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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)

**CONNECTED TRANSACTION
IN RELATION TO
FORMATION OF JV COMPANY IN THE PRC**

The Company is pleased to announce that on 19 November 2020, Netfortune Shanghai, a wholly-owned subsidiary of the Company, and CSCSW and CSCSZ, wholly-owned subsidiaries of CSCECL, entered into the JV Agreement pursuant to which the parties agreed to jointly establish the JV Company in the PRC for development and investment in new facade materials.

As at the date of this announcement, the Company is indirectly owned as to approximately 74.06% by CSCECL. Accordingly, CSCECL is a controlling shareholder of the Company and CSCSW and CSCSZ, being wholly-owned subsidiaries of CSCECL, are connected persons of the Company and the formation of the JV Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the JV Agreement is on normal commercial terms and the applicable percentage ratios in respect of the formation of the JV Company are more than 0.1% but less than 5%, the formation of the JV Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF JV COMPANY IN THE PRC

The Company is pleased to announce that on 19 November 2020, Netfortune Shanghai, a wholly-owned subsidiary of the Company, and CSCSW and CSCSZ, wholly-owned subsidiaries of CSCECL, entered into the JV Agreement pursuant to which the parties agreed to jointly establish the JV Company in the PRC for development and investment in new facade materials.

Business scope of the JV Company

The business scope of the JV Company shall principally cover development, production, sale and investment in building decoration materials, thermal insulation materials and materials such as anchoring parts, metal hardware, sealant etc. and system products (subject to approval by the relevant governmental body in the PRC).

Registered capital of the JV Company

Pursuant to the JV Agreement, the registered capital of the JV Company shall be RMB50,000,000. The first payment shall be paid up in cash by the parties to the JV Agreement within 30 days after completion of the business registration of the JV Company, and the remaining balance of the capital contribution shall be paid within 5 years and the specific timetable will be determined by the parties at the shareholders' meeting of the JV Company. The contribution to the registered capital to be made by the parties to the JV Agreement and their respective equity interests in the JV Company are set out as follows:

Parties	Registered Capital Contribution (RMB)	First Payment (RMB)	Percentage of Equity Interest in the JV Company
CSCSW	35,000,000	21,000,000	70%
CSCSZ	7,500,000	4,500,000	15%
Netfortune Shanghai	7,500,000	4,500,000	15%
	<u>50,000,000</u>	<u>30,000,000</u>	<u>100%</u>

The JV Company will be accounted for as an associate company of the Company.

The respective contributions to the registered capital of the JV Company are determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the JV Company for development and investment in new facade materials and the parties' proportionate interests therein. The capital contribution of Netfortune Shanghai in the JV Company will be funded by internal resources.

Management of the JV Company

The board of directors of the JV Company shall comprise five directors, who shall be elected at the shareholders' meeting of the JV Company, among which, CSCSW can nominate three directors (including one employee director) and each of CSCSZ and Netfortune Shanghai can nominate one director. The board of directors of the JV Company shall have a chairman who shall be nominated by CSCSW, and who shall also be the legal representative of the JV Company. The term of office of the directors (including the chairman) shall be three years.

The JV Company shall also appoint two supervisors with a term of office of 3 years and CSCSZ and Netfortune Shanghai can each nominate one supervisor.

The general manager and the financial controller of the JV Company shall be nominated by CSCSW.

Profit and loss sharing arrangement

The profits in respect of the JV Company shall be shared by CSCSW, CSCSZ and Netfortune Shanghai in proportion to their respective capital contribution in the JV Company. The losses in respect of the JV Company shall be shared by CSCSW, CSCSZ and Netfortune Shanghai in proportion to and up to their respective capital contribution in the JV Company.

Restrictions on transfer of equity interest in the JV Company

If a shareholder of the JV Company intends to sell its equity interest in the JV Company to a third party, the transfer has to be approved by more than half of the non-selling shareholders of the JV Company. The selling shareholder has to send written notification to the non-selling shareholders to seek their consent in respect of the transfer. If the non-selling shareholders do not provide a response within 30 days from the date of the written notification, they shall be deemed to have provided their consent to the transfer. If more than half of the non-selling shareholders do not agree with the transfer, the non-selling shareholders which oppose the transfer shall acquire the equity interest. In addition, the non-selling shareholders shall have preferential rights in acquiring the equity interest from the selling shareholder on the same terms and conditions as offered to the third party.

INFORMATION OF THE PARTIES

The Group is principally engaged in general contracting business, facade contracting business (including design, engineering, manufacture and installation of curtain wall systems) and operating management business. Netfortune Shanghai is principally engaged in design, manufacture and installation of curtain walls, aluminium windows and other related products in the PRC.

CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world. CSCSW is principally engaged in architecture design and CSCSZ is mainly engaged in construction decoration in the PRC.

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

REASONS AND BENEFITS FOR THE FORMATION OF THE JV COMPANY

The JV Company will be principally engaged in development and investment in new facade materials. CSCECL is one of the most established engineering contractors in the world, and it possesses the most advanced technology and management in various fields of construction. The Directors (including the independent non-executive Directors) believe that since the Group will be engaged in the development and application of new facade materials jointly with the CSCECL Group through the JV Company, the formation of the JV Company can provide the Group with the opportunity to participate in the development and investment in new construction materials which will benefit the Group by leveraging the expertise and substantial experience of the CSCECL Group in materials design and production technology.

The Directors (including the independent non-executive Directors) are of the view that formation of the JV Company and the terms of the JV Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is indirectly owned as to approximately 74.06% by CSCECL. Accordingly, CSCECL is a controlling shareholder of the Company and CSCSW and CSCSZ, being wholly-owned subsidiaries of CSCECL, are connected persons of the Company and the formation of the JV Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the JV Agreement is on normal commercial terms and the applicable percentage ratios in respect of the formation of the JV Company are more than 0.1% but less than 5%, the formation of the JV Company is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director has a material interest in the formation of JV Company, nor is required to abstain from voting on the board resolutions approving the formation of the JV Company.

DEFINITIONS

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

“connected persons”, “controlling shareholder”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“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)
“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 and the Company
“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 and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is a non-wholly owned subsidiary of CSCEC
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group) from time to time
“CSCSW”	中國建築西南設計研究院有限公司 (China Southwest Architectural Design and Research Institute Corp. Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of CSCECL
“CSCSZ”	中建深圳裝飾有限公司 (China Construction Shenzhen Decoration Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of CSCECL

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“JV Agreement”	the joint venture agreement entered into among Netfortune Shanghai, CSCSW and CSCSZ on 19 November 2020 in relation to the formation of the JV Company
“JV Company”	中建西南院牆材科技有限公司 (China Southwest Architectural Design and Research Institute Wall Material Technology Company Limited*) (subject to approval by the relevant governmental body in the PRC), a joint venture company to be established in the PRC as a limited liability company pursuant to the JV Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Netfortune Shanghai”	上海力進鋁質工程有限公司 (Netfortune (Shanghai) Aluminium Works Company Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China, which for the purpose of this announcement excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *for identification purpose only*

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

Hong Kong, 19 November 2020

As at the date of this announcement, the board of Directors of the Company comprises Mr. Zhang Haipeng as Chairman and Non-executive Director; Mr. Wu Mingqing (Vice Chairman and Chief Executive Officer) and Mr. Wang Hai 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.