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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 CHINA STATE CONSTRUCTION
INTERNATIONAL HOLDINGS LIMITED**

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

It is anticipated that the Group's business, in particular facade contracting business, will continue to expand due to an expected increase in potential projects available from ultimate employers and/or the CSC Group. In view of the foregoing, on 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement to supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 subject to the Annual Caps. The New CSCD-CSC Sub-construction Engagement Agreement shall supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement with effect from 1 July 2020 (subject to the satisfaction of the condition precedent to the New CSCD-CSC Sub-construction Engagement Agreement).

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the Annual Caps exceed 5%, the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the GM will be conducted by poll and CSC and its associates will abstain from voting at the GM.

An independent board committee of the Company comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection.

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

BACKGROUND

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

It is anticipated that the Group's business, in particular facade contracting business, will continue to expand due to an expected increase in potential projects available from ultimate employers and/or the CSC Group. In view of the foregoing, on 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement to supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works. The New CSCD-CSC Sub-construction Engagement Agreement shall supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement with effect from 1 July 2020 (subject to the satisfaction of the condition precedent to the New CSCD-CSC Sub-construction Engagement Agreement).

NEW CSCD-CSC SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

Principal terms of the New CSCD-CSC Sub-construction Engagement Agreement are summarised as follows:

Date

24 March 2020

Parties

1. CSC; and
2. the Company.

Transactions

The Company expects that the CSC Group will continue to engage the Group as its subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works from time to time. In this connection, on 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 whereby the parties agreed that:

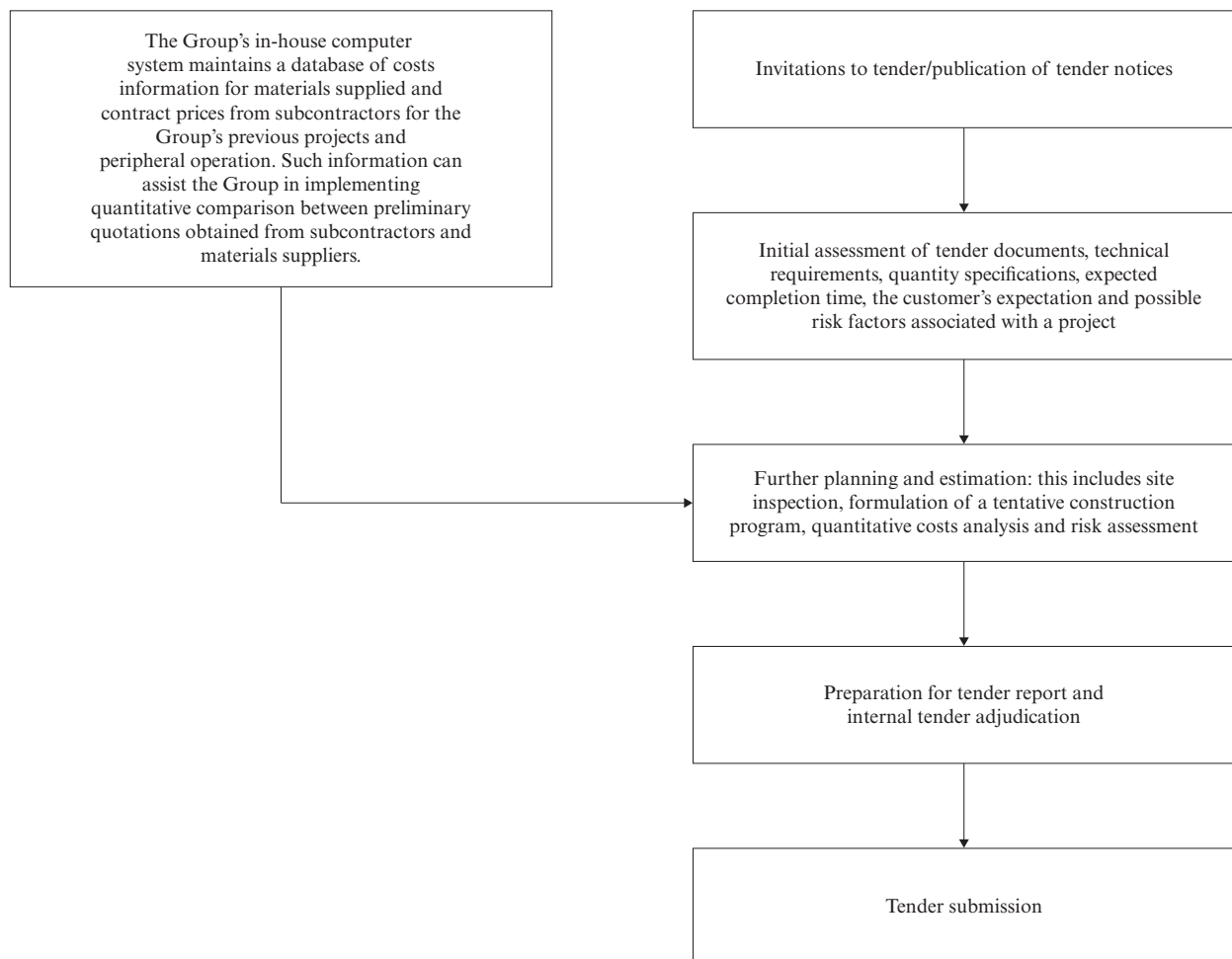
- (a) any member of the Group may act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works in accordance with the applicable subcontracting procedures of the CSC Group from time to time;
- (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 member of the Group to act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works, provided that the total contract sum that may be awarded by the CSC Group to the Group under the New CSCD-CSC Sub-construction Engagement Agreement for the period between 1 July 2020 and 31 December 2020, each of the two years ended 31 December 2021 and 31 December 2022 and the period between 1 January 2023 and 30 June 2023 shall not exceed HK\$3,000 million, HK\$3,500 million, HK\$3,500 million and HK\$3,000 million, respectively (i.e. the Annual 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 CSC Group to the Group will be settled pursuant to the payment terms set out in the specific contracts.

Pricing basis of the Group's tenders submitted to the CSC Group

As a general principle, the prices and terms of the contracts with respect to the Transactions 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 than those provided to the independent third party customers of the Group.

As for the provision of contracting and engineering works, the Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor of the CSC Group. The prices and terms of the Group's tenders submitted to the CSC Group for the CSC Group's construction works are subject to a standard and systematic tender submission procedure maintained by the Group, which applies 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 Group to the CSC Group are no more favourable than those submitted to independent third parties.

The standard and systematic tender submission procedure generally involves (i) receiving invitation 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 procedure, as illustrated in the following diagram, will enable the 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 Group will take into account factors including the technical requirements, quantity specifications, expected completion time, customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, formulate a tentative construction program, conduct quantitative costs analysis and risk assessment.

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

The 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 than those submitted to independent third parties.

Where a member of the Group participates in a tender with all bidders (including independent third parties in the market), the Group will follow the above standard and systematic tender submission procedure and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedure(s) of the member of the CSC 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 a member of the Group submits tender directly to the ultimate employer, the Group will follow the above standard and systematic tender submission procedure in preparing the terms and price of the tender, and if such member of the Group is nominated as subcontractor by the ultimate employer, consideration to such member of the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

As for the provision of project management service and project consultancy service, the Group is typically engaged to provide such services through direct appointment by the CSC Group. The price and terms of each service provided to the CSC Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project, which shall also be in line with the basis for engagement by independent third parties to provide services for projects of similar size and nature.

The project management fees and project consultancy fees are determined based on a percentage of no more than 20% of the value or remaining value of the projects for which the member of the Group is expected to be engaged to provide services. The quote to be offered will be reviewed and scrutinised by the tender review committee with reference to the cost expected to be incurred for the services and the previous quotes offered to connected persons and at least two previous quotes offered to independent third parties to ensure that the fees for project management service and project consultancy service are no more favourable than those offered to independent third parties. The tender review committee consists of eight members, of which one of them holds director position in certain subsidiaries of CSC. These subsidiaries did not and will not engage the Group for provision of contracting and engineering works, project consultancy service or project management service. Apart from the member holding director position in subsidiaries of CSC, all others are independent of the CSC Group. The tenders will be reviewed by all members of the tender review committee, of which independent members will have a majority vote.

Calculation of the Annual Caps

The Annual Caps are calculated with reference to the following factors:

- (a) total contract sum of contracting and engineering works, project consultancy service and project management service provided by the Group for the construction works of the CSC Group for each of the two financial years ended 31 December 2018 and 31 December 2019 of HK\$956,310,684 and HK\$1,432,959,824, respectively;
- (b) estimated total contract sum of new construction projects of the CSC Group in the three-year period commencing from 1 July 2020 and ending on 30 June 2023, with reference to the CSC Group's future growth and expansion for such period, which is estimated based on (i) the total historical contract sums awarded; (ii) tenders in the amount of approximately HK\$3,100 million submitted to ultimate employers and/or the CSC Group; (iii) tenders in the amount of approximately HK\$1,100 million planned to be submitted to or projects under negotiation with the ultimate employer and/or the CSC Group; and (iv) other potential projects available from ultimate employers and/or the CSC Group in the amount of approximately HK\$1,500 million; and
- (c) the growth of the construction markets in the PRC in the three-year period commencing from 1 July 2020 and ending on 30 June 2023 estimated by the Directors, which is based on the positive outlook of the construction industry with growth in construction activities leading to an increase in the construction works available for the Group to tender in the forthcoming years.

The total contract sum of contracting and engineering works, project consultancy service and project management service provided by the Group for the CSC Group's construction works for the period between 1 January 2020 and 28 February 2020 was nil.

Condition Precedent

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

Reasons for the Transactions

The Directors consider that the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will allow the Company to maximise profits and bring synergy effect to both CSC and the Company, thereby facilitating the expansion of the Company's businesses.

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

GENERAL

The CSC Group is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

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

CSCEC is the ultimate holding company of each of CSC and the Company. CSCEC is principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the Annual Caps exceed 5%, the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the GM will be conducted by poll and CSC and its associates will abstain from voting at the GM.

An independent board committee of the Company comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection.

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

DEFINITIONS

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

“Annual Caps”	the maximum total contract sums of the contracts for provision of contracting and engineering works, project consultancy service and project management service that may be awarded by the CSC Group to the Group (as subcontractor of the CSC Group) for the relevant periods/years under the New CSCD-CSC Sub-construction Engagement Agreement
“30%-controlled companies”, “associates”, “connected persons”, “controlling shareholder” and “subsidiaries”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	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)
“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)
“CSC Group”	CSC, its subsidiaries and 30%-controlled companies (excluding the Group) from time to time
“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 CSC and the Company
“Director(s)”	the director(s) of the Company
“GM”	the general meeting of the Company to be held to consider and approve, among other things, the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps)
“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
“Independent Shareholders”	Shareholder(s), other than CSC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 24 March 2020 in respect of the Transactions
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

“Previous CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 11 October 2017 in respect of the engagement by the CSC Group of the Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group’s construction works from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the engagement by the CSC Group of the Group as subcontractor for the CSC Group’s construction works as described under the sub-section headed “Transactions” in this announcement
“%”	per cent.

* *for identification purpose only*

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

Hong Kong, 24 March 2020

As at the date of this announcement, the Board 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.