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**中國建築國際集團有限公司**

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 3311)



**中國建築興業集團有限公司**

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 830)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
WITH  
中國建築股份有限公司  
(CHINA STATE CONSTRUCTION ENGINEERING  
CORPORATION LIMITED)**

Reference is made to the announcement jointly issued by CSC and CSCD dated 11 October 2017, and the circular of CSCD dated 1 November 2017 in relation to, among other things, the Previous CSCD-CSCECL Sub-construction Engagement Agreement entered into between CSCECL and CSCD which will expire on 31 December 2020.

On 19 October 2020, CSCECL and CSCD entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement. Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, the CSCECL Group may engage the CSCD Group as its subcontractor or service provider (as the case may be) for provision of CSCECL Works from time to time for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 subject to the CSCECL Works Caps.

CSCECL is an intermediate holding company of CSC which, in turn, is indirectly interested in approximately 74.06% of the issued share capital of CSCD as at the date of this announcement. Accordingly, members of the CSCECL Group are connected persons of both CSC and CSCD. The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement between members of the CSCECL Group on the one hand and members of the CSCD Group on the other hand, constitute continuing connected transactions for both CSC and CSCD under Chapter 14A of the Listing Rules.

For CSC, since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Caps) are greater than 0.1% but less than 5%, the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are subject only to the annual review, reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For CSCD, since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Caps) exceed 5%, the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee of CSCD comprising all the independent non-executive directors of CSCD has been formed to advise the CSCD Independent Shareholders in respect of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps). Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of CSCD and the CSCD Independent Shareholders in this connection.

A CSCD EGM will be convened and held for the CSCD Independent Shareholders to consider and, if thought fit, approve the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps).

A circular containing, among other things, further particulars of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement together with, the recommendations of the independent board committee of CSCD, a letter from the independent financial adviser to the independent board committee of CSCD and the CSCD Independent Shareholders, and a notice convening the CSCD EGM is expected to be despatched by CSCD to its shareholders on or before 24 November 2020 as CSCD expects additional time will be required to prepare and finalise the information to be included in the circular.

## **BACKGROUND**

Reference is made to the announcement jointly issued by CSC and CSCD dated 11 October 2017, and the circular of CSCD dated 1 November 2017 in relation to, among other things, the Previous CSCD-CSCECL Sub-construction Engagement Agreement entered into between CSCECL and CSCD which will expire on 31 December 2020.

On 19 October 2020, CSCECL and CSCD entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement. Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, the CSCECL Group may engage the CSCD Group as its subcontractor or service provider (as the case may be) for provision of CSCECL Works from time to time for a term of three years commencing from 1 January 2021 and ending on 31 December 2023.

## **NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT**

### **Date**

19 October 2020

### **Parties**

1. CSCECL; and
2. CSCD.

## **CSCECL Works Transactions**

CSCD expects that the CSCECL Group will continue to engage the CSCD Group as its subcontractor or service provider (as the case may be) for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group's construction works from time to time. Accordingly, under the New CSCD-CSCECL Sub-construction Engagement Agreement, CSCECL and CSCD agreed that, for a term of three years commencing from 1 January 2021 and ending on 31 December 2023:

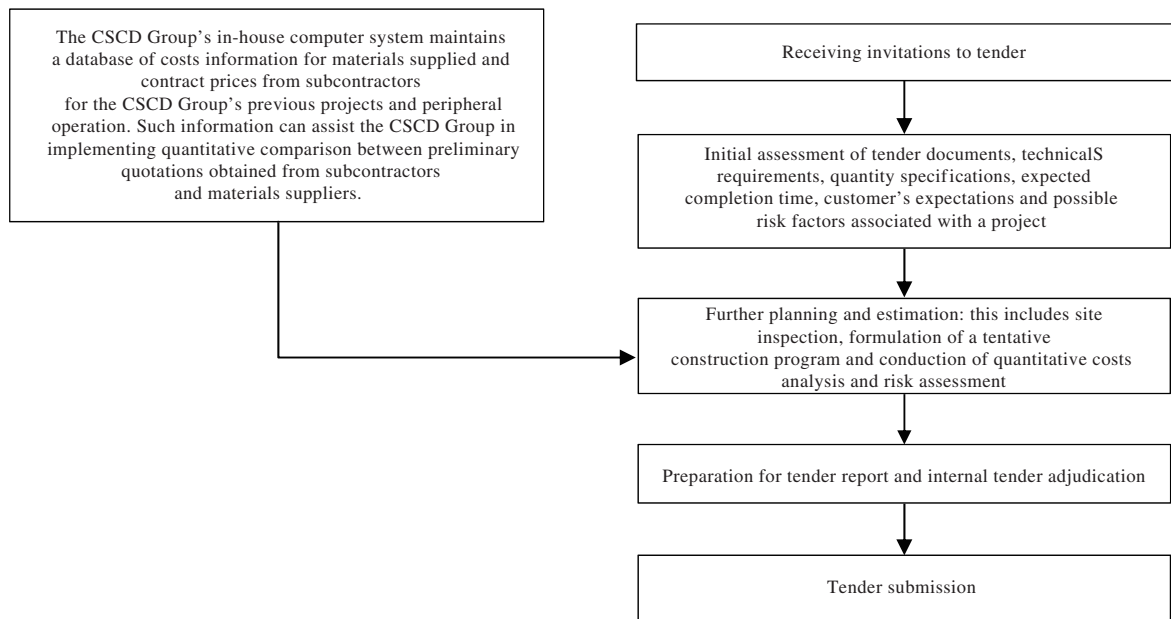
- (a) any member of the CSCD Group may act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of CSCECL Works in accordance with the applicable tendering procedures of the CSCECL Group from time to time (the “**CSCECL Works Transactions**”);
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the CSCD Group to act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of CSCECL Works, provided that the total contract sum that may be awarded by the CSCECL Group to the CSCD Group under the New CSCD-CSCECL Sub-construction Engagement Agreement for each of the three financial years ending 31 December 2023 shall not exceed HK\$1,000 million (i.e. the CSCECL Works Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the CSCECL Group to the CSCD Group will be settled pursuant to the payment terms set out in the specific contracts.

### ***Pricing basis of the CSCD Group's tenders submitted to the CSCECL Group***

As a general principle, the prices and terms of the contracts shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable to the CSCECL Group, and no less favourable to the CSCD Group, than those provided to independent third parties.

The CSCD Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor or service provider (as the case may be) of the CSCECL Group. The prices and terms of the tenders submitted by the CSCD Group to the CSCECL Group for the CSCECL Works are subject to standard and systematic tender submission procedures maintained by the CSCD Group, which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the CSCD Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the CSCD Group, than those submitted to independent third parties.

The standard and systematic tender submission procedures generally involve (i) receiving invitations to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. The procedures, as illustrated in the following diagram, will enable the CSCD Group to review the feasibility and profitability of the tender to be submitted and to decide the contents and pricing terms of the tender to be submitted.



In preparing and assessing the tender documents, the CSCD Group will take into account factors including technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project. The CSCD Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, the CSCD Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from subcontractors for the CSCD Group's previous projects and peripheral operation. Such information will assist the CSCD Group in implementing quantitative comparison between preliminary quotations obtained from sub-contractors and materials suppliers.

The CSCD Group will also review and compare previous tender prices submitted to both connected persons and independent third parties, so as to ensure that the tender price to be submitted is no more favourable to the CSCECL Group, and no less favourable to the CSCD Group, than those submitted to independent third parties.

Where the CSCD Group participates in a tender with all bidders (including independent third parties in the market), the CSCD Group will follow the above standard and systematic tender submission procedures and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedures of the CSCECL Group on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the bid invitation.

Where the CSCD Group submits tender directly to the ultimate employer, the CSCD Group will follow the above standard and systematic tender submission procedures in determining the terms and price of the tender, and if the CSCD Group is nominated as subcontractor or service provider of the CSCECL Group (as the case may be) by the ultimate employer, consideration to the CSCD Group will be ascertained by the ultimate employer or its independent professional quantity surveyor.

### ***Calculation of the CSCECL Works Caps***

The CSCECL Works Cap:

- (a) for the financial year ending 31 December 2021 is determined with reference to (i) total contract sums of contracting and engineering works, project consultancy service and project management service provided by the CSCD Group for the CSCECL Group's construction works of HK\$138,143,086 for the financial year ended 31 December 2018, HK\$164,185,993 for the financial year ended 31 December 2019 and HK\$50,505,812 for the six months ended 30 June 2020; and (ii) five tenders in relation to five residential/commercial construction projects submitted by the CSCD Group to the ultimate employers in the second half of 2020 for subcontract works with a total contract sum of HK\$552 million where the CSCECL Group is the main contractor of the projects and one tender in relation to a commercial construction project submitted by the CSCD Group to the CSCECL Group in the second half of 2020 for subcontract work with a contract sum of HK\$260 million, and where, upon successful tender, the contracts will be awarded to the CSCD Group in 2021;
- (b) for the financial year ending 31 December 2022 is determined with reference to (i) the CSCECL Group's construction works plan and the subcontract projects under negotiation with the CSCECL Group which the CSCD Group expects that six potential residential/commercial construction projects may be available for tender by the CSCD Group for subcontract works with an estimated total contract sum of HK\$840 million in 2021; and (ii) the current land reserves of the property developers in the PRC which the CSCD Group expects that four residential/commercial construction projects with an estimated total contract sum of HK\$508 million may be available for tender by the CSCD Group in 2021, and where, upon successful tender, the contracts will be awarded to the CSCD Group in 2021 and 2022; and
- (c) for the financial year ending 31 December 2023 is determined with reference to the CSCD Group's projection of the future growth and expansion of its businesses based on the historical contract sums of contracting and engineering works, project consultancy service and project management service provided by the CSCD Group for the CSCECL Group's construction works for the period between 1 January 2018 and 30 June 2020 and the potential projects available for tender by the CSCD Group as set out in paragraphs (a) and (b) above.

## **Condition Precedent**

The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) are conditional upon the passing of the resolution by the CSCD Independent Shareholders at the CSCD EGM approving the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps).

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT**

The directors of CSCD consider that the transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement will allow CSCD to maximise profits and by being able to participate in the CSCECL Works upon successful tender, the CSCD Group can secure a more diverse base of customers, thereby expanding its market reach. As for the CSCECL Group, it can leverage on the CSCD Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSCECL and CSCD pursuant to the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSCECL and CSCD will bring synergy effect to both CSCECL and CSCD, thereby facilitating the expansion of the CSCD Group's businesses.

The directors of CSC (including the independent non-executive directors of CSC) consider that the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the CSCD Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) are fair and reasonable and in the interests of CSC and its shareholders as a whole.

None of the directors of CSC has a material interest in the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement, no director of CSC was required to abstain from voting on the Board resolutions approving the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps). However, Mr. Yan Jianguo, who is the chairman and a non-executive director of CSC and the chairman and president of China Overseas Holdings Limited (being a subsidiary of CSCECL and the holding company of CSC and CSCD), and Mr. Zhang Haipeng, who is the chief executive officer and an executive director of CSC, and also the chairman and a non-executive director of CSCD, have voluntarily abstained from voting on the Board resolutions of CSC approving the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps).

The directors of CSCD (other than the independent non-executive directors of CSCD whose opinion will be provided after reviewing the advice of the independent financial adviser) consider that the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the CSCD Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) are fair and reasonable and in the interests of CSCD and its shareholders as a whole.

## **GENERAL**

CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

The CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

The CSCD Group is principally engaged in general contracting business, facade contracting business (including design, engineering, manufacture and installation of curtain wall systems) and operating management business.

CSCEC is the ultimate holding company of each of CSCECL, CSC and CSCD. Its principal businesses are building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

## **LISTING RULES IMPLICATION**

CSCECL is an intermediate holding company of CSC which, in turn, is indirectly interested in approximately 74.06% of the issued share capital of CSCD as at the date of this announcement. Accordingly, members of the CSCECL Group are connected persons of both CSC and CSCD. The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement between members of the CSCECL Group on the one hand and members of the CSCD Group on the other hand, constitute continuing connected transactions for both CSC and CSCD under Chapter 14A of the Listing Rules.

For CSC, since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Caps) are greater than 0.1% but less than 5%, the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are subject only to the annual review, reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For CSCD, since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Caps) exceed 5%, the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

An independent board committee of CSCD comprising all the independent non-executive directors of CSCD has been formed to advise the CSCD Independent Shareholders in respect of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps). Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of CSCD and the CSCD Independent Shareholders in this connection.

A CSCD EGM will be convened and held for the CSCD Independent Shareholders to consider and, if thought fit, approve the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps). Voting at the CSCD EGM will be conducted by poll, and CSCECL and its associates will abstain from voting on the resolution to approve the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps).

A circular containing, among other things, further particulars of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement together with, the recommendations of the independent board committee of CSCD, a letter from the independent financial adviser to the independent board committee of CSCD and the CSCD Independent Shareholders, and a notice convening the CSCD EGM is expected to be despatched by CSCD to its shareholders on or before 24 November 2020 as CSCD expects additional time will be required to prepare and finalise the information to be included in the circular.

Shareholders of both CSC and CSCD should note that the CSCECL Works Caps represent the best estimates by the directors of CSC and/or CSCD of the amount of the relevant transaction based on the information currently available. The CSCECL Works Caps bear no direct relationships to, nor should be taken to have any direct bearings to, the financial or potential financial performance of each of the CSC Group and the CSCD Group.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “30%-controlled companies”,<br>“associates”, “connected<br>persons”, “controlling<br>shareholder” and<br>“subsidiary(ies)” | each has the meaning ascribed to it under the Listing Rules;   |
| “Board”  | the board of directors of a company;   |
| “CSC”  | China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311), is a non-wholly owned subsidiary of CSCECL and a controlling shareholder of CSCD; |
| “CSC Group”  | CSC, its subsidiaries (excluding the CSCD Group) and 30%-controlled companies from time to time;   |



“CSCD”	China State Construction Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 830);
“CSCD EGM”	the extraordinary general meeting of CSCD to be held to consider and approve, among other things, the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps);
“CSCD Group”	CSCD and its subsidiaries from time to time;
“CSCD Independent Shareholders”	shareholder(s) of CSCD, other than CSCECL and its associates;
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of CSCECL, CSC and CSCD;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), a controlling shareholder of each of CSC and CSCD, and a non-wholly owned subsidiary of CSCEC;
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on the Stock Exchange and their respective subsidiary(ies)) from time to time;
“CSCECL Works”	contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works;
“CSCECL Works Cap(s)”	the maximum total contract sum of the construction sub-contracts, project consultancy contracts and project management contracts that may be awarded by the CSCECL Group to the CSCD Group as subcontractor or service provider (as the case may be) of the CSCECL Group for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement;
“CSCECL Works Transactions”	the engagement of the CSCD Group by the CSCECL Group as subcontractor or service provider (as the case may be) for the CSCECL Works as described under the section headed “New CSCD-CSCECL Sub-construction Engagement Agreement – CSCECL Works Transactions” in this announcement;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“New CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and CSCD on 19 October 2020 in respect of the CSCECL Works Transactions;
“PRC”	People’s Republic of China, and for the purpose of this announcement excludes Hong Kong, Macau and Taiwan;
“Previous CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and CSCD on 11 October 2017 in respect of the engagement of the CSCD Group by the CSCECL Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works for the period commenced from 1 January 2018 and ended on 31 December 2020;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board of  
**China State Construction International  
Holdings Limited**  
**Yan Jianguo**  
*Chairman and Non-executive Director*

By order of the Board of  
**China State Construction Development  
Holdings Limited**  
**Zhang Haipeng**  
*Chairman and Non-executive Director*

Hong Kong, 19 October 2020

\* *for identification purpose only*

*As at the date of this announcement, the Board of CSC comprises Mr. Yan Jianguo as Chairman and Non-executive Director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Hung Cheung Shew as Executive Directors; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.*

*As at the date of this announcement, the Board of CSCD comprises Mr. Zhang Haipeng as Chairman and Non-executive Director; Mr. Wu Mingqing (Vice Chairman and Chief Executive Officer) and Mr. Wang Hai as Executive Directors; Mr. Huang Jiang as Non-executive Director; and Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.*