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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)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

On 22 February 2019, CSECL, a direct wholly-owned subsidiary of the Company, and CSCECL jointly accepted the Contract, which was awarded by the Employer to them in relation to the provision of construction services for Contract No. DC/2018/05 Relocation of Sha Tin Sewage Treatment Works to Caverns - Site Preparation and Access Tunnel Construction (the “**Project**”). The total contract sum under the Contract is approximately HK\$811 million.

CSECL and CSCECL entered into the JV Agreement on 28 March 2019, to record the terms on which the China State JV is established, on a 60:40 basis for carrying out the Project.

CSCECL is an intermediate holding company of the Company and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 28 March 2019, CSECL entered into the JV Agreement with CSCECL, to record the terms on which the China State JV is established, on a 60:40 basis to carry out the Project.

JV AGREEMENT

Date

28 March 2019

Parties

- (a) CSCEL, a direct wholly-owned subsidiary of the Company; and
- (b) CSCECL, the intermediate holding company of the Company.

Subject

CSCEL and CSCECL shall form the China State JV to carry out the Project. The participation in the China State JV by CSCEL and CSCECL shall be 60% and 40% respectively (the “**Proportionate Share**”).

Contract sum and profit/loss sharing

The total contract sum under the Contract is approximately HK\$811 million. CSCEL and CSCECL shall be jointly and severally liable towards the Employer for carrying out the Project under the Contract, notwithstanding the contractual arrangement between them under the JV Agreement. However, the liabilities, obligations, risks, rights, interests, profits and losses arising out of the China State JV shall be shared or borne by the parties in accordance with their Proportionate Share. If either party incurs any liabilities arising out of the China State JV in excess of its Proportionate Share, the other party shall indemnify such party so that the overall liability is apportioned between the parties in accordance with their Proportionate Share.

Financing and other support

Any initial and additional working capital of the China State JV shall be contributed by CSCEL and CSCECL in accordance with their Proportionate Share. The parties shall provide full technical and other support to the China State JV as and when required.

Any of the above contribution made or to be made by the parties to the China State JV is determined after arm’s length negotiations between the parties with reference to their Proportionate Share in the China State JV.

Management

The China State JV shall be managed by an executive board (the “**Executive Board**”) to be set up by CSECL and CSCECL. The Executive Board shall comprise two members appointed by CSECL and two members appointed by CSCECL. A member appointed by CSECL and a member appointed by CSCECL 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.

Guarantee

In the event that the Employer requires the parent company of each of the parties to guarantee such party’s performance of the Contract, each of the parties shall indemnify its parent company for any liabilities arising from such guarantee.

Restriction of transfers

Neither CSECL nor CSCECL may transfer, assign, pledge or encumber the JV Agreement and/or any interest of the parties under the JV Agreement, without prior written consent from the other party.

REASONS FOR AND BENEFITS OF THE TRANSACTION

CSCECL has substantial experience, including tunnelling works, in construction markets. The Transaction provides the Company with the opportunity to participate in tunnelling construction projects in Hong Kong with CSCECL as the Company’s joint venture partner, and will bring synergy effect between the parties. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience of CSCECL.

The Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of business of the Group, on normal commercial terms after arm’s length negotiations between the parties, and the terms of the Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Transaction and no Director is required to abstain from voting on the board resolution(s) approving the Transaction.

GENERAL

CSECL is a direct wholly-owned subsidiary of the Company and is principally engaged in building construction, civil and foundation engineering works and investment holding. The Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business.

CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC.

LISTING RULES IMPLICATIONS

CSCECL is an intermediate holding company of the Company and is therefore a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“China State JV”	China State Joint Venture, the joint venture formed between CSCEL and CSCECL pursuant to the JV Agreement;
“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);
“connected person”, “percentage ratios”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Contract”	the contract awarded to the China State JV by the Employer for the Project, which was jointly accepted by CSCEL and CSCECL on 22 February 2019, and lasts for 35 months with effect from 28 February 2019;
“CSCECL”	中國建築股份有限公司, 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;

“CSCEL”	China State Construction Engineering (Hong Kong) Limited (中國建築工程(香港)有限公司), a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company;
“Directors”	the directors of the Company;
“Employer”	the Drainage Services Department of the Government of Hong Kong, the employer of the Project;
“Executive Board”	has the meaning as defined under the section headed “JV AGREEMENT — Management” of this announcement;
“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;
“JV Agreement”	the joint venture agreement between CSCEL and CSCECL dated 28 March 2019 in relation to the formation of the China State JV;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Project”	a project entitled “Contract No. DC/2018/05 Relocation of Sha Tin Sewage Treatment Works to Caverns - Site Preparation and Access Tunnel Construction”;
“Proportionate Share”	has the meaning as defined under the section headed “JV AGREEMENT - Subject” of this announcement;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“Transaction” the entering into of the JV Agreement and the transaction contemplated thereunder; and

“%” per cent.

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

Hong Kong, 28 March 2019

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 Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.