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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
IN RELATION TO
THE FRAMEWORK AGREEMENT WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING
CORPORATION LIMITED)
FOR CONSTRUCTION MAIN CONTRACTS**

FRAMEWORK AGREEMENT

On 10 September 2021, the Company and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Construction Main Contracts as joint venture main contractor. 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 Construction Main Contracts.

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 customary terms in the construction industry whereby the Company and CSCECL (or their respective subsidiaries) will cooperate to implement the relevant Construction Main Contracts as joint venture main contractor.

Upon a successful tender (or such other contract award process), the relevant Construction Main Contract shall be awarded by the relevant third-party developer/owner client to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor. The Framework Agreement shall cover three financial years commencing on 1 January 2022 and ending on 31 December 2024.

The Framework Agreement does not anticipate the formation of any joint venture company, nor the acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries), which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint ventures/joint operations” in the financial statements of the Company.

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 Company in respect of the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year as contemplated under the Framework Agreement, i.e. the Annual Caps, 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 COHL 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 will be despatched to the shareholders of the Company on or before 8 October 2021 as the Company expects additional time will be required to prepare and finalise the information to be included in the circular.

CONTINUING CONNECTED TRANSACTIONS

On 10 September 2021, the Company and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Construction Main Contracts as joint venture main contractor. 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 Construction Main Contracts.

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 customary terms in the construction industry whereby the Company and CSCECL (or their respective subsidiaries) will cooperate to implement the relevant Construction Main Contracts as joint venture main contractor.

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

The Framework Agreement does not anticipate the formation of any joint venture company, nor the acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries), which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint ventures/joint operations” in the financial statements of the Company.

FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are as follows:

Date

10 September 2021

Parties

- (a) the Company; and
- (b) CSCECL, the intermediate holding company of the Company.

Term

The Framework Agreement shall cover three financial years commencing on 1 January 2022 and ending on 31 December 2024.

Subject matter

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

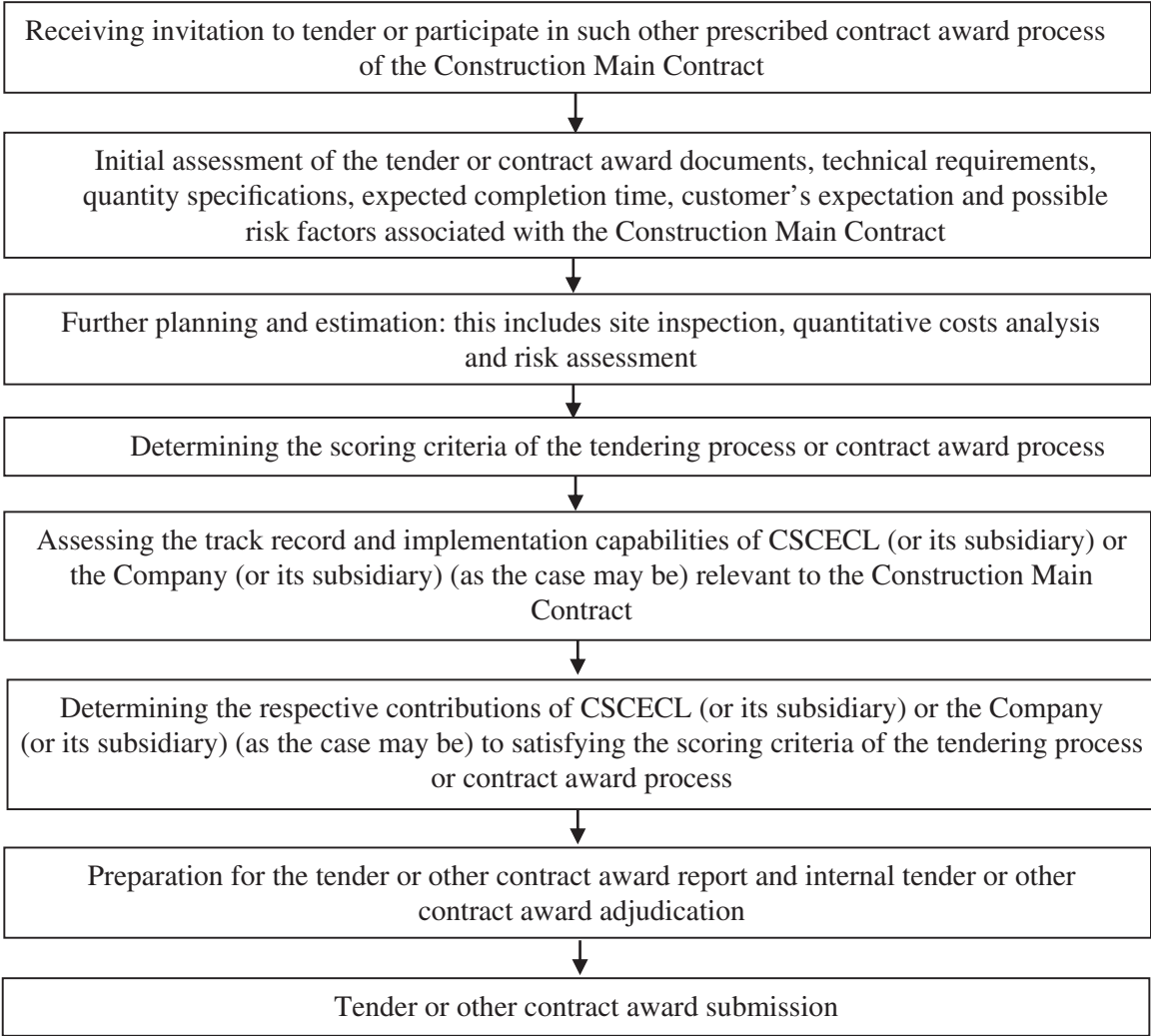
- (a) the parties (or their respective subsidiaries) may cooperate to enter into and implement the Construction Main Contracts as joint venture main contractor, provided that the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year shall not exceed the corresponding Annual Cap 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 Construction Main Contracts as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries).

Invitation for cooperation

In the event that the Company (or its subsidiary) or CSCECL (or its subsidiary) 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 Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such process with each other as joint venture main contractor, if the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be), after making qualitative and quantitative assessment of the scoring criteria of such process, determines that such invitation will maximize the scoring of such tendering process or contract award process and therefore the chance of successful award of the Construction Main Contract.

The engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) will determine whether or not to make such invitation to the other party (or its subsidiary) during its standard tender or other contract award submission procedures in respect of a Construction Main Contract which generally involve (i) receiving invitation to tender or participate in such other prescribed contract award process of the 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

CSCECL (or its subsidiary) or the Company (or its subsidiary) (as the case may be) relevant to the Construction Main Contract; (vi) determining the respective contributions of CSCECL and the Company (or their respective subsidiaries) (as the case may be) to 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 Company (or its subsidiary) or CSCECL (or its subsidiary) will take into account factors including the technical requirements, quantity specifications, expected completion time, customer’s expectations and possible risk factors associated with the Construction Main Contract. The Company (or its subsidiary) or CSCECL (or its subsidiary) will then perform site inspection, conduct quantitative costs analysis and risk assessment.

If, during the Procedures, the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) is satisfied that the participation of CSCECL (or its subsidiary) or the Company (or its subsidiary) in the tendering

process or such other prescribed contract award process in respect of the Construction Main Contract will maximize the scoring of such process and therefore the chance of successful award of the Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such tendering process or contract award process. The president of the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary), who does not hold any position in the other party (or its subsidiary), will review and approve the decision of making such invitation to CSCECL (or its subsidiary) or the Company (or its subsidiary).

Contract sum of the Construction Main Contracts

As a general principle and in accordance with market practice, the contract sum with respect to the 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 of the Construction Main Contracts which may be awarded to the Company and CSCECL (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 financial year ending on 31 December 2022	For the financial year ending on 31 December 2023	For the financial year ending on 31 December 2024
HK\$31 billion	HK\$33 billion	HK\$35 billion

Basis of determining the Annual Caps

The Annual Caps are determined with reference to the estimated annual contract sum of the Construction Main Contracts during the relevant financial year.

In determining the Annual Caps, the Company has also considered the following:

- (a) the expected tender by the Group for the potential Construction Projects with contract sum of approximately HK\$27.3 billion, HK\$28.1 billion and HK\$29.1 billion for the financial years ending on 31 December 2022, 2023 and 2024, respectively, the estimation of which is based on the expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges;

- (b) general increase in construction cost in each of the three financial years which is estimated to be contributed by the general escalation in labour cost, materials cost, and cost relating to the implementation of safety measures, quality assurance and environmental protection measures; and
- (c) a buffer of HK\$1 billion, HK\$2 billion and HK\$3 billion for each of the three financial years to accommodate other potential Construction Projects to be announced by the relevant third-party developer/owner client.

Customary terms of joint venture agreements

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

(a) Proportion of interest

The respective interest of the Company and CSCECL (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) or CSCECL (or its subsidiary) (as the case may be), based on the respective contributions of the Company and CSCECL (or their respective subsidiaries) to 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 Construction Main Contract. The scoring criteria and the respective contributions of the Company and CSCECL (or their respective subsidiaries) will be determined by the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) during the Procedures.

(b) Profit/loss sharing

The Company and CSCECL (or their respective subsidiaries) shall be jointly and severally liable towards the relevant third-party developer/owner client for carrying out the particular 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 the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. If either party (or its subsidiary) incurs any liability arising out of the contractual joint venture in excess of its Respective Interest, the other party (or its subsidiary) shall indemnify such party (or its subsidiary) so that the overall liability is apportioned between the parties (or their respective subsidiaries) 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 the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. The parties (or their respective subsidiaries) 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 the Company and CSCECL (or their respective subsidiaries). The Executive Board shall comprise members appointed by CSCECL (or its subsidiary) and members appointed by the Company (or its subsidiary), the number of which shall be determined in accordance with their Respective Interest. A member appointed by CSCECL (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 decision on material/major matters (including those specified in paragraph (f) below) made at the meeting of the Executive Board shall require a 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 the Company and CSCECL (or their respective subsidiaries) to guarantee the performance of the relevant Construction Main Contract by such party (or its subsidiary), each of the Company and CSCECL (or their respective subsidiaries) shall indemnify its parent company for any liabilities arising from such guarantee.

(f) Other restrictions

Without the prior written consent from the other party (or its subsidiary), neither the Company (or its subsidiary) nor CSCECL (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of such party (or its subsidiary) under such JV Agreement; (ii) change the nature or scope of business of the contractual joint venture; and (iii) procure the joint venture to enter into any transactions concerning the relevant Construction Projects which are not on an arm’s length basis.

Condition Precedent

The Transactions are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the Transactions.

Historical Amount

Since the Company and CSCECL (or their respective subsidiaries) have not entered into any Construction Main Contract as joint venture main contractor as of the date of this announcement, there is no historical transaction amount available.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK AGREEMENT

Both the Company and CSCECL are well established engineering contractors and represent high levels of technology and management in various fields of construction. It is perceived that the join-up of the Company and CSCECL as joint venture main contractor will enhance the chance of successful award of the Construction Main Contracts. CSCECL Group has substantial experience in construction markets in the PRC and overseas. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience and the specific construction qualifications of CSCECL Group, and provide opportunities for the Group to strengthen and further develop its construction related business and qualifications in the PRC and overseas.

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 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 Transactions are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

GENERAL

The Group is principally engaged in construction business, infrastructure investment and prefabricated constructions.

CSCECL is the intermediate holding company of the Company and 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 CSCECL, COHL and the Company. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in 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 Company in respect of the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year as contemplated under the Framework Agreement, i.e. the Annual Caps, 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 COHL 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 will be despatched to the shareholders of the Company on or before 8 October 2021 as the Company expects additional time will be required to prepare and finalise the information to be included in the circular.

Shareholders of the Company 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:

“Annual Cap(s)”	the maximum total contract sum of the Construction Main Contracts which 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;
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<p>“associate(s)”, “connected person”, “continuing connected transaction(s)”, “controlling shareholder”, “percentage ratios” and “subsidiary(ies)”</p>	<p>each has the meaning ascribed to it in the Listing Rules;</p>
<p>“Board”</p>	<p>the board of directors of the Company;</p>
<p>“COHL”</p>	<p>China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of CSCECL and the controlling shareholder of the Company;</p>
<p>“Company”</p>	<p>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);</p>
<p>“Construction Main Contracts”</p>	<p>government or public sector contracts, or contracts for large-scale construction with single contract sum of exceeding HK\$2 billion, awarded by tender;</p>
<p>“Construction Projects”</p>	<p>construction projects under the Construction Main Contracts;</p>
<p>“CSCEC”</p>	<p>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 CSCECL, COHL and the Company;</p>
<p>“CSCECL”</p>	<p>中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), being a non-wholly owned subsidiary of CSCEC and holding company of COHL;</p>
<p>“CSCECL Group”</p>	<p>CSCECL and its subsidiaries (excluding subsidiary(ies) listed on the Stock Exchange and their respective subsidiary(ies)) from time to time;</p>
<p>“Director(s)”</p>	<p>the director(s) of the Company;</p>

“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the Framework Agreement and the Transactions;
“Executive Board”	has the meaning as defined under the section headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (d) Management” of this announcement;
“Framework Agreement”	the framework agreement dated 10 September 2021 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 Construction Main Contracts;
“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;
“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”	the shareholders of the Company, other than COHL and its associates;
“JV Agreement”	has the meaning as defined under the section headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements” of this announcement;

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“PRC”	People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
“Respective Interest”	has the meaning as defined under the section headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (a) Proportion of interest” of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the entering into of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps); and
“%”	per cent.

* *For the identification purpose only*

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

Hong Kong, 10 September 2021

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; Mr. Chen Xiaofeng as Non-executive Director; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.