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No.: Interim 2021-050



中國建築股份有限公司

CHINA STATE CONSTRUCTION ENGRG.CORP.LTD

Announcement on Changes in Accounting Policies

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:

- The changes in accounting policies are made by the Company in accordance with the relevant provisions and requirements of the Ministry of Finance's Accounting Standards, and will not bring significant impacts on the Company's financial status, business performance and cash flow.

China State Construction Engineering Corporation Limited (hereinafter, the "Company") deliberated on and adopted the *Proposal on the Changes in Accounting Policies of China State Construction Engineering Corporation Limited* at the 3rd meeting of the 3rd Board of Directors and the 3rd meeting of the 3rd Board of Supervisors on August 27, 2021. The details are hereby announced as follows:

I. Overview of the Changes in Accounting Policies

On February 2, 2021, the Ministry of Finance published the *Circular on Issuing the Interpretation of Accounting Standards for Business Enterprises No. 14* (Cai Kuai [2021] No. 1, hereinafter referred to as the "Interpretation No. 14") and prescribed that these provisions shall enter into force as of the date of promulgation. For the relevant PPP project contracts that have not been completed until the implementation date of the Interpretation, if the accounting treatment is not carried out in accordance with the provisions of the Interpretation, retrospective adjustment shall be made; if retrospective adjustment is not feasible, the Interpretation shall be applied from the earliest time that is retrospective. As required, the Company shall implement the *Interpretation No. 14* from January 1, 2021.

II. Specifics of the Changes in Accounting Policies

Interpretation No. 14 clarifies the application scope and accounting treatment of PPP project contracts. The main contents of the amendment are as follows:

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1. Clarifying the Application Scope of Accounting Treatment for PPP Project Contracts

A PPP project contract refers to a contract concluded between a private partner and the government for cooperation in a PPP project in accordance with laws and regulations. The contract should conform to both "dual features" (i.e., (1) The private capital party uses the PPP project assets to provide public products and services on behalf of the government parties during the operation period as agreed in the contract; (2) The private capital party receives compensation for the public products and services provided by it during the period as agreed in the contract.) and "dual control" (i.e., (1) The government parties control or regulate the types, objects and prices of public products and services that must be provided by the private capital parties with the PPP project assets; (2) When a contract on PPP project is terminated, the government party controls the significant residual equity of the PPP project assets by ownership, usufruct or other forms.).

2. Clarifying the Issue of Private Partner's Income Recognition

The identity of the private partner, which provides construction services (including construction and renovation and expansion, the same below) or contracts the services to other parties, etc., shall be determined as the principal person in charge or the agent pursuant to *Accounting Standards for Business Enterprises No. 14--Revenue*, and accounting treatment should be conducted to confirm contract assets.

3. Clarifying the Accounting Treatment of Borrowing Costs Incurred During Construction

The borrowing costs incurred during the construction of PPP project assets shall be accounted for by the private partner pursuant to *Accounting Standards for Business Enterprises No. 17--Borrowing Costs*. For the parts confirmed as intangible assets, the private partner shall capitalize them when the relevant borrowing costs meet the capitalization conditions. Other borrowing costs excluding those mentioned above shall be expensed by the private partner.

4. Clarifying the Conditions and Time for Confirmation of Intangible Assets/Receivables

During the operation of the PPP project, the private partner has the right to collect fees from those who obtain public products and services, but if the amount of fees is uncertain, this right does not constitute an unconditional right to collect cash. When the PPP project assets reach the expected usable state, the consideration amount of the relevant PPP project assets or the confirmed construction income amount shall be recognized as intangible assets, and the accounting treatment shall be carried out pursuant to *Accounting Standards for Business Enterprises No. 6--Intangible Assets*.

During the operation of the project, if the private partner meets the conditions for the right to receive a determinable amount of cash (or other financial assets), the amount shall be confirmed as receivables when the private partner has the right to receive the consideration (the right only depends on the passage of time), and the accounting treatment shall be conducted pursuant to *Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments*.

III. Impact of the Changes on the Company

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According to the provisions of *Interpretation No. 14* on the connection between old and new standards, the Company adjusted the amount of retained earnings and other related items in financial statements since the beginning of 2021, and did not adjust information prior to that. The details are as follows:

Unit: '000 yuan

Account	31 December 2020	Impact of Interpretation No. 14	01 January 2021
Current assets:			
Of which: Accounts receivable	160,441,814	684,330	161,126,144
Non-current assets maturing within 1 year	77,936,729	-1,534,235	76,402,494
Total current assets	1,577,630,065	-849,905	1,576,780,160
Non-current assets:			
Of which: Long-term receivables	177,642,042	-77,552,001	100,090,041
Other non-current assets	139,945,933	77,729,171	217,675,104
Total non-current assets	614,543,774	177,170	614,720,944
Total assets	2,192,173,839	-672,735	2,191,501,104
Total liabilities	1,615,078,738	-	1,615,078,738
Shareholders' equity:			
Of which: Retained earnings	231,953,228	-672,735	231,280,493
Total shareholders' equity	577,095,101	-672,735	576,422,366
Total liabilities and shareholders' equity	2,192,173,839	-672,735	2,191,501,104

The changes in accounting policies are made by the Company in accordance with the relevant provisions and requirements of the Ministry of Finance. After adjustment, the current accounting policies conform to the relevant provisions of the Ministry of Finance and will not bring significant impacts on the Company's financial status, business performance and cash flow.

IV. Conclusive Opinions of the Company's Independent Directors and Board of Supervisors

The Company's Independent Directors and Board of Supervisors hold that the changes in accounting policies are reasonable adjustments made according to the relevant accounting standards of the Ministry of Finance, and that the decision-making procedure for the implementation of *Interpretation No. 14* conforms to relevant laws, regulations and the Company's *Articles of Association* and objectively and fairly

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reflects the financial standing and business performance of the Company. It is expected that the implementation thereof will not cause significant impacts to the Company's financial statements, nor will it bring harm to the interests of the Company or its shareholders, particularly minority shareholders. The modifications to the accounting policy is agreed.

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited

August 27, 2021