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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 WITH CCCG:

- (1) RENEWAL OF THE LEASING FRAMEWORK AGREEMENT; AND
(2) RENEWAL OF THE MUTUAL PRODUCT SALES AND
PURCHASE AGREEMENT**

**I. RENEWAL OF THE LEASING FRAMEWORK AGREEMENT AND THE
MUTUAL PRODUCT SALES AND PURCHASE AGREEMENT**

References are made to (1) the announcement of the Company dated 30 December 2020, in relation to the Existing Leasing Framework Agreement entered into between the Company and CCCG; and (2) the announcement of the Company dated 29 August 2018 and the circular of the Company dated 28 September 2018, in relation to, among others, the Existing Mutual Product Sales and Purchase Agreement entered into between the Company and CCCG. As the Existing Leasing Framework Agreement and the Existing Mutual Product Sales and Purchase Agreement will expire on 31 December 2021, the Board proposed to enter into the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement to regulate the existing continuing connected transactions between the Group and CCCG for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

As at the date of this announcement, CCCG is the controlling Shareholder of the Company holding approximately 57.99% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the respective transactions contemplated under the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement exceeds 0.1% but is lower than 5%, the transactions contemplated under the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the above-mentioned agreements and the respective transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

II. EGM

The EGM will be convened by the Company for, among others, the independent Shareholders to consider and, if thought fit, to approve the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof.

For the purpose of the EGM, a circular containing, among others, details of the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof will be despatched to the Shareholders on or before 25 October 2021, as additional time is required for the Company to prepare the circular.

I. RENEWAL OF THE LEASING FRAMEWORK AGREEMENT

1. Background

Reference is made to the announcement of the Company dated 30 December 2020, in relation to the Existing Leasing Framework Agreement entered into between the Company and CCCG. As the Existing Leasing Framework Agreement will expire on 31 December 2021, the Board proposed to enter into the Leasing Framework Agreement to regulate the existing continuing connected transactions between the Group and CCCG for the three financial years ending 31 December 2024 and set the annual caps thereof.

2. The Leasing Framework Agreement

The principal terms of the Leasing Framework Agreement are set out below:

Date

9 September 2021

Parties

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

Term

Three years from 1 January 2022 to 31 December 2024

Description of the transaction

CCCG Group agreed to lease the Leased Assets to the Group for its production and operation use. The Leased Assets mainly include certain buildings, plants and auxiliary equipment and facilities for production and operation owned by CCCG.

Price determination

The fees receivable by CCCG Group for leasing the Leased Assets to the Group shall be determined at arm's length negotiation between the parties after considering the factors set out below:

- (1) with reference to the prevailing market prices;
- (2) price quotations for assets similar to the Leased Assets offered by CCCG Group to independent third parties;
- (3) after taking comprehensive consideration of the relevant aspects of the properties, such as gross floor area, decoration facilities, geographical location, etc.; and
- (4) the Group will seek quotations for assets similar to the Leased Assets from two independent third parties on an annual basis in the market or conduct market research on the rental prices of nearby properties (for buildings and plants) in order to assess and review the fairness and reasonableness of the quotations proposed by CCCG Group with reference to items (1), (2) and (3) above.

Further, fees payable for the above leasing 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 such methods and procedures can ensure that the transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company or its Shareholders.

Separate contracts

In respect of each lease, the Group and the relevant members of CCCG Group will enter into separate contract(s). The terms of each contract will be in line with the terms of the Leasing Framework Agreement and shall be enforceable if and only if the Leasing Framework Agreement continues to be effective.

3. Historical Amounts

Set out below are the rents received by CCCG Group for leasing of the Leased Assets to the Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

Transaction	Actual amount for the year ended 31 December 2019	Actual amount for the year ended 31 December 2020	Actual amount for the six months ended 30 June 2021	Annual cap for the year ending 31 December 2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>

Leasing of the Leased

Assets by CCCG Group

to the Group

171

244

135

320

4. Proposed Annual Caps and Basis for Determination

As all the leases to be entered into under the Leasing Framework Agreement are short-term leases, the rents receivable by CCCG Group for leasing of the Leased Assets to the Group pursuant to the Leasing Framework Agreement will be recognized as expenses in the consolidated statement of profit or loss of the Group. The proposed annual caps for the rents to be received by CCCG Group for leasing of the Leased Assets to the Group pursuant to the Leasing Framework Agreement for the three financial years ending 31 December 2024 are as follows:

Transaction	Annual cap for the year ending 31 December 2022	Annual cap for the year ending 31 December 2023	Annual cap for the year ending 31 December 2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>

Leasing of the Leased Assets

by CCCG Group to the

Group

847

795

459

In estimating the proposed annual caps for the rents to be received by CCCG Group for leasing of the Leased Assets to the Group under the Leasing Framework Agreement, the Company has principally considered the following factors: (i) the prevailing prices of the Leased Assets and the future growth of rent; and (ii) the demand of the Group for leasing of the Leased Assets owned by CCCG Group. Specifically, the wind-power installation projects to be carried out by the Group in 2022 and 2023 will have a great demand on the engineering ships of CCCG Group.

5. Reasons and Benefits

Over the years, the Company has been leasing the office building “中交大廈” owned by CCCG as its office and other properties and auxiliary facilities situated at several locations owned by CCCG for its production and operation. Relocation of the Company’s current places of operation and offices to other locations will result in unnecessary costs. In addition, for the operation of principal businesses, the Company needs to lease products auxiliary to production and operation such as engineering ships and machine. The aforesaid transactions are necessary for the Group’s production and operation. Compared with independent third parties, CCCG has more understanding of the Company’s business requirement, and the Company also can benefit from CCCG’s relatively competitive offers, which facilitates the Company’s business development and therefore helps to realise the interests of the Company and its Shareholders as a whole.

II. RENEWAL OF THE MUTUAL PRODUCT SALES AND PURCHASE AGREEMENT

1. Background

References are made to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 28 September 2018, in relation to, among others, the Existing Mutual Product Sales and Purchase Agreement entered into between the Company and CCCG. As the Existing Mutual Product Sales and Purchase Agreement will expire on 31 December 2021, the Board proposed to enter into the Mutual Product Sales and Purchase Agreement to regulate the existing continuing connected transactions between the Company and CCCG for the three financial years ending 31 December 2024 and set the respective annual caps thereof.

2. Mutual Product Sales and Purchase Agreement

The principal terms of the Mutual Product Sales and Purchase Agreement are set out as follows:

Date

9 September 2021

Parties

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

Term

Three years from 1 January 2022 to 31 December 2024

Description of the transactions

The Group agreed to sell and CCCG Group agreed to purchase material products, including material and equipment, components, etc.

CCCG Group agreed to sell and the Group agreed to purchase engineering products, including engineering ships (e.g. leveling ship, crane ship, etc.), engineering machines (e.g. shield machines), steel structure products, etc.

Price determination

The fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group shall be agreed at arm's length negotiation between the parties in the following order:

- (1) If such products are subject to government-prescribed price, their prices are determined by the parties according to government-prescribed price, which represents the price determined in accordance with the laws, regulations, decisions, orders or pricing policies of the relevant government authorities; or

- (2) If such products are not subject to government-prescribed price, their prices are determined by the parties with reference to the market price, which represents (i) the price for sales of or purchase of the same or similar products by the independent third parties located in the same region or adjacent areas on normal commercial terms in the ordinary course of business; or (ii) the price for sales of or purchase of the same or similar products by the independent third parties in the PRC on normal commercial terms in the ordinary course of business; or
- (3) If such products are not subject to government-prescribed price and market price, their prices are determined by the parties with reference to the cost price, which represents (i) the fees incurred for sales of or purchase of products by the parties; and (ii) the fees incurred for sales of or purchase of products by one party to or from the third parties and additional fees incurred for transfer of such products to the other party.

The above-mentioned fees receivable from the sales of material products and payable for the purchase of engineering products, and relevant periodic reports will be submitted to the independent non-executive Directors for their annual review on the pricing so as to ensure its fairness and reasonableness. The Directors consider such methods and procedures can ensure the transactions will be conducted on normal commercial terms and will not prejudice the interests of the Company and its Shareholders.

Payment

The specific payment terms (including time and method of payment) of the fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group shall be agreed in the specific agreements to be entered into by the parties by reference to the payment terms of similar transactions in the market and the payment terms offered by independent third parties.

3. Historical Amounts

Set out below are the fees receivable by the Group for sales of material products to CCCG Group and the fees payable by the Group for purchase of engineering products from CCCG Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

Transaction	Actual amount for the year ended 31 December 2019 <i>RMB million</i>	Actual amount for the year ended 31 December 2020 <i>RMB million</i>	Actual amount for the six months ended 30 June 2021 <i>RMB million</i>	Annual cap for the year ending 31 December 2021 <i>RMB million</i>
Sales of material products to CCCG Group by the Group	297	1,058	415	1,200
Purchase of engineering products from CCCG Group by the Group	481	1,733	608	4,000

4. Proposed Annual Caps and Basis for Determination

The proposed annual caps for the fees to be received by the Group for sales of material products to CCCG Group and the fees to be paid by the Group for purchase of engineering products from CCCG Group for the three financial years ending 31 December 2024 are as follows:

Transaction	Annual cap for the year ending 31 December 2022 <i>RMB million</i>	Annual cap for the year ending 31 December 2023 <i>RMB million</i>	Annual cap for the year ending 31 December 2024 <i>RMB million</i>
Sales of material products to CCCG Group by the Group	3,188	3,877	5,115
Purchase of engineering products from CCCG Group by the Group	4,615	4,532	4,829

In estimating the proposed annual caps for the fees to be received by the Group for sales of material products to CCCG Group under the Mutual Product Sales and Purchase Agreement, the Company has principally considered the following factors: (i) the prevailing prices of the material products; (ii) the development plan and estimated demands for material products of CCCG Group for the years of 2022, 2023 and 2024; (iii) the current production capacity of the Group; (iv) the historical transaction amounts and growth trends for sales of material products to CCCG Group by the Group, which were RMB297 million and RMB1,058 million in 2019 and 2020, respectively, representing an annual growth rate of 256.23%; and (v) a buffer of approximately 5% for unexpected fluctuations of the fees to be received by the Group for sales of material products to CCCG Group under the Mutual Product Sales and Purchase Agreement.

In estimating the proposed annual caps for the fees to be paid by the Group for purchase of engineering products from CCCG Group under the Mutual Product Sales and Purchase Agreement, the Company has principally considered the following factors: (i) the prevailing prices of the engineering products; (ii) the development plan and estimated demands for engineering products of the Group for the years of 2022, 2023 and 2024; (iii) the current production capacity of CCCG Group; (iv) the historical transaction amounts and growth trends for purchase of engineering products from CCCG Group by the Group, which were RMB481 million and RMB1,733 million in 2019 and 2020, respectively, representing an annual growth rate of 260.29%; and (v) a buffer of approximately 5% for unexpected fluctuations of the fees to be paid by the Group for purchase of engineering products from CCCG Group under the Mutual Product Sales and Purchase Agreement.

5. Reasons for and Benefits of the Transactions

Upon completion of the agreed transfer of its 29.99% equity interests in Shanghai Zhenhua Heavy Industries Co., Ltd. by the Group to CCCG Group, Shanghai Zhenhua Heavy Industries Co., Ltd. became a subsidiary of CCCG with the business of engineering machine and ship machine manufacturing. The Directors consider that, due to the historical connection and long-term cooperation relationship between the Group and CCCG Group, CCCG Group has a better understanding of the Group's business. Purchasing engineering products from CCCG Group can better ensure the standards of technology, quality, delivery and technical support of the products meet the Group's requirements, which helps minimize the administrative and transportation costs and is in the best interests of the Group.

Meanwhile, the Group sells material products such as materials and equipment and components to CCCG Group for its processing and manufacturing of industrial products. As all or part of such industrial products will be sold back by CCCG Group to the Group for its use in the core business, the Directors are also of the view that the Group can benefit from the sale of material products to CCCG Group. In addition, such transaction will improve the revenue of the Company and generate reasonable profit, and is therefore of great significance to the Company's development.

III. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, CCCG is the controlling Shareholder of the Company holding approximately 57.99% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the respective transactions contemplated under the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement exceeds 0.1% but is lower than 5%, the transactions contemplated under the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the above-mentioned agreements and the respective transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

IV. CONFIRMATION BY THE DIRECTORS

Mr. Wang Tongzhou, Mr. Wang Haihui, Mr. Liu Xiang and Mr. Liu Maoxun, the Directors of the Company, are also directors of CCCG, and therefore are deemed to have material interests in the above-mentioned continuing connected transactions and have abstained from voting on the relevant Board resolutions. Save for the said Directors, none of the other Directors has or is deemed to have a material interest in the above-mentioned transactions.

The Directors of the Company, including the independent non-executive Directors, having made all reasonable and due inquiries, are of the view that the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement are entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors of the Company, including the independent non-executive Directors, are of the view that the terms and the proposed annual caps of the transactions under the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

V. BACKGROUND AND GENERAL INFORMATION OF THE PARTIES

The Company is a leading transportation infrastructure enterprise in the PRC focusing on “big transportation” and “big city”, and its core businesses are infrastructure construction, infrastructure design and dredging. Its scope of business mainly consists of the investment, design, construction, operation and management of port, waterway, land reclamation, river basin, road and bridge, railway, urban rail transit, municipal infrastructure, construction and environmental protection at home and abroad. The Company is engaged in providing customers with integrated solutions services for each stage of the infrastructure projects leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken in a wide range of areas over the decades.

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company holding approximately 57.99% interests in the issued ordinary shares of the Company as at the date of this announcement. CCCG is primarily engaged in real estate development and property management, shipbuilding, ship chartering and maintenance, ocean engineering, technical consultation services for ships and corollary equipment of harbours, import and export business, investment in and management of transportation industry and other businesses.

VI. EGM

The EGM will be convened by the Company for, among others, the independent Shareholders to consider and, if thought fit, to approve the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof.

CCCG, which holds approximately 57.99% interests in the issued ordinary shares of the Company as at the date of this announcement, shall abstain from voting on the resolutions approving the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof at the EGM. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the transactions thereunder and therefore will be required to abstain from voting on the relevant resolutions at the EGM. The resolutions stated above shall be voted by way of poll.

For the purpose of the EGM, a circular containing, among others, details of the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof will be despatched to the Shareholders on or before 25 October 2021, as additional time is required for the Company to prepare the circular.

VII. DEFINITIONS

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

“Board”	the board of directors of the Company
“CCCG”	China Communications Construction Group (Limited) (中國交通建設集團有限公司), a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company
“CCCG Group”	CCCG and its subsidiaries, excluding the Group
“Company”	China Communications Construction Company Limited, a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited under stock code 1800 and the A shares of which are listed on the Shanghai Stock Exchange under stock code 601800
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to, among others, consider and, if thought fit, to approve the Leasing Framework Agreement and the Mutual Product Sales and Purchase Agreement and the proposed annual caps thereof
“Existing Leasing Framework Agreement”	the leasing and asset management services framework agreement entered into between the Company and CCCG on 30 December 2020
“Existing Mutual Product Sales and Purchase Agreement”	the mutual product sales and purchase agreement entered into between the Company and CCCG on 29 August 2018, as amended by the supplemental agreements entered into on 31 March 2020, 29 October 2020, 30 March 2021 and 30 August 2021
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Leased Assets”	assets specified in the Leasing Framework Agreement, including buildings, plants and auxiliary equipment, facilities, etc. for production and operation
“Leasing Framework Agreement”	the leasing and asset management services framework agreement entered into between the Company and CCCG on 9 September 2021
“Mutual Product Sales and Purchase Agreement”	the mutual product sales and purchase agreement entered into between the Company and CCCG on 9 September 2021
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”

the shareholder(s) of the Company

“%”

percent

By Order of the Board
China Communications Construction Company Limited
ZHOU Changjiang
Company Secretary

Beijing, the PRC
9 September 2021

As at the date of this announcement, the directors of the Company are WANG Tongzhou, WANG Haihuai, LIU Xiang, LIU Maoxun, HUANG Long[#], ZHENG Changhong[#] and NGAI Wai Fung[#].

[#] *Independent non-executive director*