cooperated with the engineering divisions of the Company on many PPP, EPC and EPC+O projects.

The expected growth in related procurement against the previous year is mainly because of the growth of cooperative business between the Company and CSCEC E-commerce Co., Ltd. CSCEC E-commerce Co., Ltd. integrates suppliers' resources and provides standardized service of online procurement of non-bulk goods for the

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Company, thus greatly saving the Company's efforts in procurement. Besides, this is also helpful in reducing the Company's overall procurement cost for non-bulk goods and increasing its efficiency.

II. Related Parties and Relations

(I) Overview of Related Parties

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.

(II) Relations with Listed Companies

The Group was established by the former Ministry of Urban and Rural Construction and Environmental Protection on June 11, 1982. The former State Administration Bureau issued a business certificate to China State Construction on March 25, 1983. It was restructured into a wholly state-owned company on November 28, 2017, and was renamed China State Construction Engineering Corporation. As of the date of this announcement, the Group, as the Company's controlling shareholder, had held approximately 56.31% of the Company's equity.

(III) Analysis of the Execution and Performance of Similar Related-Party Transactions Conducted Before

The Group has been running its business well in strict accordance with internal control requirements and procedures and encountered no major risks; its business operations are in compliance with relevant laws and regulations, and backed by sound management policies, effective risk management, and good contract performance capability. Similar related-party transactions were performed normally.

III. Main Related-Party Transactions and Pricing Policy

(I) Transactions

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1. Sales business, mainly including: transactions arising from labor subcontracting or specialized subcontracting service by the Company for engineering projects it is contracted for by the Group and its subsidiaries; transactions arising from the sales of fixed assets, materials, etc. to the Group and its subsidiaries; transactions arising from the rental of machinery and equipment to the Group and its subsidiaries;
2. Procurement business, mainly including: transactions arising from the labor subcontracting and specialized subcontracting services provided by the Group and its subsidiaries for engineering projects that they are contracted for by the Company; transactions arising from the procurement of fixed assets, materials, etc. by the Company from the Group and its subsidiaries; transactions arising from the rental of machinery and equipment by the Company from the Group and its subsidiaries;
3. Commercial factoring services, mainly including: transactions arising from factoring service provided by the Company (excluding the Finance Company) to the Group and its subsidiaries, including but not limited to accounts receivable factoring (without or with the right of recourse), securitization of supply chain assets, and securitization of accounts receivable assets;
4. Financial leasing services, mainly including: transactions arising from financial services provided by Company (excluding the Finance Company) to the Group and its subsidiaries, including direct leasing services, leaseback services, etc.;
5. Property rental, mainly including: transactions arising from the Company's leasing or renting of properties to/from the Group and its subsidiaries according to property rental agreements signed therebetween;
6. Other business, mainly including: the interest expenses incurred from borrowing funds from the Group and its subsidiaries under the fund lending agreement signed therebetween; related-party transactions arising from trademark license agreements between the Company and the Group and its subsidiaries and other business occurring between the parties due to other daily production and operation needs;

(II) Transaction Principles

1. According to daily production and operation needs, the parties provide each other with various daily production and operation services permitted by the law within the scope of their respective business licenses;
2. The cooperation between the parties is non-exclusive, and both parties have the right to choose other companies for business or related services at their discretions;
3. The parties shall cooperate on and implement the agreement in accordance with the principles of equality and voluntariness, mutual benefit, shared development and win-win.

(III) Pricing Principles

1. Sales, procurement, property rental and other business

If the transaction is subject to governmental pricing, the price could be directly applied; if the government-guided price is implemented, the transaction price could be reasonably determined within the scope of the government-guided price; apart from the implementation of governmental pricing or government-guided prices, the preference price or standards could be favoured in setting the transaction price if there is a comparable and independent third-party market price or pricing standards. If there

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is no independent third-party market price, the transaction price could refer to the price of non-related-party transaction between related party and the third party unrelated to the related party; if there is neither independent third-party market price, nor the non-related-party transaction price, a reasonable price composition could constitute the price reference which should be composed of reasonable cost plus reasonable profits.

2. Commercial factoring services

For the commercial factoring services provided by the Company (excluding the Finance Company) to the Group and its subsidiaries, the price will be quoted by the Company, and the Group and its subsidiaries will refer to independent third parties for the same type of factoring services. Upon considering relevant factors, it is determined through negotiation with the Group and its subsidiaries.

3. Financial leasing services

The Company (excluding the Finance Company) adopts market-based fair pricing principles in providing financial leasing services to the Group and its subsidiaries, and refers to fees charged by similar institutions in the market for similar financial services, which are determined by both parties through negotiation.

(IV) Validity and Term of the Agreement

The *Comprehensive Service Framework Agreement* shall become effective when the following conditions are met: (1) the authorized representatives of both parties sign on the agreement and affix their respective company seals; (2) the Group has gone through its internal decision-making procedures for the signing of the agreement; (3) the General Meeting has deliberated on and approved the agreement. The validity term of the *Comprehensive Service Framework Agreement* is from January 1, 2021 to December 31, 2021.

IV. Purpose of Daily Related-Party Transactions and Its Impact on Listed Companies

The Company's daily related-party transactions are necessary and inevitable for the normal production and operation. They are of positive significance to the Company's development and in line with the Company's business and development requirements. This daily related-party transaction causes no harm to the interests of the Company and its minority shareholders, nor does it bring adverse impact to the Company's current and future financial standing and business performance. After the said daily related-party transaction framework agreement is approved in accordance with the procedures stipulated in the *Articles of Association*, the Company (or subsidiaries controlled thereby) will sign specific contracts with the related parties within the scope of the framework agreement.

V. Documents supplied for reference

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 Renewal of the Comprehensive Service Framework Agreement between China State Construction

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Engineering Corporation Limited and China State Construction Engineering Corporation

4. Independent Opinions from Independent Directors on the Renewal of the Comprehensive Service Framework Agreement between China State Construction Engineering Corporation Limited and China State Construction Engineering Corporation

The above is hereby announced.

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