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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)

CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE WITH

中國建築第二工程局有限公司

(CHINA CONSTRUCTION SECOND ENGINEERING BUREAU LTD.)

On 19 January 2018, CSCIE (a wholly-owned subsidiary of the Company) and CCSEB entered into the Cooperation Agreement, pursuant to which the parties agreed to (i) form Yunnan JV with CCIFM and Yuxi Construction for the purpose of investing into the Underground Pipeline Project; and (ii) regulate their respective rights and obligations in Yunnan JV.

CCSEB is a subsidiary of CSCECL, which in turn is the intermediate holding company of the Company. Accordingly, CCSEB is a connected person of the Company and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 19 January 2018, CSCIE (a wholly-owned subsidiary of the Company) and CCSEB entered into the Cooperation Agreement, pursuant to which the parties agreed to (i) form Yunnan JV with CCIFM and Yuxi Construction for the purpose of investing into the Underground Pipeline Project; and (ii) regulate their respective rights and obligations in Yunnan JV. It is contemplated that Yunnan JV will enter into the Project Agreement with the Housing and Urban Construction Bureau of Yuxi City whereby Yunnan JV will be responsible for project financing investment, design, construction management, operation, maintenance and transfer of the Underground Pipeline Project.

COOPERATION AGREEMENT

Date

19 January 2018

Parties

- (a) CSCIE, a wholly-owned subsidiary of the Company; and
- (b) CCSEB, a subsidiary of CSCECL, which in turn is the intermediate holding company of the Company.

Formation of Yunnan JV

CSCIE, CCSEB, CCIFM and Yuxi Construction shall establish Yunnan JV for the purpose of investing into the Underground Pipeline Project. CSCIE, CCSEB, CCIFM and Yuxi Construction shall hold 15%, 15%, 69% and 1% equity interest in Yunnan JV, respectively. Yunnan JV will be accounted for as an associate of the Group.

CSCIE and CCSEB agreed to the following major terms concerning Yunnan JV in the Cooperation Agreement:

Capital Commitment : Registered capital of Yunnan JV

Yunnan JV shall have a registered capital of RMB100,000,000 (equivalent to approximately HK\$120,481,927), which shall be contributed by equity interest holders of Yunnan JV in proportion to their respective equity interest in Yunnan JV as follows:

CSCIE	RMB15,000,000 (equivalent to approximately HK\$18,072,289)
CCSEB	RMB15,000,000 (equivalent to approximately HK\$18,072,289)
CCIFM	RMB69,000,000 (equivalent to approximately HK\$83,132,530)
Yuxi Construction	RMB1,000,000 (equivalent to approximately HK\$1,204,819)

Total investment amount of Yunnan JV

Yunnan JV shall have a total investment amount (including the registered capital of Yunnan JV) of RMB810,000,000 (equivalent to approximately HK\$975,903,614), which shall be contributed by equity interest holders of Yunnan JV in proportion to their respective equity interest in Yunnan JV as follows:

CSCIE	RMB121,500,000 (equivalent to approximately HK\$146,385,542)
CCSEB	RMB121,500,000 (equivalent to approximately HK\$146,385,542)
CCIFM	RMB558,900,000 (equivalent to approximately HK\$673,373,494)
Yuxi Construction	RMB8,100,000 (equivalent to approximately HK\$9,759,036)

The respective contribution to the registered capital and the total investment amount of Yunnan JV is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the Underground Pipeline Project and the parties' interest in Yunnan JV.

Board composition : The board of directors of Yunnan JV shall consist of five directors. The specific composition and appointment shall be separately negotiated and decided by the equity interest holders of Yunnan JV. However, the appointment and the rights and obligations enjoyed by and borne by CSCIE and CCSEB shall be in proportion to their respective equity interest in Yunnan JV.

Profit/loss sharing : The specific profit/loss sharing in respect of Yunnan JV shall be separately negotiated and decided by the equity interest holders of Yunnan JV.

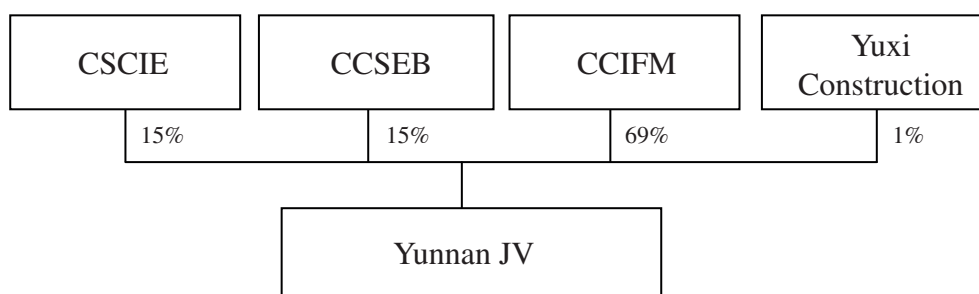
Future financing : Capital for the Underground Pipeline Project shall be financed by the registered capital and the total investment amount of Yunnan JV. Any additional funding requirements of Yunnan JV shall be arranged by Yunnan JV with banks or financial institutions.

Restriction on transfers : Neither CSCIE nor CCSEB may transfer or assign all or any part of its equity interest in Yunnan JV without written consent from the other parties.

The parties will enter into definitive agreement for the formation of Yunnan JV in due course.

OWNERSHIP STRUCTURE OF YUNNAN JV

The chart below shows the ownership structure of Yunnan JV upon its establishment:



INFORMATION ON YUNNAN JV AND UNDERGROUND PIPELINE PROJECT

Yunnan JV is a joint venture company to be formed by CSCIE, CCSEB, CCIFM and Yuxi Construction for the purpose of project financing investment, design, construction management, operation, maintenance and transfer of the Underground Pipeline Project.

The Underground Pipeline Project is a Public-Private-Partnership (PPP) project in respect of construction, operation and management of six urban underground pipelines connecting Huixi Road (匯溪路), Simin Road (思民路), Beihu Road (杯湖路), Tengxiao Road (騰霄路), Xihe Road (西河路), and New Xihe Road (新西河路) and the regional underground pipeline control centre in Yuxi City, Yunnan Province, the PRC (雲南玉溪城區地下綜合管廊PPP項目). The pipelines are expected to have a total length of 19.95 kilometres. The construction period is expected to be three years.

Upon completion of construction works, the relevant governmental authority will grant an operation right to Yunnan JV for the management and operation of the underground pipelines for a period of 15 years whereby Yunnan JV will receive pipeline usage fee, maintenance fee and other service fee according to the terms of the Project Agreement. Upon expiry of the operation period, the pipelines shall be transferred back to the relevant governmental authority.

REASONS FOR AND BENEFITS OF THE TRANSACTION

CCSEB has substantial experience in construction markets. The Transaction provides the Company with the opportunity to participate in infrastructure construction projects in the PRC with CCSEB as one of the joint venture partners, and bring synergy effect between the parties. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience of CCSEB.

The Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of business, on normal commercial terms after arm's length negotiations between the parties, and the terms of the Transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Transaction.

GENERAL

CSCIE is a wholly-owned subsidiary of the Company. The Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business.

CCSEB is a contractor based in the PRC which is principally engaged in the undertaking of construction and engineering works.

CCIFM is a wholly-owned subsidiary of CSCECL which is principally engaged in private equity fund management. In respect of the Underground Pipeline Project, CCIFM will act as the general partner and manage the fund to be contributed by third parties independent of the Company and its connected persons.

Yuxi Construction is principally engaged in construction, project investment, development, operation and management of municipal infrastructure of Yuxi City. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, Yuxi Construction and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

CCSEB is a subsidiary of CSCECL, which in turn is the intermediate holding company of the Company. Accordingly, CCSEB is a connected person of the Company and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“CCIFM”	中建投資基金管理(北京)有限公司 (China Construction Investment Fund Management (Beijing) Co., Ltd.), a limited liability company established in the PRC;
“CCSEB”	中國建築第二工程局有限公司 (China Construction Second Engineering Bureau Ltd.), a limited liability company established in the PRC and a subsidiary of CSCECL;
“Company”	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);
“connected person(s)”, “percentage ratios”, “subsidiary”	each has the meaning ascribed to it in the Listing Rules;
“Cooperation Agreement”	the cooperation agreement between CSCIE and CCSEB dated 19 January 2018 in relation to the formation of Yunnan JV for the purpose of investing into the Underground Pipeline Project;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (the shares of which are listed on The Shanghai Stock Exchange), the intermediate holding company of the Company indirectly interested in more than 50% of the Company;
“CSCIE”	中建國際工程有限公司 (China State Construction International Engineering Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Directors”	the directors of the Company;

“Group”	the Company and its subsidiaries from time to time;
“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;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Project Agreement”	an agreement to be entered into between Yunnan JV and the Housing and Urban Construction Bureau of Yuxi City for the purpose of project financing investment, design, construction management, operation, maintenance and transfer of the Underground Pipeline Project;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the entering into of the Cooperation Agreement and the transaction contemplated thereunder;
“Underground Pipeline Project”	the Public-Private-Partnership (PPP) project in relation to construction, operation and management of six urban underground pipelines and the regional underground pipeline control centre in Yuxi City, Yunnan Province, the PRC (雲南玉溪城區地下綜合管廊 PPP項目), details of which are set out in the section headed “Information on Yunnan JV and Underground Pipeline Project” of this announcement;

“Yunnan JV”	a joint venture company to be established as a limited liability company for the purpose of investing into the Underground Pipeline Project;
“Yuxi Construction”	玉溪市家園建設投資有限公司 (Yuxi City Jiayuan Construction Investment Co., Ltd.), a limited liability company established in the PRC designated by the Yuxi City government as an equity interest holder of Yunnan JV; and
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB0.83 = HK\$1.00. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

By Order of the Board
China State Construction
International Holdings Limited
Zhou Yong
Chairman and Chief Executive Officer

Hong Kong, 19 January 2018

As at the date of this announcement, the Board comprises Mr. Zhou Yong (Chairman and Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Mr. Wu Mingqing and Mr. Zhang Haipeng as Executive Directors; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.