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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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK AGREEMENT WITH CSC
FOR HONG KONG BUILDING CONSTRUCTION MAIN CONTRACTS**

FRAMEWORK AGREEMENT

On 22 October 2019, CSC and the Company entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Hong Kong Building Construction Main Contracts as joint venture main contractor at the request of CSC or the Company. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Hong Kong Building Construction Main Contracts.

The cooperation between CSC and the Company (or their respective subsidiaries) as contemplated by the Framework Agreement will take the form of contractual joint venture in accordance with terms customary in the construction industry in Hong Kong whereby CSC and the Company (or their respective subsidiaries) will cooperate to enter into and implement the relevant Hong Kong Building Construction Main Contracts as joint venture main contractor.

Upon a successful tender (or such other contract award process), the relevant Hong Kong Building Construction Main Contract shall be awarded by the relevant third-party developer/owner client to CSC and the Company (or their respective subsidiaries) as joint venture main contractor. The Framework Agreement shall cover the period commencing from 20 December 2019 and ending on 30 June 2022.

The Framework Agreement does not anticipate the formation of any joint venture company, nor acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint operations arrangement between CSC and the Company (or their respective subsidiaries) without the establishment of any separate legal entities to carry out the Hong Kong Building Construction Main Contracts, which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorised as “joint operations” in 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. As such, the transactions contemplated under the Framework Agreement between members of the CSC Group on the one hand and members of the Group on the other hand, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded jointly to CSC and the Company (or their respective subsidiaries) for the relevant period/year under the Framework Agreement (i.e. the Annual Caps) exceed 5%, the transactions contemplated under the Framework Agreement (together with the Annual Caps) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps). At the same EGM, the Independent Shareholders will also consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Framework Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder, is expected to be despatched to the Shareholders on or before 30 November 2019 as additional time is required to prepare and finalise the information to be included in the circular.

CONTINUING CONNECTED TRANSACTIONS

On 22 October 2019, CSC and the Company entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Hong Kong Building Construction Main Contracts as joint venture main contractor at the request of CSC or the Company. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Hong Kong Building Construction Main Contracts.

The cooperation between CSC and the Company (or their respective subsidiaries) as contemplated by the Framework Agreement will take the form of contractual joint venture in accordance with terms customary in the construction industry in Hong Kong whereby CSC and the Company (or their respective subsidiaries) will cooperate to enter into and implement the relevant Hong Kong Building Construction Main Contracts as joint venture main contractor.

Upon a successful tender (or such other contract award process), the relevant Hong Kong Building Construction Main Contract shall be awarded by the relevant third-party developer/owner client to CSC and the Company (or their respective subsidiaries) as joint venture main contractor.

The Framework Agreement does not anticipate the formation of any joint venture company, nor acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint operations arrangement between CSC and the Company (or their respective subsidiaries) without the establishment of any separate legal entities to carry out the Hong Kong Building Construction Main Contracts, which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorised as “joint operations” in the financial statements of the Company.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are as follows:

Date

22 October 2019

Parties

- (a) CSC, which is indirectly interested in approximately 74.06% of the issued share capital of the Company; and
- (b) the Company.

Term

The Framework Agreement shall cover the period commencing from 20 December 2019 and ending on 30 June 2022 (both dates inclusive).

Subject matter

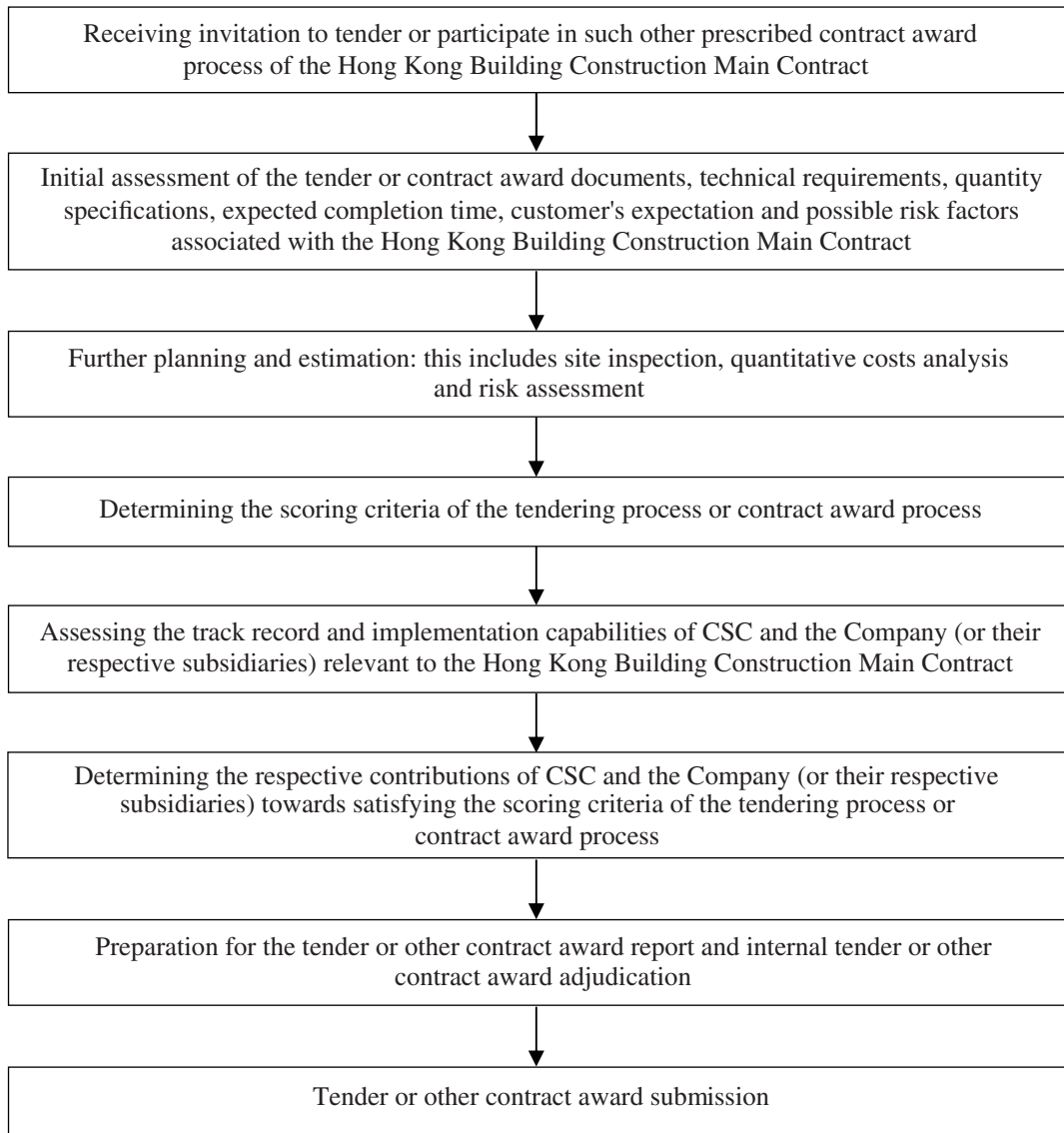
Pursuant to the Framework Agreement, CSC and the Company agreed that:

- (a) at the request of CSC or the Company, the parties (or their respective subsidiaries) may cooperate to enter into and implement the Hong Kong Building Construction Main Contracts as joint venture main contractor, provided that the maximum total contract sum that may be awarded jointly to CSC and the Company (or their respective subsidiaries) for the relevant period/year shall not exceed the corresponding Annual Caps as set out in the paragraph headed “Annual Caps” below in this announcement; and
- (b) the contractual joint ventures for entering into and implementing the particular Hong Kong Building Construction Main Contracts as contemplated under the Framework Agreement are joint operations arrangement between CSC and the Company (or their respective subsidiaries).

Cooperation between CSC and the Company

In the event that the Group decides to participate in the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of a Hong Kong Building Construction Main Contract, CSC (or its subsidiary) and the Company (or its subsidiary) may participate in such process as joint venture main contractor, if the engineering department of the Company (or its subsidiary), after making qualitative and quantitative assessment of the scoring criteria of such process, determines that such joint venture will maximise the scoring of such tendering process or contract award process and therefore enhance the chance of successful award of the Hong Kong Building Construction Main Contract.

The engineering department of the Company (or its subsidiary) will determine whether or not to participate in such tendering process or contract award process as may be implemented by the relevant third-party developer/owner client during its standard tender or other contract award submission procedures in respect of a Hong Kong Building Construction Main Contract, which generally involve (i) receiving invitation to tender or participate in such other prescribed contract award process of the Hong Kong Building Construction Main Contract; (ii) initial assessment of the tender or contract award documents; (iii) further planning and estimation; (iv) determining the scoring criteria of the tendering process or contract award process; (v) assessing the track record and implementation capabilities of CSC and the Company (or their respective subsidiaries) relevant to the Hong Kong Building Construction Main Contract; (vi) determining the respective contributions of CSC and the Company (or their respective subsidiaries) towards satisfying the scoring criteria of the tendering process or contract award process; (vii) preparation for the tender or other contract award report and internal tender or other contract award adjudication; and (viii) tender or other contract award submission (the “**Procedures**”).



In assessing the tender or contract award documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, customer's expectation and possible risk factors associated with the Hong Kong Building Construction Main Contract. The Group will then perform site inspection, conduct quantitative costs analysis and risk assessment.

If, during the Procedures, the Company (or its subsidiary) is satisfied that the participation of CSC and the Company (or their respective subsidiaries) in the tendering process or such other prescribed contract award process in respect of the Hong Kong Building Construction Main Contract will maximise the scoring of such process and therefore enhance the chance of successful award of the Hong Kong Building Construction Main Contract, the Company (or its subsidiary) may participate in such tendering process or contract award process with CSC (or its subsidiary). The President of the engineering department of the Company (or its subsidiary), who does not hold any position in CSC (or its subsidiary), will review and approve the decision of participating in such tendering process or contract award process with CSC (or its subsidiary).

Contract sum of the Hong Kong Building Construction Main Contracts

As a general principle and in accordance with market practice, the contract sum with respect to the Hong Kong Building Construction Main Contracts shall be determined in the ordinary course of business on normal commercial terms and on an arm's length basis after a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client.

Annual Caps

The maximum total contract sum that may be awarded jointly to CSC and the Company (or their respective subsidiaries) as joint venture main contractor during the term of the Framework Agreement shall not exceed the following Annual Caps:

For the period from 20 December to 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021	For the period from 1 January to 30 June 2022
HK\$1,000 million	HK\$2,000 million	HK\$2,000 million	HK\$2,000 million

Basis of determining the Annual Caps

The Annual Caps are determined with reference to the estimated annual contract sum for the Hong Kong Building Construction Main Contracts during the relevant period/year.

Customary terms of joint venture agreements

During the term of the Framework Agreement, CSC and the Company (or their respective subsidiaries) will from time to time enter into a standard individual joint venture agreement (“**JV Agreement**”) which contains the below terms customary in the construction industry in Hong Kong, for establishing a contractual joint venture to enter into and implement a particular Hong Kong Building Construction Main Contract:

(a) Proportion of interest

The respective interest of CSC and the Company (or their respective subsidiaries) in each contractual joint venture under a JV Agreement (the “**Respective Interest**”) will be determined by the engineering department of the Company (or its subsidiary), based on the respective contributions of CSC and the Company (or their respective subsidiaries) towards satisfying the scoring criteria of the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of the Hong Kong Building Construction Main Contract. The scoring criteria and the respective contributions of CSC and the Company (or their respective subsidiaries) will be determined by the engineering department of the Company (or its subsidiary) during the Procedures.

(b) Profit/loss sharing

CSC and the Company (or their respective subsidiaries) shall be jointly and severally liable towards the relevant third-party developer/owner client for carrying out the Hong Kong Building Construction Main Contract awarded to them, notwithstanding the contractual arrangement between them under the JV Agreement. However, the liabilities, obligations, risks, rights, interests, profits and losses arising out of the contractual joint venture shall be shared or borne by CSC and the Company (or their respective subsidiaries) in accordance with their Respective Interest. If either party incurs any liabilities arising out of the contractual joint venture in excess of its Respective Interest, the other party shall indemnify such party so that the overall liability is apportioned between the parties in accordance with their Respective Interest.

(c) Financing and other support

Any initial and additional working capital of a contractual joint venture under a JV Agreement shall be contributed by CSC and the Company (or their respective subsidiaries) in accordance with their Respective Interest. The parties shall provide full technical and other support to the contractual joint venture as and when required.

(d) Management

A contractual joint venture under a JV Agreement shall be managed by an executive board (the “**Executive Board**”) to be set up by CSC and the Company (or their respective subsidiaries). The Executive Board shall comprise two members appointed by CSC (or its subsidiary) and two members appointed by the Company (or its subsidiary). A member appointed by CSC (or its subsidiary) and a member appointed by the Company (or its subsidiary) present at a meeting of the Executive Board shall form a quorum. Any decisions made in any meeting of the Executive Board shall require an unanimous consent of the members present at the meeting.

(e) Guarantee

In the event that the third-party developer/owner client requires the parent company of each of CSC and the Company (or their respective subsidiaries) to guarantee such party’s performance of the relevant Hong Kong Building Construction Main Contract, each of CSC and the Company (or their respective subsidiaries) shall indemnify its parent company for any liabilities arising from such guarantee.

(f) Restriction of transfers

Without the prior written consent from the other party, neither CSC (or its subsidiary) nor the Company (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of the parties under such JV Agreement; and (ii) change the nature or scope of business of the contractual joint venture.

Condition Precedent

The Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

Reasons for the entering into of the Framework Agreement

CSCECL is an intermediate holding company of each of CSC and the Company. The CSCECL Group is principally engaged in general construction works, infrastructure engineering and investment, real estate development and investment, and investigation and design businesses.

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

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 Company expects that the scope of the Hong Kong Building Construction Main Contracts will cover only the Hong Kong Building Construction Works. The Board believes that by entering into the Framework Agreement, the Group can further strengthen its overall competitiveness and business growth by further capitalising its niche in the Hong Kong Building Construction Works to further expand and develop business opportunities in the Hong Kong Building Construction Works.

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 transactions contemplated under the Framework Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the Framework 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 Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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. As such, the transactions contemplated under the Framework Agreement between members of the CSC Group on the one hand and members of the Group on the other hand, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded jointly to CSC and the Company (or their respective subsidiaries) for the relevant period/year under the Framework Agreement (i.e. the Annual Caps) exceed 5%, the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps). 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. Voting at the EGM will be conducted by poll and CSC and its associates will abstain from voting at the EGM.

At the same EGM, the Independent Shareholders will also consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Framework Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder, is expected to be despatched to the Shareholders on or before 30 November 2019 as additional time is required to prepare and finalise the information to be included in the circular.

Shareholders should note that the Annual Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Annual Caps bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the entire issued share capital of China Overseas Public Utility Investment Limited and the remaining onshore interest pursuant to the Sale and Purchase Agreement, as announced by the Company on 14 October 2019
“Annual Caps”	the maximum total contract sum of the Hong Kong Building Construction Main Contracts that may be awarded jointly to CSC and the Company (or their respective subsidiaries) as joint venture main contractor for the relevant period/year under the Framework Agreement
“associates”, “connected person”, “controlling shareholder” and “subsidiary(ies)”	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 and its subsidiaries (excluding the Group) from time to time
“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 and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668)
“CSCECL Group”	CSCECL and its subsidiaries 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 Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) as well as the Sale and Purchase Agreement and the transactions contemplated thereunder
“Executive Board”	has the meaning as defined under the section headed “THE FRAMEWORK AGREEMENT – Customary terms of joint venture agreements – (d) Management” of this announcement
“Framework Agreement”	the framework agreement entered into between CSC and the Company on 22 October 2019 in respect of the cooperation of CSC and the Company (or their respective subsidiaries) to enter into and implement the Hong Kong Building Construction Main Contracts as joint venture main contractor at the request of CSC or 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
“Hong Kong Building Construction Main Contract(s)”	the main contract(s) for the Hong Kong Building Construction Works
“Hong Kong Building Construction Works”	private sector building construction works in Hong Kong
“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 Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps)

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps)
“JV Agreement”	has the meaning as defined under the section headed “THE FRAMEWORK AGREEMENT – Customary terms of joint venture agreements” of this announcement
“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, the Macao Special Administrative Region of the PRC and Taiwan
“Procedures”	has the meaning as defined under the section headed “THE FRAMEWORK AGREEMENT — Cooperation between CSC and the Company” of this announcement
“Respective Interest”	has the meaning as defined under the section headed “THE FRAMEWORK AGREEMENT – Customary terms of joint venture agreements – (a) Proportion of interest” of this announcement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 October 2019 entered into between the Company as purchaser and Ever Power Group Limited (a direct wholly-owned subsidiary of CSC) as vendor in relation to the Acquisition
“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
“%”	per cent.

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

Hong Kong, 22 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.