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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)

MAJOR AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA OVERSEAS PUBLIC UTILITY INVESTMENT LIMITED AND THE REMAINING ONSHORE INTEREST

THE ACQUISITION

On 14 October 2019, the Company and the Vendor, a direct wholly-owned subsidiary of CSC, entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell or procure the sale of the Sale Share and the Remaining Onshore Interest (representing 100% of the registered capital of Shenyang Huanggu Company) for an aggregate consideration of HK\$673,580,000.

The principal business of Shenyang Huanggu Company is production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, the capital city of the Liaoning Province, PRC.

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

CSC is indirectly interested in approximately 74.06% of the issued share capital of the Company as at the date of this announcement. It is a controlling shareholder and hence a connected person of the Company. The Vendor, being a direct wholly-owned subsidiary of CSC, is also a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition.

A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders on or before 30 November 2019, as additional time is required to prepare, among other things, the financial information to be included in the circular.

Shareholders and potential investors should note that the Acquisition is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

On 14 October 2019, the Company and the Vendor, a direct wholly-owned subsidiary of CSC, entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell or procure the sale of the entire registered capital of Shenyang Huanggu Company by way of sale and purchase of (i) the Sale Share, representing the entire issued share capital of the Target Company which owns 99.69% of the registered capital of Shenyang Huanggu Company; and (ii) the Remaining Onshore Interest, representing the 0.31% of the registered capital of Shenyang Huanggu Company held by Shenzhen Haifengde, for an aggregate consideration of HK\$673,580,000.

THE SALE AND PURCHASE AGREEMENT

Date

14 October 2019

Parties

- (a) the Vendor, as vendor; and
- (b) the Company, as purchaser.

Subject Matter

- (a) the Sale Share, representing the entire issued share capital of the Target Company, which owns 99.69% of the registered capital of Shenyang Huanggu Company; and
- (b) the Remaining Onshore Interest, being the 0.31% of the registered capital of Shenyang Huanggu Company held by Shenzhen Haifengde.

Consideration

The Consideration payable under the Sale and Purchase Agreement is HK\$673,580,000, which shall be apportioned as follows:

- (a) HK\$671,480,000 for the Sale Share; and
- (b) HK\$2,100,000 for the Remaining Onshore Interest.

Subject to the terms and conditions of the Sale and Purchase Agreement and Completion, the Consideration shall be paid in the following manner:

- (a) as to the Sale Share, by the Company to the Vendor:
 - (i) HK\$222,000,000 shall be paid within 10 Business Days after the date of Completion (the “First Payment Date”);
 - (ii) HK\$222,000,000 shall be paid within six months after the First Payment Date; and
 - (iii) HK\$227,480,000 shall be paid within one year after the First Payment Date.
- (b) as to the Remaining Onshore Interest, HK\$2,100,000 shall be paid by the transferee of the Remaining Onshore Interest, being a designated onshore entity wholly owned by the Company, to Shenzhen Haifengde at Completion (or such other date as may be agreed between the Company and the Vendor in writing).

The Consideration will be financed partly by the internal resources of the Company and partly by bank borrowings. The Consideration was arrived at following arm’s length negotiations between the Company and the Vendor with reference to, amongst other things, the price-to-earnings multiple of approximately 15.6 times of the unaudited consolidated net profit after taxation and extraordinary items of the Target Group of HK\$43,193,830 for the period from 1 July 2018 to 30 June 2019. The price-to-earnings ratio of 15.6 times was set with reference to the pricing of similar infrastructure companies, which the parties consider to be fair and reasonable.

Conditions Precedent

Completion is conditional upon the following Conditions being satisfied (or waived, if applicable) on or before the date of Completion:

- (a) the Independent Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder as may be required by the Listing Rules;
- (b) the title to the Sale Share and the Remaining Onshore Interest being in order and free from all encumbrances;
- (c) all the warranties given by the Vendor in the Sale and Purchase Agreement remaining true and accurate and not misleading as at Completion and no events having occurred that would result in any breach of any of the warranties or provisions of the Sale and Purchase Agreement by the Vendor;
- (d) the Vendor having facilitated the Company to undertake a legal, financial and business due diligence investigation in respect of the Target Group, and the results of such due diligence investigation being reasonably satisfactory to the Company; and

- (e) all necessary consents, approvals, registration and filings required from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong, the PRC or elsewhere or otherwise required from any third parties in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained.

Completion

Completion shall take place on the 3rd Business Day immediately following the day of the fulfilment (or waiver, as applicable) of all the Conditions or on such other date as the Company and the Vendor may agree in writing.

Other Arrangements

Remaining Onshore Interest

The Vendor and the Company acknowledge that PRC governmental approval for the transfer of the Remaining Onshore Interest may take time. The parties further agree that if and to the extent transfer of the Remaining Onshore Interest cannot take place at the same time as completion of the Sale Share, Completion will still take place but the Vendor will procure the Remaining Onshore Interest be held to the order of the Company in the interim period.

Vendor's undertaking to settle Target Group's onshore receivable

Certain fellow subsidiaries of the Vendor owe an amount of RMB675,001,908 (equivalent to approximately HK\$772,313,396) to Shenyang Huanggu Company in the PRC.

On the other hand, the Target Group owes an aggregate amount of HK\$776,771,615 payable to the Vendor and certain of its fellow subsidiaries in Hong Kong.

The above amount due owing to Shenyang Huanggu Company is an onshore receivable of the Target Group, which cannot be offset against the offshore amount due payable by the Target Group because of foreign exchange control of RMB.

In view of the above, the Vendor has agreed as follows:

- (a) it will procure the settlement of (and failing which it will settle) the Target Group's onshore receivable amount within two years from Completion; and
- (b) the Target Group is only required to repay, after Completion, the offshore amount due payable to the Vendor and certain of its fellow subsidiaries to the extent the above onshore receivable is repaid.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Vendor. The Target Company is an investment holding company directly holding 99.69% of the registered capital of Shenyang Huanggu Company. The remaining 0.31% of the registered capital of Shenyang Huanggu Company is held by Shenzhen Haifengde, which is an indirect wholly-owned subsidiary of CSC.

The principal business of Shenyang Huanggu Company is production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, the capital city of the Liaoning Province, PRC.

Shenyang Huanggu Company owns 100% equity interest in Shenyang Huanggu Fenmeihui. The principal business of Shenyang Huanggu Fenmeihui is manufacturing and sales of fly ash products and fly ash adhesive.

Financial information of the Target Group

Set out below is a summary of certain unaudited financial information of the Target Group for the two years ended 31 December 2018 and for the six months ended 30 June 2019:

	For the year ended 31 December		For the six months ended
	2017	2018	30 June 2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net profit before taxation and extraordinary items	51,092,497	45,424,685	60,254,739
Net profit after taxation and extraordinary items	38,142,994	34,171,144	44,059,467

The unaudited consolidated net asset value of the Target Group as at 31 December 2018 and 30 June 2019 was approximately HK\$603,694,344 and HK\$644,233,447 respectively.

The Target Group was acquired by the CSC Group at a consideration of HK\$400,000,000 in November 2007.

Upon Completion, each member of the Target Group will become a wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial statements of the Company.

Subsisting transactions of Shenyang Huanggu Company

Shenyang Huanggu Company has entered into certain agreements with the COLI Group in relation to the provision of connection services for heating pipes for certain real estate projects located in Shenyang. The transactions contemplated under the said agreements shall, upon Completion, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company will make further announcement(s) in relation to such continuing connected transactions after Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition would not only provide a steady cash flow and income source, but also continue to expand the Group's operating asset portfolio, enabling the Group to head to the strategic target of "Dual-core Driving" by construction related business and operating management business.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after reviewing the advice of the independent financial adviser) are of the view that although the Acquisition is not in the ordinary and usual course of business of the Company, the Acquisition and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE CSC GROUP

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

The CSC Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business. The Vendor is a direct wholly-owned subsidiary of CSC and is principally engaged in investment holding. Shenzhen Haifengde is an indirect wholly-owned subsidiary of CSC and is principally engaged in investment holding.

LISTING RULES IMPLICATIONS

CSC is indirectly interested in approximately 74.06% of the issued share capital of the Company as at the date of this announcement. It is a controlling shareholder and hence a connected person of the Company. The Vendor, being a direct wholly-owned subsidiary of CSC, is also a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition also constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders on or before 30 November 2019, as additional time is required to prepare, among other things, the financial information to be included in the circular.

Shareholders and potential investors should note that the Acquisition is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Remaining Onshore Interest by the Company pursuant to the Sale and Purchase Agreement and all the transactions contemplated thereunder
“Board”	the board of Directors
“COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group”	COLI and its subsidiaries from time to time
“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)
“Completion”	completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement
“Conditions”	the conditions precedent for Completion as set out in the section headed “Conditions Precedent” in this announcement
“connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Group to the CSC Group pursuant to the Sale and Purchase Agreement, as more particularly described in the section headed “Consideration” in this announcement
“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 and its subsidiaries (excluding the Group) from time to time
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“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 Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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
“Remaining Onshore Interest”	Shenzhen Haifengde’s interest in the 0.31% of the registered capital of Shenyang Huanggu Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 October 2019 entered into between the Company (as purchaser) and the Vendor (as vendor) in relation to the Acquisition
“Sale Share”	one (1) ordinary share of US\$1.00 in the share capital of the Target Company, being the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

“Shenzhen Haifengde”	深圳海豐德投資有限公司(Shenzhen Haifengde Investment Co. Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CSC, and its principal business is investment holding
“Shenyang Huanggu Company”	瀋陽皇姑熱電有限公司(Shenyang Huanggu Thermoelectricity Company Limited*), a limited liability company established in the PRC and its principal business is production and supply of heat, electricity and steam and the provision of installing service heat distribution network
“Shenyang Huanggu Fenmeihui”	瀋陽皇姑粉煤灰建材有限公司(Shenyang Huanggu Fenmeihui Construction Material Co. Ltd.*), a limited liability company established in the PRC and its principal business is manufacturing and sales of fly ash products and fly ash adhesive
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Overseas Public Utility Investment Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Vendor
“Target Group”	collectively, the Target Company, Shenyang Huanggu Company and Shenyang Huanggu Fenmeihui
“US\$”	US Dollar, the lawful currency of the United States of America
“Vendor”	Ever Power Group Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CSC
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.8740 to HK\$1. No representative is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

** 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, 14 October 2019

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), Mr. Wang Hai and Mr. Chan Sim Wang 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.