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中國交通建設股份有限公司

**CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1800)**

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 10 August 2016. On 10 August 2016, the Company and CCCG entered into the Original Project Contracting Framework Agreement to regulate the project contracting services provided by the Group to CCCG Group for the period from 10 August 2016 to 31 December 2016.

In order to renew the transactions under the Original Project Contracting Framework Agreement and further regulate the labour and subcontracting services provided by CCCG Group to the Group, on 28 March 2017, the Company and CCCG entered into the Mutual Project Contracting Framework Agreement for the period from 28 March 2017 to 31 December 2017.

As at the date of this announcement, CCCG is the controlling shareholder of the Company, and therefore, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Mutual Project Contracting Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the proposed annual caps for the transactions contemplated under the Mutual Project Contracting Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Mutual Project Contracting Framework Agreement and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of China Communications Construction Company Limited (the “**Company**” or “**CCCC**”) dated 10 August 2016. The Company and China Communications Construction Group (Limited) (“**CCCG**”) entered into a project contracting framework agreement (the “**Original Project Contracting Framework Agreement**”) on 10 August 2016, pursuant to which CCCC and/or its subsidiaries (the “**Group**”) agreed to provide project contracting services to CCCG and/or its subsidiaries, excluding the Group (the “**CCCG Group**”).

In order to renew the transactions under the Original Project Contracting Framework Agreement and further regulate the labour and subcontracting services provided by CCCG Group to the Group, on 28 March 2017 the Company and CCCG entered into the mutual project contracting framework agreement (the “**Mutual Project Contracting Framework Agreement**”) for the period from 28 March 2017 to 31 December 2017.

## **MUTUAL PROJECT CONTRACTING FRAMEWORK AGREEMENT**

The principal terms of the Mutual Project Contracting Framework Agreement are set out below:

### **Date**

28 March 2017

### **Parties**

- (1) The Company; and
- (2) CCCG

### **Term**

Commencing from 28 March 2017 to 31 December 2017

### **Description of the transactions**

The Group agreed to provide project contracting services to CCCG Group, which may include (i) provision of construction services for real property development projects that may be undertaken by CCCG Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) consultancy and management services that may be required for the development of real property projects.

CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects, which may include (i) provision of labour services; and (ii) provision of subcontracting services for those construction projects that may be undertaken by the Group.

### **Price determination**

The fees payable by CCCG Group for the project contracting services provided by the Group shall be arrived at following arm’s length negotiation between the parties with reference to and taking into account the factors set out below:

- (1) with reference to the prevailing market prices;
- (2) after taking into consideration the various aspects of the projects, such as project scale, construction period, technical difficulties and risk factors; and
- (3) the Group will refer to its quotations for similar services to independent third parties, so as to assess and review whether the services quotations provided by the Group to CCCG Group in accordance with items (1) and (2) above are fair and reasonable.

The fees collected by CCCG Group for the labour and subcontracting services provided to the Group shall be agreed upon by arm's length negotiation between the parties and specified in agreement entered into for each transaction in accordance with the following market-oriented pricing principle:

- (1) The fee proposed by CCCG Group for each future transaction shall be made with reference to its expected costs incurred, such as labour costs and management costs. CCCG Group is entitled to charge the service fees with a price at the costs plus profit margin of comparable transactions in the market after taking into account the actual circumstances for each future transaction;
- (2) The Group will seek fee quotes for similar services from two independent third parties on a quarterly basis in the market in order to assess and review the fairness and reasonableness of the quotes for the services proposed by CCCG Group in accordance with paragraph (1) above.

Further, such project contracting service fees and regular reports will be submitted to the independent non-executive directors of the Company for their annual review on the pricing, so as to ensure their fairness and reasonableness. The directors of the Company consider that the methods and procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders.

#### **PROPOSED ANNUAL CAPS AND THEIR BASIS**

The Company estimates that the proposed annual cap for the project contracting service fees payable by CCCG Group to the Group under the Mutual Project Contracting Framework Agreement for the period from 28 March 2017 to 31 December 2017 would be RMB1,150 million after taking into account the following factors: (i) the prevailing market price of service fees charged for project contracting services; (ii) CCCG Group's development plan in real property project related development industry and its need for project contracting services; (iii) the historical transaction amounts in respect of the provision of project contracting services by the Group to CCCG Group; and (iv) the Group's current construction capacity.

The Company estimates that the proposed annual cap for the labour and subcontracting service fees payable by the Group to CCCG Group under the Mutual Project Contracting Framework Agreement for the period from 28 March 2017 to 31 December 2017 would be RMB180 million after taking into account the following factors: (i) the prevailing market price for comparable types of services in the same industry; (ii) the Group's construction plan and its need for labour and subcontracting services for the year 2017; and (iii) CCCG Group's current capacity.

Set out below are the historical transaction amounts in respect of the provision of project contracting services by the Group to CCCG Group and provision of labour and subcontracting services by CCCG Group to the Group for the two years ended 31 December 2016:

	<b>For the year ended 31 December</b>	
	2015	<b>2016</b>
		<i>(RMB million)</i>
The provision of project contracting services by the Group to CCCG Group	140	<b>658</b>
The provision of labour and subcontracting services by CCCG Group to the Group	0	<b>17</b>

## **REASONS AND BENEFITS**

The Group provides the project contracting services for the construction of real property projects that may be undertaken by CCCG Group. As real property project related development falls within CCCG's business scope and CCCG is exploring its real property project related development business, which requires the project contracting service, our directors consider that it could benefit the Group by providing such services to CCCG Group as the Company could generate the revenue from the services provided and also gain more experience in the real property construction industry.

As the Company is mainly engaged in the transportation infrastructure industry, it may require labour and subcontracting services from time to time during the course of its ordinary business. By selecting CCCG Group as a provider of such services, our directors are of the view that the Company can benefit from its relatively low fee quote, knowledge of the Company's business and its extensive experience and expertise in providing such services.

## **HONG KONG LISTING RULES IMPLICATIONS**

CCCG is the controlling shareholder of the Company, holding approximately 63.84% interest in the Company as at the date of this announcement, and therefore, is a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"). Accordingly, transactions contemplated under the Mutual Project Contracting Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the proposed annual caps for the transactions contemplated under the Mutual Project Contracting Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Mutual Project Contracting Framework Agreement and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **BOARD CONFIRMATION**

The directors of the Company (including the independent non-executive directors) consider that the above-mentioned continuing connected transactions under the Mutual Project Contracting Framework Agreement have been entered into in the ordinary and usual course of business of the Company. The directors (including the independent non-executive directors) consider that the above-mentioned continuing connected transactions are on normal commercial terms and are fair and reasonable and in the interest of the Company and the shareholders as a whole. The directors of the Company (including the independent non-executive directors) are also of the view that the proposed annual caps for the above-mentioned continuing connected transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole.

Mr. Liu Qitao and Mr. Chen Fenjian are also directors of CCCG, and are deemed to have material interests in the transactions under the above-mentioned continuing connected transactions and have abstained from voting on the relevant resolution of the board of directors (the “**Board**”). Other than the directors mentioned above, none of the directors has or is deemed to have a material interest in the above-mentioned transactions.

## **BACKGROUND AND THE GENERAL INFORMATION OF THE PARTIES**

The Company is a leading transportation infrastructure group in the People’s Republic of China (the “**PRC**”), primarily engaged in the infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing businesses.

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company, holding approximately 63.84% interest in the Company as at the date of this announcement. CCCG is primarily engaged in shipbuilding, ship chartering and maintenance, ocean engineering, technique consulting services for ships and corollary equipment of harbours, import and export business, real property development and property management, investment in and management of transportation industry, hospitality industry and tourism industry, and other businesses.

By Order of the Board  
**China Communications Construction Company Limited**  
**LIU Wensheng**  
*Company Secretary*

Beijing, the PRC

28 March 2017

*As at the date of this announcement, the directors of the Company are LIU Qitao, CHEN Fenjian, FU Junyuan, LIU Maoxun, LIU Zhangmin<sup>#</sup>, LEUNG Chong Shun<sup>#</sup> and HUANG Long<sup>#</sup>.*

<sup>#</sup> *Independent non-executive director of the Company*