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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED
AND THE MINORITY CONTROLLED GROUP IN RELATION
TO CONSTRUCTION WORKS**

References are made to the announcements of the Company dated 8 April 2020, 10 June 2021 and 10 September 2021 respectively, and the circulars of the Company dated 20 May 2020 and 22 October 2021 respectively, in relation to, among other things, the Existing Master Engagement Agreement entered into between the Company and COLI which will expire on 31 December 2022.

It is contemplated that the Potential Tenderes will continue to invite the Group to tender for construction works of the Potential Tenderes in the PRC, Hong Kong and Macau as construction contractor after the expiration of the Existing Master Engagement Agreement. As such, on 25 October 2022, the Company and COLI entered into the New Master Engagement Agreement to renew the Existing Master Engagement Agreement for a further term of three financial years commencing from 1 January 2023 and ending on 31 December 2025, pursuant to which (i) the Group may tender for the Potential Tenderes' construction works in the PRC, Hong Kong and Macau as construction contractor from time to time for the three financial years ending on 31 December 2025 subject to the COLI Sub-cap or the Minority Controlled Group Sub-cap (as the case may be); and (ii) the COLI Group and/or the Minority Controlled Group may engage the Group as construction contractor for the COLI Group's and/or the Minority Controlled Group's construction works in the PRC, Hong Kong and Macau upon the Group's successful tender.

As at the date of this announcement, CSCEC is the ultimate holding company of COHL, which, in turn, is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.81% of the issued share capital of the Company and approximately 56.09% of the issued share capital of COLI. Accordingly, members of each of the Potential Tenderes are connected persons of the Group. The transactions contemplated under the New Master Engagement Agreement between members of the COLI Group and/or the Minority Controlled Group on 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 to the Group by the Potential Tenderes for each financial year under the New Master Engagement Agreement (i.e. the Annual Cap) exceed 5% for the Company, the transactions contemplated under the New Master Engagement Agreement 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 contemplated under the New Master Engagement Agreement. Honestum International 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 contemplated under the New Master Engagement Agreement 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 of the Company on or before 25 November 2022 as the Company expects additional time will be required to prepare and finalise the information to be included in the circular.

BACKGROUND

References are made to the announcements of the Company dated 8 April 2020, 10 June 2021 and 10 September 2021 respectively, and the circulars of the Company dated 20 May 2020 and 22 October 2021 respectively, in relation to, among other things, the Existing Master Engagement Agreement entered into between the Company and COLI which will expire on 31 December 2022.

It is contemplated that the Potential Tenderers will continue to invite the Group to tender for construction works of the Potential Tenderers in the PRC, Hong Kong and Macau as construction contractor after the expiration of the Existing Master Engagement Agreement. As such, on 25 October 2022, the Company and COLI entered into the New Master Engagement Agreement to renew the Existing Master Engagement Agreement for a further term of three financial years commencing from 1 January 2023 and ending on 31 December 2025, pursuant to which (i) the Group may tender for the Potential Tenderers' construction works in the PRC, Hong Kong and Macau as construction contractor from time to time for three financial years ending on 31 December 2025 subject to the COLI Sub-cap or the Minority Controlled Group Sub-cap (as the case may be); and (ii) the COLI Group and/or the Minority Controlled Group may engage the Group as construction contractor for the COLI Group's and/or the Minority Controlled Group's construction works in the PRC, Hong Kong and Macau upon the Group's successful tender.

THE NEW MASTER ENGAGEMENT AGREEMENT

Date

25 October 2022

Parties

1. The Company; and
2. COLI.

Continuing Connected Transactions in relation to Construction Works

The Company expects that the Potential Tenderers will continue to invite the Group to participate in tenders as construction contractor for the Potential Tenderers' construction works in the PRC, Hong Kong and Macau from time to time. In this connection, on 25 October 2022, the Company and COLI entered into the New Master Engagement Agreement for three financial years ending on 31 December 2025 whereby the parties agreed, among other things, that:

- (a) the Group may tender for the Potential Tenderers' construction works in the PRC, Hong Kong and Macau as construction contractor in accordance with the tendering procedures of the COLI Group and/or the Minority Controlled Group (as the case may be) from time to time and on the same and normal terms as offered to other independent third-party construction contractors;

- (b) if any contract is awarded to the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's and/or the Minority Controlled Group's (as the case may be) construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group and the Minority Controlled Group to the Group shall not exceed the COLI Sub-cap and the Minority Controlled Group Sub-cap respectively:

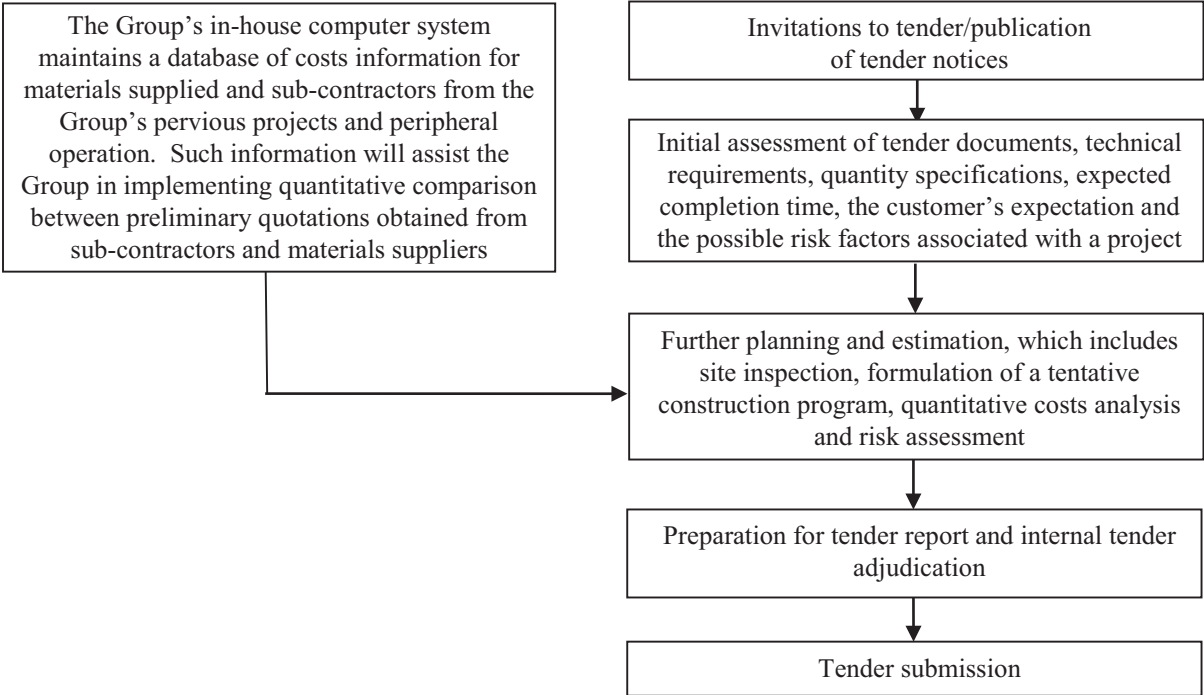
	For the financial year ending on 31 December 2023 (HK\$ billion)	For the financial year ending on 31 December 2024 (HK\$ billion)	For the financial year ending on 31 December 2025 (HK\$ billion)
COLI Sub-cap	9	9	9
Minority Controlled Group Sub-cap	<u>11</u>	<u>11</u>	<u>11</u>
Annual Cap	20	20	20

- (c) the fees in respect of the construction works payable by the Potential Tenderes to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

Pricing basis of the tenders submitted by the Group

The price and terms of the tenders submitted by the Group to the COLI Group and/or the Minority Controlled Group for the COLI Group’s and/or the Minority Controlled Group’s (as the case may be) construction works in the PRC, Hong Kong and Macau are subject to the standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the proposed tender submitted by the Group to the Potential Tenderers are no more favourable to the Potential Tenderers than those submitted to independent third parties, and are no less favourable to the Group than those submitted to independent third parties.

The standard and systematic tender submission procedures generally involve (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. The procedures, as illustrated in the following diagram, will enable the Group to review the feasibility and profitability of the tender to be submitted and to decide the contents and pricing terms of the tender to be submitted.



In preparing and assessing the tender documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, the customer’s expectations and the possible risk factors associated with a project. The Group will then perform site inspection, form a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and sub-contractors from the Group's previous projects and peripheral operation. The information will assist the Group in implementing quantitative comparison between preliminary quotations obtained from sub-contractors and materials suppliers.

If any contract is awarded to the Group as a result of the competitive tender, the relevant project owner of the COLI Group or the Minority Controlled Group (as the case may be) will issue a letter of award to the Group and the Group will act as construction contractor for such construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender.

Set out below are the Historical Annual Caps and the historical transaction amounts under the Existing Master Engagement Agreement.

Historical Annual Caps under the Existing Master Engagement Agreement

	For the financial year ended on 31 December 2020 (HK\$ billion)	For the financial year ended on 31 December 2021 (HK\$ billion)	For the financial year ending on 31 December 2022 (HK\$ billion)
Maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group	9	9	9
Maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the Minority Controlled Group	Not Applicable <u>(Note)</u>	<u>11</u>	<u>12</u>
Historical Annual Caps	9	20	21

Note: The Historical Annual Cap for the financial year ended on 31 December 2020 did not include any construction contracts which may be awarded to the Group (as construction contractor) by the Minority Controlled Group

Historical transaction amounts under the Existing Master Engagement Agreement

	For the financial year ended 31 December 2020 (HK\$ million)	For the financial year ended 31 December 2021 (HK\$ million)	For the nine months period ended 30 September 2022 (HK\$ million)
Total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau	100	3,729	Nil
Total contract sum awarded by the Minority Controlled Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau	Not Applicable <i>(Note)</i>	<u>3,637</u>	<u>4,888</u>
Total	100	7,366	4,888

Note: The Historical Annual Cap for the financial year ended on 31 December 2020 did not include any construction contracts which may be awarded to the Group (as construction contractor) by the Minority Controlled Group

The Company confirms that the transaction amounts under the Existing Master Engagement Agreement are all within the Historical Annual Cap for the respective year/period.

Calculation of the COLI Sub-cap

The COLI Sub-cap is calculated with reference to the following factors:

- (a) historical total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group for the financial years ended 31 December 2020 and 2021 and the nine months period ended 30 September 2022;

- (b) the Group's expectation that the property development business of the COLI Group in the PRC, Hong Kong and Macau will generally experience a steady growth for three financial years ending on 31 December 2025, based on total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2020 of approximately HK\$85,244 million, for the financial year ended 31 December 2021 of approximately HK\$86,588 million, and for the nine months period ended 30 September 2022 of approximately HK\$60,976 million;
- (c) considering (i) the future growth of the total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau and (ii) the Group's construction works capacity in the PRC, Hong Kong and Macau, the Group expects to tender for potential construction projects of the COLI Group with total contract sum of approximately HK\$8.2 billion for each of the three financial years ending on 31 December 2025; and
- (d) a buffer of approximately HK\$800 million for each of the three financial years ending on 31 December 2025 to accommodate other potential construction works of the COLI Group.

Calculation of the Minority Controlled Group Sub-cap

The Minority Controlled Group Sub-cap is calculated with reference to the following factors:

- (a) historical total contract sum awarded by the Minority Controlled Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the Minority Controlled Group for the financial year ended 31 December 2021 and the nine months period ended 30 September 2022;
- (b) the Group's expectation that the property development business of the Minority Controlled Group in the PRC, Hong Kong and Macau will generally experience a steady growth for three financial years ending on 31 December 2025, based on the total contract sum of construction projects of the Minority Controlled Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2020 of approximately HK\$442 million, for the financial year ended 31 December 2021 of approximately HK\$5,062 million, and for the nine months period ended 30 September 2022 of approximately HK\$8,257 million; and

- (c) considering (i) the future growth of the total contract sum of construction projects of the Minority Controlled Group in the PRC, Hong Kong and Macau and (ii) the Group's construction works capacity in the PRC, Hong Kong and Macau, the Group expects to tender for potential construction projects of the Minority Controlled Group with total contract sum of approximately HK\$11 billion for each of the three financial years ending on 31 December 2025.

Condition Precedent

The New Master Engagement Agreement (together with the Annual Caps) shall become effective upon satisfaction of the following condition precedents:

- (a) passing of the resolution by the Independent Shareholders at the EGM approving the New Master Engagement Agreement and the transactions contemplated thereunder; and
- (b) each of the Company and COLI having complied with all other requirements as may be imposed by the Stock Exchange as a condition to the transactions contemplated under the New Master Engagement Agreement.

In the event that the New Master Engagement Agreement does not become effective, the Existing Master Engagement Agreement (together with the Historical Annual Caps) will remain in full force and binding on the Company and COLI until the expiry of the Existing Master Engagement Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MASTER ENGAGEMENT AGREEMENT

The directors of the Company consider that being able to participate in the construction works of the Potential Tenderes in the PRC, Hong Kong and Macau as construction contractor upon successful tender allows the Group to strengthen and further develop its construction business and qualifications in the PRC, Hong Kong and Macau.

The directors of the Company believe that since the Potential Tenderes and the Group have a long-term relationship of cooperation, the Group has a better understanding of the operations and development of the Potential Tenderes. It is expected that the Group will be able to participate in the construction works of the Potential Tenderes in an expedient, cost efficient and smooth manner, which will be beneficial to the Group and the Potential Tenderes.

DIRECTORS' INTEREST IN THE NEW MASTER ENGAGEMENT AGREEMENT

None of the directors of the Company has any material interest in the New Master Engagement Agreement and the transactions contemplated thereunder and no director of the Company is required to abstain from voting on the Board resolution(s) approving the New Master Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps). However, Mr. Yan Jianguo, being the chairman and non-executive director of the Company and the chairman and president of COHL, Mr. Chen Xiaofeng, being the managing director and chief financial officer of COHL and non-executive director of the Company, and Mr. Zhang Haipeng, being director of both the Company and COHL, have voluntarily abstained from voting on the Board resolutions approving the entering into of the New Master Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

DIRECTORS' OPINION ON THE CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MASTER ENGAGEMENT AGREEMENT

The directors of the Company (other than the independent non-executive directors of the Company whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) consider that the transactions contemplated under the New Master Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the New Master Engagement 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 contemplated under the New Master Engagement Agreement (together with the Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, the Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

COLI Group is principally engaged in the business of property development and investment, and other operations. CSCECL is the holding company of COHL which, in turn, is the controlling shareholder of both the Company and COLI. 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 CSCECL, COHL, the Company and COLI. 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, CSCEC is the ultimate holding company of COHL, which, in turn, is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.81% of the issued share capital of the Company and approximately 56.09% of the number of shares of COLI in issue respectively. Accordingly, members of each of Potential Tenderes are connected persons of the Group. The transactions contemplated under the New Master Engagement Agreement between members of the COLI Group and/or the Minority Controlled Group on one hand and members of the Group on the other hand constitute continuing connected transactions of 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 to the Group by the Potential Tenderes for each financial year under the New Master Engagement Agreement (i.e. the Annual Cap) exceed 5% for the Company, the transactions contemplated under the New Master Engagement Agreement 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 contemplated under the New Master Engagement Agreement. Honestum International 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 contemplated under the New Master Engagement Agreement 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 of the Company on or before 25 November 2022 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 Company of the amounts 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. The Potential Tenderes may or may not

retain the Group to engage in construction works in the PRC, Hong Kong and Macau up to the level of the COLI Sub-cap and Minority Controlled Group Sub-cap respectively, if at all, as the engagements are subject to tender procedures which are open to other independent third party construction contractors.

DEFINITIONS

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

“Annual Cap”	the total of the COLI Sub-cap and the Minority Controlled Group Sub-cap;
“associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	board of directors of the Company;
“COGO”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 81) and which is held as to approximately 39.63% by COLI;
“COHL”	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 both the Company and COLI;
“COLI”	China Overseas Land & Investment Limited (中國海外發展有限公司), 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 (excluding subsidiary(ies) listed on any stock exchange) from time to time;

“COLI Sub-cap”	the maximum total contract sum of the construction contracts that may be awarded by the COLI Group to the Group (as construction contractor of the COLI Group) for each of the three financial years commencing from 1 January 2023 and ending on 31 December 2025 under the New Master Engagement 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);
“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 CSCECL, COHL, the Company and COLI;
“CSCECL”	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;
“EGM”	extraordinary general meeting of the Company to be held to consider and approve, among other things, the New Master Engagement Agreement and the transactions contemplated thereunder;

“Existing Master Engagement Agreement”	the engagement agreement entered into between the Company and COLI on 8 April 2020 (as supplemented by a first supplemental agreement dated 10 June 2021 and a second supplemental agreement dated 10 September 2021) in respect of the engagement of the Group by the COLI Group and/or the Minority Controlled Group as construction contractor for the COLI Group’s and/or the Minority Controlled Group’s (as the case may be) construction works in the PRC, Hong Kong and Macau from time to time for the three financial years commenced from 1 January 2020 and ending on 31 December 2022;
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“Historical Annual Cap”	the annual cap for each of the three financial years ended 31 December 2022 under the Existing Master Engagement Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser” or “Honestum International”	Honestum International Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity 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 New Master Engagement Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	shareholders of the Company, other than COHL and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;

“Macau”	the Macau Special Administrative Region of the PRC;
“Minority Controlled Group”	the companies held as to 30%-50% by the COLI Group, and their respective subsidiaries from time to time (excluding members of the COLI Group and members of the Group, respectively and excluding COGO and its subsidiaries);
“Minority Controlled Group Sub-cap”	the maximum total contract sum of the construction contracts that may be awarded by the Minority Controlled Group to the Group (as construction contractor of the Minority Controlled Group) for each of the three financial years commencing from 1 January 2023 and ending on 31 December 2025 under the New Master Engagement Agreement;
“New Master Engagement Agreement”	the engagement agreement entered into between the Company and COLI on 25 October 2022 in respect of the engagement of the Group by the COLI Group and/or the Minority Controlled Group as construction contractor for the COLI Group’s and/or the Minority Controlled Group’s (as the case may be) construction works in the PRC, Hong Kong and Macau from time to time for three financial years commencing from 1 January 2023 and ending on 31 December 2025;
“Potential Tenderers”	the COLI Group and the Minority Controlled Group;
“PRC”	People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *English translation for identification purpose only.*

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

Hong Kong, 25 October 2022

As at the date of this announcement, the Board comprises Mr. Yan Jianguo as Chairman and Non-executive Director; Mr. Chen Xiaofeng as Non-executive Director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Zhou Hancheng and Mr. Hung Cheung Shew as Executive Directors; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming, Mr. Lee Shing See and Ms. Wong Wai Ching as Independent Non-executive Directors.