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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2020-112



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

## **Announcement on the Renewal of the Financial Service Framework Agreement between China State Construction Finance Co., Ltd. and China State Construction Engineering Corporation & Daily Related-Party Transactions**

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**

To make the best of the role of China State Construction Finance Co., Ltd. (hereinafter, the "Finance Company"), a subsidiary of China State Construction Engineering Corporation Limited (hereinafter, "CSCEC" or the "Company"), as a centralized fund platform, increase the Company's fund use efficiency, reduce costs, improve efficiency, and bring greater return to the shareholders, the Finance Company, according to market practices and the arrangements for its previous related-party transactions, intends to renew the *Financial Service Framework Agreement between China State Construction Engineering Corporation and China State Construction Finance Co., Ltd.* (hereinafter, the "Financial Service Framework Agreement") with China State Construction Engineering Corporation (hereinafter, the "Group") with respect to related-party transactions arising from financial services such as depositing, loaning, accounting and financing consulting provided by the Finance Company to 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 Financial Service Framework Agreement between China State Construction Finance Co., Ltd. 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 Financial Service Framework Agreement between China State Construction Finance Co., Ltd. and China State Construction Engineering Corporation* to the Board of Directors for deliberation and, upon 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 *Financial Service Framework Agreement* between the Finance Company (a subsidiary controlled by the Company), and the Group (the controlling shareholder of the Company), constituted a related-party transaction, which was in line with the Company's operating and development needs and subject to reasonable and fair pricing in line with the market price. The said transaction will not harm the lawful interests of the Company's non-related shareholders, particularly its minority shareholders, and will contribute to the stable operations of the Company. The related directors withdrew from 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*. The *Proposal on the Renewal of the Financial Service Framework Agreement between China State Construction Finance Co., Ltd. and China State Construction Engineering Corporation* was agreed, and it was agreed that the proposal would be submitted 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 Financial 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)	Reasons for disparity between actually incurred amount and budget
Maximum daily balance of deposit (including accrued interest)	The Group and its subsidiaries	200	76	The actual business volume of the Group and its subsidiaries did not reach the expected scale
Loan balance obtained daily (including	The Group and its subsidiaries	No more than maximum daily balance	57	In compliance with the agreement

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accrued interest)				
Other financial services	The Group and its subsidiaries	3	0	/

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

The Finance Company intends to renew the *Financial Service Framework Agreement between China State Construction Engineering Corporation and China State Construction Finance Co., Ltd.* with the Group with respect to related-party transactions arising from financial services such as depositing, loaning, accounting and financing consulting provided by the Finance Company to the Group and its subsidiaries (excluding CSCEC 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 *Financial 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 the term of the agreement, the maximum daily deposit balance (including accrued interest) held by the Group and its subsidiaries in the Finance Company shall not exceed RMB 20 billion, and the daily loan balance (including accrued interest) shall not exceed the maximum daily deposit balance (including accrued interest); the service fee charged by the Finance Company for other financial services provided to the Group and its subsidiaries shall not exceed RMB 300 million.

Unit: RMB 100,000,000

Type of Related-Party Transaction	Related Party	Expected amount incurred in 2021	Actual amount incurred in 2020 (as of October 31, 2020)	Reasons for the major disparity between the budget and the actually incurred amount in the previous year
Maximum daily balance of deposit (including accrued interest)	The Group and its subsidiaries	200	76	Based on the forecast of requirements for corporate development and centralized management of capital and loans
Loan balance obtained daily (including accrued interest)	The Group and its subsidiaries	No more than maximum daily balance	57	No more than maximum daily balance according to the forecast thereof
Other financial services	The Group and its subsidiaries	3	0	/

## 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,

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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.

## **(IV) Introduction to Other Entities Involved in this 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 Finance 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, 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.

## **III. Main Related-Party Transactions and Pricing Policy**

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## **(I) Transactions**

1. Deposit service refers to the deposit account opened by the Group and its subsidiaries in the Finance Company, based on the principle of free access to deposit and withdrawal. Deposit funds are put into the account opened in the Finance Company. The form of deposits can be current deposit, fixed time deposit, call deposits, agreement savings, etc.

2. Loan service refers to the provision of loan services to the Group and its subsidiaries by the Finance Company in accordance with its operation and development requirements in compliance with relevant national laws and regulations;

3. Other financial services refer to financial services provided by the Finance Company to the Group and its subsidiaries within its business scope in accordance with the instructions and requirements of the Group and its subsidiaries, including but not limited to financial and financing consultants, credit verification and related consulting and agency services; assistance in the collection and payment of transaction funds; handling of entrusted loans and investments, together with bill acceptance and discount; handling of factoring matters and financial leasing; internal transfer settlement and corresponding scheme design of settlement and liquidation.

## **(II) Transaction Principles**

1. The parties agree to cooperate by the way that the Finance Company provides relevant financial services to the Group and its subsidiaries under the *Financial Service Framework Agreement*.

2. The cooperation between the parties is non-exclusive, and the Group and its subsidiaries have the right to choose financial services provided by other financial institutions at its discretion. The Finance Company also has the right to choose to provide financial services to objects other than the Group and its subsidiaries at its discretion;

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. Deposit service

The interest rate for deposits of the Group and its subsidiaries in the Finance Company shall not be lower than the lower limit of the interest rate stipulated by the People's Bank of China for the same type, and not higher than that applicable to similar deposit services provided by major domestic commercial banks;

### 2. Loan service

The Group and its subsidiaries pay loan interest to the Finance Company at a rate not lower than the interest rate applicable to similar loan services provided by major domestic commercial banks;

### 3. Other financial services

The Finance Company shall charge the Group and its subsidiaries for the provision of other financial services. Where the People's Bank of China or China Banking and Insurance Regulatory Commission have such service charging standards, they shall comply with relevant regulations which should not be lower than fees charged by major domestic commercial banks for similar financial services.

## **(IV) Validity and Term of the Agreement**

The *Financial Service Framework Agreement* shall come into effect after being signed upon by the parties and deliberated on and adopted by the General Meeting. The validity term of the agreement will be from January 1 to December 31, 2021. On the prerequisite

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of complying with relevant laws and regulations and the listing rules of the location where the Company is listed, this agreement can be renewed upon mutual consent.

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

1. Through providing financial services to the Group and its subsidiaries, the Finance Company may absorb funds from the Group, thereby bringing into play its role as a centralized fund platform, promoting the development of the Company and itself, and meeting the development and operating needs of the Company.

2. According to the *Financial Service Framework Agreement*, the deposit interest rates offered by the Finance Company to the Group and its subsidiaries are not higher than the interest rates for similar deposit services provided by major domestic commercial banks, and the loan interest rates offered by the Finance Company to the Group and its subsidiaries are not lower than the interest rates for similar loan services provided by major domestic commercial banks. Concentrating idle capital of the Group and its subsidiaries to the Finance Company may improve the capital turnover capability and loan scale thereof, accrue net interest, and bring greater return for the shareholders.

3. This related-party transaction will cause no harm to the interests of the Company and its shareholders, particularly minority shareholders, nor will it bring adverse impact to the Company's current and future financial standing and business performance.

4. This related-party transaction will not impact the independence of the Company.

#### **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 Financial Service Framework Agreement between the China State Construction Finance Co., Ltd. and China State Construction Engineering Corporation

4. Independent Opinions from Independent Directors on the Renewal of the Financial Service Framework Agreement between China State Construction Finance Co., Ltd. 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