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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2024-025



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

## Announcement on Provision for Asset Impairment in 2023

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.

The *Proposal on 2023 Provision for Asset Impairment of China State Construction Engineering Corporation Limited* was reviewed and adopted at the 56th meeting of the third Board of Directors and the 29th meeting of the third Board of Supervisors of China State Construction Engineering Corporation Limited (hereinafter referred to as the "Company") held on April 18, 2024. The details are as follows:

### I. Overview of provision for asset impairment

In order to get a clear, true, and objective picture of the asset value, financial standing, and operations of the Company, and in accordance with the *Accounting Standards for Business Enterprises* and relevant accounting policies, as well as the principle of prudence, the Company inspected all assets in the consolidated financial statements as of December 31, 2023 and conducted impairment test before making provision for assets displaying indications of impairment. These procedures were validated by the accounting firm entrusted with the annual audit. In 2023, the total impairment provision of the Company was RMB 14.302 billion, with the details as follows:

#### 1. Provision for impairment of accounts receivable and other financial assets

The provision for impairment of financial assets, such as the accounts receivables, other receivables, long-term receivables and debt investments was made using the expected credit loss measuring method. The provision for credit losses of the Company in 2023 was RMB 8.596 billion, which was made based on a comprehensive assessment of the recoverability of the Company's receivables by taking into account the risk profile, customer type, and age distribution of receivables at the end of the year.

#### 2. Provision for inventory impairment

The Company measures its inventory at the lower of cost or net realizable value, taking into account factors such as the geographical location of projects, property quality, market expectations, sales progress, surrounding property prices, and cost budgets to assess the net realizable value comprehensively. In 2023, the Company recognized an inventory impairment provision of RMB 2.458 billion, which was based on instances where the cost exceeded the net realizable value.

#### 3. Provision for impairment of contract assets

Contract assets or liabilities were listed in the balance sheet based on customers' payment obligations and actual payments, alongside with the net amount resulting from offsetting the assets and liabilities under the same contract. The contract assets were by nature divided into investment funds unconfirmed by owners, quality

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assurance deposits, funds not yet settled for completed projects, and assets under real estate contracts. For contract assets, the provision for impairment of financial assets was made using the expected credit loss measuring method. In 2023, the provision for impairment of contract assets was RMB 2.605 billion, which was made based on the expected credit losses that took into account the credit standing of customers owning the contract assets at the end of the year and the economic outlook.

#### **4. Provision for impairment of other assets**

The provision for impairment of intangible and fixed assets in 2023 was RMB 643 million, which was made based on the asset assessment and impairment test conducted in accordance with the *Accounting Standards for Business Enterprises* and the Company's accounting policies.

### **II. Impact of the impairment provision on the Company**

The provision for impairment in 2023 resulted in an increase of RMB 8.596 billion in credit losses, an increase of RMB 5.706 billion in asset losses, and a decrease of RMB 14.302 billion in total profits as shown in the Company's consolidated financial statements.

### **III. Decision-making process**

The impairment provision in 2023 was reviewed at the 25th meeting of the Audit and Risk Management Committee under the third Board of Directors, and was deliberated on and adopted at the 56th meeting of the third Board of Directors and the 29th meeting of the third Board of Supervisors.

The Audit and Risk Management Committee under the Board of Directors agreed with the impairment provision scheme for 2023, believing that it was in compliance with the *Accounting Standards for Business Enterprises* and the Company's accounting policies and accounting estimates, able to objectively reflect the assets of the Company, in the interests of the Company and its shareholders as a whole, and not prejudicing the legitimate rights or interests of the Company and its minority shareholders, and submitted the scheme to the Board of Directors for deliberation.

The Board of Directors agreed with the impairment provision of RMB 14.302 billion in 2023, considering that the impairment provision was in compliance with the accounting policies and the Company's accounting estimates, internal control policies and the actual asset condition, and was well-grounded and able to objectively reflect the assets of the Company.

The Board of Supervisors of the Company agreed with the impairment provision, holding that the provision was lawful, well-grounded, and in compliance with the *Accounting Standards for Business Enterprises* and the Company's accounting policies, and the financial statements after the provision could objectively reflect the assets of the Company.

### **IV. List of documents for reference**

1. Resolutions of the 56th Meeting of the 3rd Board of Directors of CSCEC
2. Resolutions of the 29th Meeting of the 3rd Board of Supervisors of CSCEC

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited

April 18, 2024