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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)

CONTINUING CONNECTED TRANSACTIONS

REVISION OF THE ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT WITH CSCECL FOR THE HONG KONG PUBLIC CONSTRUCTION MAIN CONTRACTS

REVISION OF THE ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT

Reference is made to the announcement dated 4 June 2019 and the circular dated 10 July 2019 of the Company in relation to the Framework Agreement entered into between the Company and CSCECL, the term of which commences on 4 June 2019 until 31 December 2021 (i.e. covering three financial years ending on 31 December 2021).

On 14 February 2020, the Company and CSCECL entered into the Supplemental Agreement to revise the maximum total contract sum of the Hong Kong Public Construction Main Contracts that may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor under the Framework Agreement, i.e. the Original Annual Caps, for the financial years ending on 31 December 2020 and 31 December 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CSCECL is an intermediate holding company of the Company. Hence, CSCECL is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions for the Company.

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Proposed Revised Annual Caps, for the financial years ending on 31 December 2020 and 31 December 2021, exceed 5%, the Transactions 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 the Company comprising all the Independent Non-executive Directors of the Company has been formed to advise the Independent Shareholders in respect of the Transactions. Red Sun has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

A circular containing, among other things, further particulars of the Transactions 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 EGM is expected to be despatched to the Shareholders on or before 6 March 2020 in accordance with the Listing Rules.

REVISION OF THE ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT

Background

Reference is made to the announcement dated 4 June 2019 and the circular dated 10 July 2019 of the Company in relation to the Framework Agreement entered into between the Company and CSCECL, the term of which commences on 4 June 2019 until 31 December 2021 (i.e. covering three financial years ending on 31 December 2021).

On 4 June 2019, the Company and CSCECL entered into the Framework Agreement, pursuant to which, among other things, (i) the Company and CSCECL agree that they (or their respective subsidiaries) may cooperate to enter into the Hong Kong Public Construction Main Contracts as joint venture main contractor at the request of the Company within the Original Annual Caps for the three financial years ending on 31 December 2021; and (ii) the cooperation between the Company and CSCECL (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.

The respective Original Annual Caps for each of the financial years ending on 31 December 2020 and 31 December 2021 were determined based on the potential Hong Kong Public Construction Projects which the Group expected to tender for, and the expected tender by the Group for the potential works with approximate contract sum of HK\$15 billion and HK\$20 billion for the financial years ending on 31 December 2020 and 31 December 2021, respectively, the estimation of which was based on the then expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges.

Proposed Revised Annual Caps under the Supplemental Agreement

Nevertheless, the invitation to tender for certain potential Hong Kong Public Construction Projects, which was expected to be scheduled to take place during 2021 when the Framework Agreement was executed, is anticipated to be brought forward to 2020.

In addition, the Group, upon a more in-depth assessment of the potential works of the Hong Kong Public Construction Projects which the Group expects to tender for, anticipates that a wider scope and larger scale of works with increased level of complexity will be involved as (i) the complexity of the design and specification requirements; (ii) the content and volume of potential works; (iii) the complexity of the on-site environment; (iv) the restrictions in all aspects of the potential works; and (v) the level of difficulty of the construction method have exceeded the Group's previous estimation.

Furthermore, the Group expects to tender for more potential Hong Kong Public Construction Projects during 2021 than it previously expected when the Framework Agreement was executed.

In light of the foregoing, the Company and CSCECL expect that the maximum total contract sum of the Hong Kong Public Construction Main Contracts that may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor under the Framework Agreement for the financial years ending on 31 December 2020 and 31 December 2021 will exceed the Original Annual Caps. In this connection and in order to make room for general increase in construction cost, on 14 February 2020, the Company and CSCECL entered into the Supplemental Agreement to revise the Original Annual Caps as follows:

	For the financial year ending on 31 December 2020	For the financial year ending on 31 December 2021
Original Annual Caps	HK\$15 billion	HK\$20 billion
Proposed Revised Annual Caps	HK\$50 billion	HK\$25 billion

Basis of determining the Proposed Revised Annual Caps

The Proposed Revised Annual Cap for the financial year ending on 31 December 2020 is determined with reference to the expected increase in quantity of potential Hong Kong Public Construction Projects which the Group expects to tender for during 2020 and the expected increase in the contract sum of the potential works of the Hong Kong Public Construction Projects which the Group expects to tender for during 2020 due to anticipated wider scope and larger scale of works, increase in level of complexity which such works will involve, and expected increase in construction cost.

The Proposed Revised Annual Cap for the financial year ending on 31 December 2021 is determined with reference to the expected increase in quantity of potential Hong Kong Public Construction Projects which the Group expects to tender for during 2021 and expected increase in construction cost.

Neither the Original Annual Caps nor the Proposed Revised Annual Caps represent the actual and final tender amounts of the Hong Kong Public Construction Main Contracts which are currently committed or awarded. The annual caps represent the maximum total contract sums of the Hong Kong Public Construction Main Contracts that may be awarded to the contractual joint venture set up by Company and CSCECL (or their respective subsidiaries) as main contractor for the relevant financial years under the Framework Agreement and the Supplemental Agreement merely for the purposes of compliance with the Listing Rules.

Save for the revision to the Original Annual Caps set out above, the other terms of the Framework Agreement remain unchanged.

Condition Precedent

The revision of the Original Annual Caps for the financial years ending on 31 December 2020 and 31 December 2021 contemplated under the Supplemental Agreement (together with the Proposed Revised Annual Caps for the financial years ending on 31 December 2020 and 31 December 2021) will take effect conditional upon the Independent Shareholders' approval having been obtained at the EGM.

In the event that the Supplemental Agreement does not become effective, the Framework Agreement will remain in full force and binding on the Company and CSCECL.

Historical amount

Since the Company and CSCECL have not entered into any Hong Kong Public Construction Main Contracts as joint venture main contractor pursuant to the Framework Agreement as of the date of this announcement, there is no historical transaction amount available.

REASONS FOR AND BENEFITS OF THE REVISION OF THE ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT

CSCECL is one of the most established engineering contractors in the world, and it represents one of the highest levels of technology and management in various fields of construction. The Company expects that the scope of the Hong Kong Public Construction Main Contracts will cover only the Hong Kong Public Construction Projects, which is a special construction segment. With the revision of the annual caps under the Framework Agreement, the Company can continue to leverage on the substantial experience of CSCECL (or its subsidiary) as main contractor in landmark projects of skyscrapers, and large-scale infrastructure projects of key airports, rail transit, bridges, urban utilities, etc. in the PRC, in order to enhance the chance of successful award of the Hong Kong Public Construction Main Contracts to the Company (or its subsidiary).

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 are expected to be entered into in the ordinary and usual course of business of the Group, and the Supplemental Agreement (together with the Proposed Revised Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Transactions (together with the Proposed Revised Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

As at the date of this announcement, the Company is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, CSCECL is an intermediate holding company of the Company. Hence, CSCECL is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions for the Company.

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Proposed Revised Annual Caps, for the financial years ending on 31 December 2020 and 31 December 2021, exceed 5%, the Transactions 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 the Company comprising all the Independent Non-executive Directors has been formed to advise the Independent Shareholders in respect of the Transactions. Red Sun has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in this connection. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

A circular containing, among other things, further particulars of the Transactions 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 EGM is expected to be despatched to the Shareholders on or before 6 March 2020 in accordance with the Listing Rules.

Shareholders should note that the Proposed Revised Annual Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Proposed Revised 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:

“associates” “connected person”, “percentage ratios”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	China State Construction International Holdings Limited (中國建築國際集團有限公司), 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);

“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 the Company and CSCECL;
“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 and a non-wholly owned subsidiary of CSCEC;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the Transactions;
“Framework Agreement”	the framework agreement dated 4 June 2019 entered into between the Company and CSCECL in respect of the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the Hong Kong Public Construction Main Contracts at the request of the Company within the Original Annual Caps for the three financial years ending on 31 December 2021;
“Group”	the Company and its subsidiaries from time to time (excluding subsidiary(ies) listed on any stock exchange);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Public Construction Main Contracts”	the main contractor contracts for the Hong Kong Public Construction Projects;
“Hong Kong Public Construction Projects”	the construction projects of large-scale transport facilities, drainage pipelines, housing and other related public utilities structures/facilities in Hong Kong;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the independent board committee of the Company and the Independent Shareholders in respect of the Transactions;
“Independent Shareholders”	Shareholders other than CSCECL and its associates;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Original Annual Caps”	the maximum total contract sum of the Hong Kong Public Construction Main Contracts that may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for each financial year under the Framework Agreement;
“PRC”	People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Revised Annual Caps”	the proposed revised maximum total contract sum of the Hong Kong Public Construction Main Contracts that may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for each financial year under the Supplemental Agreement;
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Supplemental Agreement” the supplemental agreement dated 14 February 2020 to the Framework Agreement entered into between the Company and CSCECL in respect of the revision of the Original Annual Caps for the two financial years ending on 31 December 2021;

“Transactions” the entering into of the Supplemental Agreement and the transactions contemplated thereunder (together with the Proposed Revised Annual Caps); and

“%” per cent..

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

Hong Kong, 14 February 2020

As at the date of this announcement, the Board 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.