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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2022-073



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") and meet the needs of daily production and operation, 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).

#### **(II) Deliberation Procedure**

On December 12, 2022, the 28th meeting of the Company's third 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*

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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 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 daily related-party transaction between the Company and its controlling shareholder and subsidiaries is 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 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 Board of Directors has agreed on the renewal of the *Comprehensive Service Framework Agreement* between the Company and the Group. The Audit and Risk Committee under the Board of Directors has deliberated on and approved the daily related-party transaction.

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

As approved by the 3rd Extraordinary General Meeting in 2021, the Company and the Group signed the *Comprehensive Service Framework Agreement* to describe the expected results of their daily related-party transaction during term of the agreement. The expected amounts incurred by related-party transactions in 2022 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 2022	Actual amount incurred in 2022 (as of September 30, 2022)
Related sales	Beijing Jianzhong Shituo Mechanization Construction Co., Ltd.	15	1.3
	CSCEC Taixing Water Co.,Ltd.		
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.		
	CSCEC SCIMEE Sci & Tech Co., Ltd.		
	Jiangsu Huada Centrifuge Co., Ltd.		
	China Construction Eco-Environmental Group Co., Ltd.		
	Others		
	CSCEC E-commerce Co., Ltd.	69.6	20.6

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Type of Related-Party Transaction	Related Party	Expected amount incurred in 2022	Actual amount incurred in 2022 (as of September 30, 2022)
Related procurement	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	15.4	8.5
	Party School of China State Construction Engineering Corporation		
	China State Construction Engineering Corporation Training Center (China Construction Management School)		
	CSCEC SCIMEE Sci & Tech Co., Ltd.		
	China Construction Eco-Environmental Group Co., Ltd.		
	Shanghai China Construction Electronic Commerce Co., Ltd.		
	China Construction Aluminum New Material (Chengdu) Co., Ltd.		
	China Construction Aluminum New Material (Guangdong) Co., Ltd.		
	China Construction Aluminum New Material (Fujian) Co., Ltd.		
	Others		
Business factoring service	The Group and its subsidiaries	Maximum balance: 1 Interest and service fee: 0.05	Maximum balance: 0 Interest and service fee: 0
Financial leasing service	The Group and its subsidiaries	Maximum balance: 0.5 Interest and service fee: 0.02	Maximum balance: 0 Interest and service fee: 0
Property rental	Beijing Zhongyi Chengjian Property Management Co., Ltd.	0.6	0.2
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.		
	Lanzhou Changxin Property Management Co., Ltd.		
	Others		
Other business	China State Construction Engineering Corporation	2	0.2
	Beijing Hongde Materials Co., Ltd.		
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.		
	Party School of China State Construction Engineering Corporation		
	China State Construction Engineering Corporation Training Center (China Construction Management School)		
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.		

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Type of Related-Party Transaction	Related Party	Expected amount incurred in 2022	Actual amount incurred in 2022 (as of September 30, 2022)
	CSCEC SCIMEE Sci & Tech Co., Ltd.		
	CSCEC E-commerce Co., Ltd.		
	China Construction Aluminum New Material Co., Ltd.		
	China Construction Aluminum New Material (Chengdu) Co., Ltd.		
	Others		

The primary reason for the significant difference between the expected and actual amounts of related-party transaction in 2022 was the frequent and recurrent COVID-19 outbreaks and the consequent regional lockdowns. These factors restricted on-site construction, resulting in the lower-than-expected procurement amount. Moreover, the related party, China Construction Electronic Commerce Co. Ltd. (hereinafter, "CSCEC E-commerce"), strengthened credit management and reduced credit cycles. Consequently, the subsidiaries decreased the amount of related-party transaction by adjusting their procurement from CSCEC E-commerce, switching to different suppliers, or utilizing their own procurement platforms.

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

In order to maintain ongoing management of the Company's related-party transaction and comply with the regulatory requirements of the Shanghai Stock Exchange and more, the Company intends to sign a *Comprehensive Service Framework Agreement* with the Group and its subsidiaries, covering sales, procurement, commercial factoring, financing leasing, property leasing, and other related business. The expected amount and type of the daily related-party transaction are as follows:

During term of the agreement, the sales volume between the Company and the Group and its subsidiaries will not exceed RMB 100 million; the procurement will not exceed RMB 5.8 billion; the maximum balance of commercial factoring (excluding commercial factoring service provided by the Finance Company) will not exceed RMB 300 million, and commercial factoring interest and service fees will not exceed RMB 20 million; the maximum balance of financial leasing service (excluding financial leasing service provided by the Finance Company) will not exceed RMB 100 million, and lease interest and service fees will not exceed RMB 6 million; property rental will not exceed RMB 100 million; other daily related-party transactions will not exceed RMB 100 million. The validity term of the Agreement is from January 1, 2023 to December 31, 2023.

Unit: RMB 100,000,000

Type of Related-Party Transaction	Related Party	Expected amount incurred in 2023
Related sales	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	1
	Liyang CSCEC Water Co.,Ltd.	
	CSCEC Taixing Water Co.,Ltd.	
	Xinjiang CSCEC Huanneng Beiting Environmental Technology Co., Ltd.	
	China Construction Aluminum New Material (Chengdu) Co., Ltd.	

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Type of Related-Party Transaction	Related Party	Expected amount incurred in 2023
	Others	
Related procurement	CSCEC E-commerce Co., Ltd.	41
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	17
	Party School of China State Construction Engineering Corporation	
	China State Construction Engineering Corporation Training Center (China Construction Management School)	
	CSCEC SCIMEE Sci & Tech Co., Ltd.	
	Shanghai China Construction Electronic Commerce Co., Ltd.	
	China Construction Aluminum New Material (Chengdu) Co., Ltd.	
	Others	
Business factoring service	The Group and its subsidiaries	Maximum balance: 3 Interest and service fee: 0.2
Financial leasing service	The Group and its subsidiaries	Maximum balance: 1 Interest and service fee: 0.06
Property rental	Beijing Zhongyi Chengjian Property Management Co., Ltd.	1
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	
	Beijing Hongde Materials Co., Ltd.	
	Lanzhou Changxin Property Management Co., Ltd.	
	Others	
Other business	China State Construction Engineering Corporation	1
	CSCEC Asset Management Co., Ltd.	
	Beijing Jianzhong Shituo Mechanization Construction Co., Ltd.	
	Gansu CSCEC Municipal Engineering Investigation and Design Institute Co., Ltd.	
	Party School of China State Construction Engineering Corporation	
	China State Construction Engineering Corporation Training Center (China Construction Management School)	
	Chengdu CSCEC Minjiang Construction Engineering Investment Co., Ltd.	
	Xinjiang CSCEC Huanneng Beiting Environmental Technology Co., Ltd.	
	China Construction Aluminum New Material (Chengdu) Co., Ltd.	
	Others	

#### (V) Reason for Expected Change in Daily Related-Party Transactions

The expected decrease in related-party sales compared to the previous year is primarily due to the approval of the *Proposal on the Acquisition of 100% Equity Interests in China Construction Eco-Environment by China State Construction Development in Cash* at the 26th meeting of the Third Board of Directors. Following

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the completion of the transaction, China Construction Eco-Environment Group Co., Ltd. will be fully incorporated into the Company, and will no longer be considered a related party of the Company. In previous years, China Construction Eco-Environment Group Co., Ltd., as the major counterparty of the Company's related-party sales, took up a significant portion of the related-party sales budget. However, following its incorporation into the Company as a subsidiary, the amount of related-party sales is expected to decrease accordingly.

The expected growth in related procurement against the actual amount of the previous year is mainly because of the steady growth of cooperative business between the Company and CSCEC E-commerce after the COVID-19 situation relaxes in 2023. CSCEC E-commerce integrates suppliers' resources and provides standardized service of online procurement of non-bulk goods for the 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. The Company will maintain its business cooperation with CSCEC E-commerce in 2023, with the procurement amount expected to increase compared to the previous year.

## **II. Related Parties and Relations**

### **(I) Overview of Related Parties**

With a registered capital of RMB 10 billion, China State Construction Engineering Corporation (the Group), which was established on March 24, 2022 with the Unified Social Credit Code of 91110000100001035K, 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 Zheng Xuexuan. 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, 2021, the audited assets of the Group had amounted to RMB 2.4 trillion, its net assets reached RMB 638 billion, its annual business revenue in 2021 reached RMB 1.89 trillion, and its annual net profit RMB 77.7 billion. As of September 30, 2022, the total assets of the Group had amounted to RMB 2.67 trillion, its net assets reached RMB 684.5 billion, its business revenue (from January to September 2022) RMB 1.54 trillion, and its net profit RMB 57 billion. So far, the Group does not have any significant contingencies that would materially affect its ability to repay its debts.

### **(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

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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 56.35% 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**

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;

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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 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, 2023 to December 31, 2023.

### **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.



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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 28th Meeting of the 3rd Board of Directors of China State Construction Engineering Corporation Limited
2. Resolutions of the 17th Meeting of the 3rd 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 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 12, 2022