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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2023-079



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

Announcement on the Repurchase and Cancellation of the Second Tranche of Shares in 2023 under the Phase IV Restricted A Share Incentive Scheme

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.

On December 23, 2020, China State Construction Engineering Corporation Limited (the "Company" or "CSCEC") initiated its fourth issuance of restricted A-share stocks, granting a total of 912,036,000 shares to 2,765 participants under the Phase IV Restricted A Share Incentive Scheme (the "Phase IV Share Scheme"). However, due to CSCEC's inability to achieve the performance targets, the conditions for unlocking the second tranche of 299,562,000 restricted stocks for 2,727 participants in 2023 were not fulfilled as per the Phase IV Share Scheme, activating the clauses for stock buy-back. The proposal to repurchase these restricted stocks from the said participants was examined and approved during the 50th meeting of the 3rd Board of Directors and the 25th meeting of the 3rd Board of Supervisors. This buy-back is contingent on the approval from the Shareholders' General Meeting of CSCEC. The detailed implementation plan for this buy-back is as follows:

I. Approval and Implementation of the Phase IV Restricted A Share Incentive Scheme

(I) Phase IV Share Scheme and Implementation Procedure

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and adopted the "Proposal of China State Construction Engineering Corporation Limited Concerning Granting the Phase IV Restricted A Share Incentive Scheme (Draft) and Summary Thereof" in their 45th and 27th meetings respectively on September 17, 2020.

On October 14, 2020, the Company disclosed the *Announcement on the Approval of the Phase IV Restricted A Share Incentive Scheme by the State-Owned Asset Supervision and Administration Commission of the State Council*, stating that it is agreed in principle as specified in the *Approval (Guo Zi Kao Fen [2020] No. 527) by the SASAC* that the Company may execute the *Phase IV Restricted A Share Incentive Scheme*.

On November 20, 2020, the 49th Meeting of the 2nd Board of Directors and the 31st Meeting of the 2nd Board of Supervisors of CSCEC respectively deliberated on and adopted the *Proposal of China State Construction Engineering Corporation Limited*

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Concerning the List of Participants of the Phase IV Restricted A Share Incentive Scheme and Shares Granted.

On December 7, 2020, CSCEC's 3rd Extraordinary General Meeting approved the *Phase IV Restricted A Share Incentive Scheme (Draft) of China State Construction Engineering Corporation Limited*, the *Participant List and Granting Details of the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*, and the *Proposal on the Administrative Measures for the Implementation and Assessment of the Phase IV Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited*.

(II) Granting Details of the Phase IV Share Scheme

Granting date	Granting price (RMB per share)	Number of shares granted (share)	Number of Participants (count)
December 23, 2020	3.06	912,036,000	2,765

(III) Previous Unlockings of Shares Under the Phase IV Share Scheme

Unlocking period	Unlocking date	Number of shares unlocked (share)
First tranche of unlocked shares in 2022	January 16, 2023	300,057,600

(IV) Previous Repurchases and Cancellations of Shares Under the Phase IV Share Scheme

As of the date of this Announcement, the Company has repurchased and cancelled 12,854,400 restricted stocks under the Phase IV Share Scheme. Details regarding the previous repurchases and cancellations can be found in the announcements released on November 27, 2021 (Interim 2021-072), December 28, 2021 (Interim 2021-087), and December 29, 2022 (Interim 2022-082), as well as the implementation announcements released on April 12, 2022 (Interim 2022-017), July 29, 2022 (Interim 2022-044), and July 28, 2023 (Interim 2023-042).

II. Causes of Repurchasing the Second Tranche of Shares in 2023 under the Phase IV Share Scheme

According to Article 17 of the Phase IV Share Scheme, the second tranche of restricted A-share stocks can be unlocked as per the arrangement only if the Company's performance in the fiscal year before the unlocking satisfies the following conditions: (1) The return on net assets in the year immediately before unlocking is no less than 12.2% and no lower than the industry average (or the 75th percentile of benchmark companies); (2) The compound growth rate of net profit in the year immediately before unlocking compared to the year of granting is no less than 7% and no lower than the industry average (or the 50th percentile of benchmark companies); (3) The Company meets the Economic Value Added (EVA) assessment target set by the State-owned Assets Supervision and Administration Commission of the State Council.

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As per Article 37 of the Phase IV Share Scheme, "If the Company falls short of its performance targets, the scheduled unlocking of restricted stocks for that year will be cancelled. The Company shall repurchase these stocks at the lower of the market price at the time of repurchase or the granting price (excluding interest), with related matters handled in accordance with the Company Law."

According to the *2022 Annual Report of China State Construction Engineering Corporation Limited*, the audit reports issued by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (Pu Hua Yong Dao Zhong Tian Shen Zi [2020] No. 10076) and Ernst & Young Hua Ming LLP (Special General Partnership) (An Yong Hua Ming Shen Zi [2023] No. 61398485_A01), the Company failed to reach the performance threshold for unlocking the second tranche of restricted A-share stocks under the Phase IV Share Scheme as stipulated in Article 17 of the Phase IV Share Scheme. Here are the details:

Conditions for share unlocking	
<p>1. The return on net assets in the year immediately before unlocking is no less than 12.2% and no lower than the industry average (or the 75th percentile of benchmark companies);</p> <p>2. The compound growth rate of net profit in the year immediately before unlocking compared to the year of granting is no less than 7% and no lower than the industry average (or the 50th percentile of benchmark companies);</p> <p>3. The Company meets the EVA assessment target.</p>	<p>1. The average return on net assets in 2022 was 13.9%, higher than the 12.2% threshold and the industry average (8.4%). The condition for share unlocking was met.</p> <p>2. The compound growth rate of net profit in 2022 compared to the previous year is 3.1%, lower than the 7% threshold though higher than the industry average (2.9%). The condition for share unlocking was unmet.</p> <p>3. The EVA was RMB 54.9 billion in 2022, below the assessment target of RMB 56 billion. The condition for share unlocking was unmet.</p>

According to Article 37 of the Phase IV Share Scheme, the Company is required to repurchase all the second tranche of restricted A-share stocks proposed to be unlocked for 2,727 participants under the Phase IV Share Scheme.

III. Repurchase Price and Pricing Basis

According to the *Announcement of China State Construction Engineering Corporation Limited on the Granting of Shares under the Phase IV Restricted A Share Incentive Scheme*, the granting price is RMB 3.06 per share.

As per Article 37 of the Phase IV Share Scheme, if the Company falls short of its performance targets, the scheduled unlocking of restricted stocks for that year will be cancelled. The Company shall repurchase these stocks at the lower of the market price at the time of repurchase (referring to the closing price of the trading day before the Board of Directors deliberates on the repurchase) or the granting price (RMB 3.06 per share, excluding interest), with related matters handled in accordance with the Company Law.

IV. Type and Quantity of Shares to be Repurchased and Their Percentages of the Phase IV Restricted Share and Total Share Capital

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The current repurchase plan includes 299,562,000 restricted shares, comprising 32.85% of the 912,036,000 restricted shares under the Phase IV Share Scheme, and 0.71% of the Company's total share capital.

V. Total Repurchase Price and Source of Funds

The total repurchase price will be RMB 916,659,720, which will be sourced from the Company's own funds.

VI. Change in the Company's Equity Structure After Repurchase and Impact on Corporate Performance

The shares repurchased will be cancelled in accordance with the *Company Law* and the *Administrative Measures for Equity Incentives of Listed Companies*. The Company's registered capital and total number of shares will be reduced accordingly. However, given the small ratio of the written off shares to its total equities, the cancellation will not result in substantial changes in the Company's equity structure, nor will it cause material impact on its financial standing and business performance or the diligence of its management teams. The Company's management teams will remain committed to fulfilling their duties and creating value for the shareholders.

VII. Conclusive Legal Opinions

King & Wood Mallesons (Beijing) believes that CSCEC has obtained the necessary approvals and authorizations for the current repurchase and cancellation, yet these actions still need to undergo a review process by the Shareholders' General Meeting. The causes, scale, and price of this repurchase and cancellation align with the *Measures for the Administration of the Equity Incentives of Listed Companies*, the *Notice on Issuing the Trial Measures for Implementing Equity Incentive Plans by State Holding Listed Companies (Domestic)*, the *Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies*, the *Notice on Issuing the Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises*, and the *Phase IV Share Scheme*. However, the Company is yet to promptly fulfil its information disclosure obligations regarding this repurchase and cancellation, and undergo registered capital reduction, share cancellation registration, and other procedures in accordance with the *Company Law* and other laws and regulations.

VIII. List of Documents for Future Review

1. Resolution of the 50th Meeting of the 3rd Board of Directors of CSCEC
2. Resolution of the 25th 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
December 7, 2023