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

Announcement on Provision for Asset Impairment in 2022H1

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 Provision for Asset Impairment in 2022H1 of China State Construction Engineering Corporation Limited* was reviewed and adopted at the 23rd meeting of the third Board of Directors and the 14th meeting of the third Board of Supervisors of China State Construction Engineering Corporation Limited (hereinafter referred to as the "Company") held on August 29, 2022. The details are as follows:

I. Overview of provision for asset impairment

In order to get a clear and objective picture of the financial standing and operations of the Company in year 2022H1, 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 June 30, 2022 and conducted impairment test before making provision for assets showing signs of impairment. In January to June 2022, the total impairment provision of the Company was RMB 8.64 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 notes receivable, 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 from January to June 2022 was RMB 7.03 billion, which was made based on a comprehensive assessment of the recoverability of the Company's financial assets by taking into account the risk profile, customer type, age distribution and collection of overdue payment at the end of the period.

2. Provision for impairment of contract assets

Contract assets or contract liabilities were listed in the balance sheet based on customers' payment obligation and actual payment, alongside with the net amount after the assets and liabilities under the same contract were offset against each other. The contract assets were by nature divided into investment funds unconfirmed by owners, quality 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. From January to June 2022, the provision for impairment of contract assets was RMB 1.27 billion, which was made based on the expected credit losses that took into account the

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credit standing of customers owning the contract assets at the end of the period and the economic outlook.

3. Provision for impairment of other assets

The provision for impairment of stock, fixed assets and other assets from January to June 2022 was RMB 340 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 from January to June 2022 resulted in an increase of RMB 7.03 billion in credit losses, an increase of RMB 1.61 billion in asset losses, and a decrease of RMB 8.64 billion in total profits as shown in the the Company's consolidated financial statements.

III. Decision-making process

The impairment provision in 2022H1 was reviewed at the 11th meeting of the Audit and Risk Management Committee under the third Board of Directors, and was reviewed and approved at the 23rd meeting of the third Board of Directors and the 14th meeting of the third Board of Supervisors. The Independent Directors of the Company consented to the provision.

The Audit and Risk Management Committee under the Board of Directors agreed with the impairment provision scheme for January to June 2022, 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 8.64 billion from January to June 2022, 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 Independent Directors of the Company were of the view that the impairment provision made by the Company was in compliance with the *Accounting Standards for Business Enterprises* and the Company's accounting policies, and was in line with the reality of the Company; it was well-grounded, and its review and decision-making process was lawful; the financial statements after the provision could truly and accurately reflect the Company's financial situation and asset value, and could provide investors with true and reliable accounting information; it would not prejudice the interests of shareholders, especially small and medium investors. The Independent Directors consented to the impairment provision.

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.

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IV. List of documents for reference

1. Resolutions of the 23rd Meeting of the Third Board of Directors of the Company
2. Resolutions of the 14th Meeting of the Third Board of Supervisors
3. Opinions of Independent Directors on Provision for Impairment in 2022H1 The above is hereby announced.

The Board of Directors of China State Construction Engineering Corporation Limited
August 29, 2022