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Stock code: 601668

Abbreviation: CSCEC

No.: Interim 2020-009



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

Announcement on the Second Tranche of Unlocking in 2019 in Respect of Phase II Restricted A Share Incentive Scheme and Listing of Shares

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 misunderstanding statements or major omission, and they are jointly and severally liable for the truthfulness, accuracy and completeness of the said contents.

Important Notes:

- Number of shares unlocked in the second tranche: 112,527,800
- Date of share unlock and listing: February 14, 2020

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

The first Board of Directors and the first Board of Supervisors of China State Construction Engineering Corporation Limited (hereinafter referred to as "CSCEC" or the "Company") deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the Phase II Restricted A Share Incentive Scheme (Draft)" in their 99th and 53rd meetings respectively on November 7, 2016.

CSCEC issued the "Announcement of Obtainment of the Reply and Approval of the State-Owned Asset Supervision and Administration Commission of the State Council for the Phase II Restricted A Share Incentive Scheme (Draft)" on December 3, 2016, and disclosed the Reply and Approval (Guo Zi Kao Fen [2016] No. 1214) of the State-Owned Asset Supervision and Administration Commission (SASAC), which approves, in principle, the execution of the Phase II Restricted Share Incentive Scheme and the earnings-based performance appraisal targets set out in the Scheme by the Company.

The first Board of Directors and the first Board of Supervisors of CSCEC deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the List of Incentive Targets of the Phase II Restricted A Share Incentive Scheme and Shares Granted" in their 101st and 54th meetings respectively on December 2, 2016.

CSCEC deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the Phase II Restricted A Share

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Incentive Scheme (Draft)” and the “Proposal of China State Construction Engineering Corporation Limited Concerning the List of Incentive Targets of the Phase II Restricted A Share Incentive Scheme and Shares Granted” at its first extraordinary general meeting in 2016 on December 19, 2016.

The first Board of Directors and the first Board of Supervisors of CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited on Award of Shares for the Phase II Restricted A Share Incentive Scheme” in their 104th meeting and 55th meeting respectively on December 29, 2016, setting the granting date of the Phase II Restricted Share Incentive Scheme as December 29, 2016, the total number of Incentive Targets as 1,575, the award price as RMB 4.866 / share, and the total number of restricted shares granted as 260.13 million.

The first Board of Directors and the first Board of Supervisors of CSCEC deliberated on and passed the “Proposal of Refinement of the Matter Exclusion Criteria for China State Construction Engineering Corporation Limited Concerning the Phase II Restricted A Share Incentive Scheme” in their 111st and 59th meetings respectively on June 6, 2017.

CSCEC deliberated on and passed the “Proposal of Refinement of the Matter Exclusion Criteria for China State Construction Engineering Corporation Limited Concerning the Phase II Restricted A Share Incentive Scheme” at its first extraordinary general meeting in 2017 on June 26, 2017.

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited Concerning the Plan of Shares Repurchase from Targets of Phase II Restricted A Share Incentives” in their fourth and second meetings respectively on April 11, 2018, deciding to repurchase related restricted shares from 20 Incentive Targets.

CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited Concerning the Plan of Shares Repurchase from Targets of Phase II Restricted A Share Incentives” at the 2017 annual general meeting of shareholders on May 3, 2018.

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited on Adjusting the Number of Shares Granted and the Award Prices of the Phase I and Phase II Restricted A Share Incentive Schemes” in their 10th meeting and fourth meeting respectively on July 27, 2018, lowering the award price of the Phase II Restricted Share Incentive Scheme from RMB 4.866 / share to RMB 3.47571 / share, with the total number of restricted shares adjusted accordingly (hereinafter referred to as “ex-rights”).

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited Concerning the Shares Repurchase from Targets of the Phase II Restricted A Share Incentives” in their 14th and seventh meetings respectively on November 16, 2018, deciding to repurchase related restricted shares from 20 Incentive Targets.

CSCEC deliberated on and passed the “Proposal of China State Construction Engineering Corporation Limited Concerning the Plan of Shares Repurchase from Targets of Phase II Restricted A Share Incentives” at the third extraordinary general meeting in 2018 on December 3, 2018.

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The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the First Tranche of Unlocking in 2018 in Respect of Phase II Restricted A Share Incentive Scheme" in their 16th and ninth meetings respectively on December 29, 2018, agreeing to unlock the first tranche of restricted shares in 2018 for the 1,521 eligible Incentive Targets and complete the formalities for listing of the shares, with 116,600,400 restricted shares unlocked in total.

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the Shares Repurchase from Targets of the Phase II Restricted A Share Incentives" in their 17th and 10th meetings respectively on January 15, 2019, agreeing to repurchase the 5,150,600 restricted shares held by 51 Incentive Targets at the price of RMB 3.47571 / share (without accruing any interest), after the price adjustment made in accordance with the Phase II Restricted Share Incentive Scheme. The repurchase of the shares is funded with the Company's own funds. The total amount of the funds is RMB 17,902,014.

CSCEC disclosed the "Announcement on the First Tranche of Unlocking in 2018 in Respect of Phase II Restricted A Share Incentive Scheme and Listing of Shares" on January 31, 2019, and Beijing Tian Yuan Law Firm issued legal opinion on matters concerning the unlocking. A total of 116,600,400 shares were unlocked in the first tranche, and will be listed for trading on February 14, 2019.

The second Board of Directors and the second Board of Supervisors of CSCEC deliberated on and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the Second Tranche of Unlocking in 2019 in Respect of Phase II Restricted A Share Incentive Scheme" in their 33rd and 17th meetings respectively on December 30, 2019, agreeing to unlock the second-tranche of restricted shares of 2019 for the 1,474 eligible Incentive Targets and complete the formalities for listing of the shares for trade, with 112,527,800 restricted shares unlocked in total; and passed the "Proposal of China State Construction Engineering Corporation Limited Concerning the Shares Repurchase from Targets of the Phase II and Phase III Restricted A Share Incentives", deciding to repurchase 10,604,200 restricted shares from 106 Incentive Targets at the prices of RMB 3.47571 / share (applicable to Phase II Targets) and RMB 3.468 / share (applicable to Phase III Targets), in accordance with relevant Restricted Share Incentive Scheme. The repurchase of the shares is funded with the Company's own funds. The total amount of the funds is RMB 36,831,018.

II. Fulfillment of Conditions for the Second Tranche of Unlocking in 2019 in Respect of Phase II Restricted A Share Incentive Scheme

According to the "Phase II Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited" (hereinafter referred to as the "Phase II Restricted Share Incentive Scheme") and the "2018 Annual Report of China State Construction Engineering Corporation Limited", and in view of the special circumstances concerning the performance appraisals of the Incentive Targets in 2018, the fulfillment of the conditions for unlocking is summarized as follows:

(i) The unlocking period has expired.

The award date of the Phase II Restricted A Share Incentive Scheme is set as December 29, 2016. According to the Phase II Restricted A Share Incentive Scheme, the lock-up period lasts two years after the award date, and the unlocking period lasts

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for three years after the expiry of the lock-up period. The second-tranche of shares, which account for 1/3 of the total number of shares, may be unlocked after the third anniversary of the award date. Therefore, the unlocking period for the second-tranche of shares has expired on December 29, 2019, and the shares may be unlocked in compliance with relevant provisions of the Phase II Restricted A Share Incentive Scheme.

(ii) Share unlocking conditions have been fulfilled.

According to the Phase II Restricted A Share Incentive Scheme, the restricted shares may be unlocked as per the share unlocking arrangements, only if the Company and the Incentive Targets satisfy the following conditions:

1. The Company's earnings meet the following conditions in the fiscal year immediately before the restricted shares are unlocked:

- (1) ROE is no lower than 14%;
- (2) The compound growth of net profit is no lower than 10% over the most recent three years;
- (3) The EVA target set by SASAC is fulfilled.

In principle, the ROE and net profit growth shall not be lower than the 75th percentile of benchmark companies. The ROE used in calculating the aforementioned indicators refers to the average return on net assets after deducting non-recurring items, and net profit refers to the net profit attributable to shareholders of the Company after deducting non-recurring items.

According to data contained in the "2018 Annual Report of China State Construction Engineering Corporation Limited", the Company meets the foregoing earnings-based performance criteria. Specifically:

Indicator	Conditions for share unlock	Actual result in 2018
ROE (weighted average ROE after deducting non-recurring items)	No lower than 14% or the 75 th percentile of benchmark companies	15.66%
Net profit compound growth rate (net profit attributable to shareholders of the Company after deducting non-recurring items)	No lower than 10% or the 75 th percentile of benchmark companies	14.34%
Economic value added (EVA)	The EVA target (RMB 20.1 billion) set by SASAC is fulfilled.	RMB 29.9223 billion

2. None of the following events have occurred to the Company:

- (1) A Certified Public Accountant (CPA) issues an adverse opinion or a disclaimer of opinion over the financial statements for the most recent fiscal year;

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(2) A Certified Public Accountant (CPA) issues an adverse opinion or a disclaimer of opinion over the internal control section of the financial statements for the most recent fiscal year;

(3) The Company has conducted any distribution of profits contrary to the laws, its Articles of Association or public undertakings within the most recent 36 months after the stock listing;

(4) Equity incentives are prohibited by the laws and regulations;

(5) Other events prescribed by the CSRC.

None of the foregoing events have occurred to the Company, and the conditions for unlocking the shares are satisfied.

3. Incentive Targets shall receive a “pass” or higher rating for personal performance for the fiscal year immediately before the share unlock, in accordance with the Company’s work performance appraisal measures - specifically:

(1) The restricted shares may be unlocked at a rate of 100% to Incentive Targets with a “good” or higher rating on work performance;

(2) The restricted shares may be unlocked at a rate of 80% to Incentive Targets with a “pass” rating on work performance;

(3) Restricted shares may not be unlocked for Incentive Targets receiving a “fail” rating on work performance.

Restricted shares were granted to 1,575 Incentive Targets under the Phase II Restricted Share Incentive Scheme. The Company’s second Board of Directors decided on April 11 and November 16, 2018 and January 15, 2019, respectively, to repurchase the restricted shares held by 62 Targets, including all the restricted shares remaining to be unlocked held by 53 Targets , and second- and third-tranche restricted shares held by nine Targets. Therefore, 1,513 Incentive Targets were involved in the second-tranche share unlocking of the Phase II Restricted Share Incentive Scheme reviewed by the Company's second Board of Directors at its 33rd and by the second Board of Supervisors at its 17th meeting. Specifically, in the case of 28 Targets, all the restricted shares held by them under the present Restricted Share Incentive Scheme cannot be unlocked due to special reasons such as departure from the Company and retirement, according to Articles 31 and 32 of the Phase II Restricted Share Incentive Scheme. A breakdown of the remaining 1,485 Targets is shown as follows:

No.	Share status (locked/unlocked)	No. of Incentive Targets
1	100% of the second-tranche of shares are unlocked for Incentive Targets who receive a “good” or higher rating on work performance	1,426
2	80% of the second-tranche of shares are unlocked for Incentive Targets who receive a “pass” rating on work performance, with the remaining 20% prohibited from being unlocked and repurchased	48

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No.	Share status (locked/unlocked)	No. of Incentive Targets
3	None of the second-tranche of shares are unlocked for Incentive Targets who failed the work performance appraisal	11
4	All the restricted shares held by Incentive Targets under the present Restricted Share Incentive Scheme cannot be unlocked due to special reasons such as departure from the Company and retirement, according to Articles 31 and 32 of the Phase II Restricted Share Incentive Scheme.	28
Total		1,513

4. None of the following events have occurred to the Incentive Targets:

- (1) People designated by a stock exchange as unsuitable candidates within the most recent 12 months;
- (2) People designated by the CSRC or a local branch thereof as unsuitable candidates within the most recent 12 months;
- (3) People on whom administrative penalties or a ban on market entry have been imposed by the CSRC or a local branch thereof due to gross legal or regulatory violations, within the most recent 12 months;
- (4) People prohibited from acting as the Company's director or senior manager, as prescribed in the Company Law;
- (5) People prohibited from participating in equity incentive schemes of listed companies according to the laws and regulations;
- (6) Other events prescribed by the CSRC.

None of the foregoing events have occurred to the 1,474 Incentive Targets, and the conditions for unlocking the shares are satisfied.

III. The Second Tranche of Unlocking and Repurchase of Phase II Restricted Shares in 2019

According to the Phase II Restricted Share Incentive Scheme, the Phase II Restricted Shares are unlocked in three equal batches (i.e. 1/3 of the shares are unlocked in each tranche). Information of the second-tranche share unlocking and repurchase in 2019 is as follows:

1. Share unlocking

The second-tranche shares are unlocked at the rates of 100% and 80% for 1,426 and 48 Incentive Targets respectively - the total number of Incentive Targets involved is 1,474, and the total number of restricted shares unlocked is 112,527,800, accounting for 33.10% of the 339,990,000 Phase II Restricted Shares granted to the Incentive Targets, and 0.2680% of the Company's total share capital.

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No.	Name	Title	No. of restricted shares granted in present tranche	No. of restricted shares satisfying the unlocking criteria	Proportion of No. of shares unlocked to total No. of shares granted in current tranche (%)
I. Directors, Supervisors, Senior Managers					
1	Zhou Yong	Vice President	357,000	119,000	33.33%
2	Huang Kesi	Vice President	357,000	119,000	33.33%
3	Xue Keqing	Secretary to the Board of Directors	357,000	119,000	33.33%
Directors, supervisors & senior managers (subtotal): 3			1,071,000	357,000	33.33%
II. Other Incentive Targets					
Other Incentive Targets (subtotal): 1,471			338,919,000	112,170,800	33.10%
Total: 1,474			339,990,000	112,527,800	33.10%

2. Share repurchase

No. of shares repurchased: the second-tranche restricted shares are repurchased at the rates of 20% and 100% from 48 and 11 Incentive Targets, respectively; according to the Phase II Restricted Share Incentive Scheme, second-tranche restricted shares held by 16 Incentive Targets can be unlocked, and the third-tranche shares held by them should be repurchased; according to the Phase II Restricted Share Incentive Scheme, all the second- and third-tranche restricted shares remaining to be unlocked held by 28 Incentive Targets should be repurchased; the total number of Incentive Targets whose restricted shares are repurchased is 103, and the total number of restricted shares repurchased is 7,214,200, accounting for 1.98% of the 260.13 million Phase II Restricted Shares (before the ex-rights date) granted, and 0.0172% of the Company's total share capital.

Repurchase price and value: according to the "Announcement of China State Construction Engineering Corporation Limited on the Outcome of Shares Award of the Phase II Restricted A Share Incentive Scheme", the award price is RMB 4.866 / share. According to the resolution adopted at the 10th meeting of the Company's second Board of Directors, following a conversion of capital reserves into share capital, the award price has been lowered from RMB 4.866 / share to RMB 3.47571. The repurchase price is determined based on the adjusted award price, i.e. RMB 3.47571, without accruing interest, in accordance with the Phase II Restricted Share Incentive Scheme. The total value of the share repurchase is RMB 25,074,498.

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Repurchase of restricted shares	No. of Incentive Targets	No. of shares unlocked	No. of shares repurchased	Value of repurchase (RMB)
Second-tranche shares are unlocked at the rate of 100%, and 100% of the remaining shares will be repurchased in third-tranche.	16	1,246,000	1,246,000	4,330,740
80% of the second-tranche of shares are unlocked, with the remaining 20% repurchased.	48	3,208,800	802,200	2,788,218
Second-tranche of shares are not unlocked, and are repurchased 100%.	11	0	770,000	2,676,300
100% of the second- and third-tranche restricted shares remaining to be unlocked are repurchased.	28	0	4,396,000	15,279,240
Total	103	4,454,800	7,214,200	25,074,498

After the share repurchase, the Company will write off the shares repurchased in accordance with relevant provisions of the *Company Law*. The Company's registered capital and total number of shares will be reduced accordingly after the write-off. However, given the small number of shares written off relative to the total share capital, it will not lead to any substantial changes in the Company's equity structure, or result in a material impact on its financial status or business performance.

The share repurchase has been reviewed and approved by the second Board of Directors and the second Board of Supervisors of CSCEC during their 33rd and 17th meetings respectively, and is pending review by the general meeting of stockholders.

IV. Listing and Trading Arrangements for Restricted Shares Unlocked in the Current tranche and Changes in Equity Structure

1. Commencement date of trading for restricted shares unlocked in the current tranche: February 14, 2020
2. Number of restricted shares unlocked and listed for trading in the current tranche: 112,527,800
3. Lock-up and transfer restrictions applicable to restricted shares unlocked for directors and senior managers in the current tranche

(1) Incentive Targets, who act as the Company's directors or senior managers, must comply with share transfer-related provisions of the "*Company Law*", "*Securities Law*", "*Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof*", "*Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company*", "*Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies*"

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and other relevant laws, regulations and normative documents, and duly handle their unlocked restricted shares according to the laws and regulations.

(2) The number of shares transferred by an Incentive Target, who acts as the Company's director or senior manager, in a given year during his/her term of office shall not exceed 25% of the total number of shares held by him/her; and the Incentive Target may not transfer any shares in the Company held by him/her in the six months after his/her dimission.

(3) Any earnings obtained by an Incentive Target, who acts as the Company's director or senior manager, by buying the Company's shares and selling them within six months, or by selling the Company's shares and buying them back within six months shall belong to the Company, and such earnings shall be collected by the Company's Board of Directors.

4. Changes in the Company's equity structure after the unlocking of restricted shares

Unit: Share

Type of shares	Before share unlock	Change	After share unlock
Shares subject to trading moratorium	834,554,667	-112,527,800	722,026,867
Shares without trading moratorium	41,141,075,044	112,527,800	41,253,602,844
Total	41,975,629,711	0	41,975,629,711

V. Conclusions of Legal Opinions

King & Wood Mallesons concludes: the necessary authorization and approval(s) have been obtained for unlocking the shares in the current tranche, and the share unlock conforms to the relevant provisions of the laws, regulations, the Company's Articles of Association and the Restricted Share Incentive Scheme; the share unlock meets the conditions for unlocking the shares specified in the Restricted Share Incentive Scheme; the Company still needs to perform its information disclosure obligations with respect to the share unlock, apply for unlocking the shares and go through related formalities in accordance with the relevant provisions of the laws, regulations, the Company's Articles of Association and the Restricted Share Incentive Scheme.

VI. Annexes to Announcement

(i) Legal Opinions of King & Wood Mallesons on Relevant Matters Regarding Second Tranche of Unlocking in 2019 in Respect of Phase II Restricted A Share Incentive Scheme of China State Construction Engineering Corporation Limited

The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited
February 4, 2020