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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)

**(1) DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION:
PROPOSED ASSETS REORGANIZATION; AND
(2) PROPOSED SPIN-OFF**

PROPOSED ASSETS REORGANIZATION

Reference is made to the announcement of the Company dated 11 May 2022 in relation to, among other things, the entering into of the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares by the Company, China Urban-Rural and Qilianshan in respect of the Proposed Assets Reorganization, pursuant to which, the Company shall dispose of the 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute, and China Urban-Rural shall dispose of the 100% equity interests of Southwest Institute, Northeast Institute and Energy Institute (i.e. the Swapped-out Assets) for all the assets and liabilities of Qilianshan (i.e. the Swapped-in Assets), and Qilianshan shall settle the shortfall between the Swapped-out Assets and the Swapped-in Assets to the Company and China Urban-Rural by issuing the Consideration Shares. The aforesaid transactions are inter-conditional upon each other and will take effect concurrently. On the same date, the Company, China Urban-Rural and Tianshan Cement entered into the entrustment intention agreement, pursuant to which, the Company and China Urban-Rural agreed to entrust Tianshan Cement with the operation and management of the Swapped-in Assets Vesting Entity and the Swapped-in Assets upon completion of the Proposed Assets Reorganization.

On 28 December 2022, in respect of the Proposed Assets Reorganization: (i) the Company, China Urban-Rural and Qilianshan entered into the Supplemental Agreement to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares, pursuant to which, the Company, China Urban-Rural and Qilianshan further agreed on the consideration for the Swapped-out Assets and the Swapped-in Assets, the number of Consideration Shares to be issued, profit and loss in the Transitional Period, the allocation of the Swapped-in Assets, etc; (ii) the Company, China Urban-Rural and Qilianshan entered into the Compensation Agreement, pursuant to which, the Company and China Urban-Rural made commitments in respect of the performance of the Swapped-out Assets appraised using the income approach upon completion of the Proposed Assets Reorganization and, if such commitments are not fulfilled, shall compensate Qilianshan; and (iii) the Company, China Urban-Rural, Qilianshan Ltd and Tianshan Cement entered into the Entrustment Agreement, pursuant to which, the Company and China Urban-Rural will entrust Tianshan Cement to operate and manage Qilianshan Ltd by way of equity entrustment upon completion of the Proposed Assets Reorganization.

PROPOSED SPIN-OFF

The Proposed Assets Reorganization by the Company pursuant to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement constitutes a spin-off under the applicable provisions of the Practice Note 15 of the Hong Kong Listing Rules. The Company has submitted an application for the Proposed Spin-off to the Hong Kong Stock Exchange and will make further announcement(s) on the progress of such application in due course.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The disposal of the Three Highway Institutes by the Company to Qilianshan under the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement constitutes a disposal by the Company under Chapter 14 of the Hong Kong Listing Rules. At the same time, the acquisition of the Swapped-in Assets and the subscription of the Consideration Shares by the Company constitutes an acquisition by the Company under Chapter 14 of the Hong Kong Listing Rules. Pursuant to Rule 14.24 of the Hong Kong Listing Rules, as the Proposed Assets Reorganization involves both an acquisition and a disposal, it will be classified by reference to the higher amount of the acquisition and the disposal, and is subject to the reporting, announcement and/or the shareholders' approval requirements applicable to such classification.

As at the date of this announcement, China Urban-Rural is a wholly-owned subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.63% interests in the issued ordinary Shares of the Company. China Urban-Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As China Urban-Rural is a party to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement, the Proposed Assets Reorganization constitutes a connected transaction of the Company.

As the highest applicable percentage ratios of the acquisition and the disposal are both higher than 5% but less than 25%, the Proposed Assets Reorganization constitutes a disclosable transaction and a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under the Hong Kong Listing Rules.

THE EGM

The EGM will be convened by the Company to consider and, if thought fit, to pass, among others, the relevant proposals of the Proposed Assets Reorganization and the Proposed Spin-off. The Company will issue a circular containing, among other things, details of the above proposals. As additional time is required to prepare and finalise the information to be contained in the circular, the Company will despatch the circular to the Shareholders on or before 27 February 2023.

The Proposed Assets Reorganization and the Proposed Spin-off are subject to, among other things, the approval, endorsement or consent of the relevant domestic and overseas regulatory authorities, including the SASAC, the CSRC, the Hong Kong Stock Exchange and the State Administration for Market Regulation. Accordingly, the Proposed Assets Reorganization and the Proposed Spin-off may or may not proceed. The Company will fulfill further disclosure obligations in accordance with the requirements under the Hong Kong Listing Rules in due course. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

I. PROPOSED ASSETS REORGANIZATION

Reference is made to the announcement of the Company dated 11 May 2022 in relation to, among other things, the entering into of the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares by the Company, China Urban-Rural and Qilianshan in respect of the Proposed Assets Reorganization, pursuant to which, the Company shall dispose of the 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute, and China Urban-Rural shall dispose of the 100% equity interests of Southwest Institute, Northeast Institute and Energy Institute (i.e. the Swapped-out Assets) for all the assets and liabilities of Qilianshan (i.e. the Swapped-in Assets), and Qilianshan shall settle the shortfall between the Swapped-out Assets and the Swapped-in Assets to the Company and China Urban-Rural by issuing the Consideration Shares. The aforesaid transactions are inter-conditional upon each other and will take effect concurrently. On the same date, the Company, China Urban-Rural and Tianshan Cement entered into the entrustment intention agreement, pursuant to which, the Company and China Urban-Rural agreed to entrust Tianshan Cement with the operation and management of the Swapped-in Assets Vesting Entity and the Swapped-in Assets upon completion of the Proposed Assets Reorganization.

(I) The Supplemental Agreement to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares

On 28 December 2022, the Company, China Urban-Rural and Qilianshan entered into the Supplemental Agreement, pursuant to which, the Company, China Urban-Rural and Qilianshan further agreed on the consideration for the Swapped-out Assets and the Swapped-in Assets, the number of Consideration Shares to be issued, profit and loss in the Transitional Period, the allocation of the Swapped-in Assets, etc. The major terms of the Supplemental Agreement are set out as below:

Date

28 December 2022

Parties

- (1) the Company;
- (2) China Urban-Rural; and
- (3) Qilianshan

Consideration

(1) Consideration for the Swapped-out Assets

According to the Supplemental Agreement, the total consideration for the disposal of the Swapped-out Assets by the Company and China Urban-Rural to Qilianshan is RMB23,503.1329 million, of which the consideration for the disposal of 100% equity interests in each of CCCC Highway Institute, CCCC First Highway Institute, CCCC Second Highway Institute, Southwest Institute, Northeast Institute and Energy Institute is RMB7,200.2998 million, RMB6,183.2670 million, RMB6,779.8459 million, RMB2,278.5240 million, RMB941.0601 million and RMB120.1361 million, respectively.

The aforesaid considerations were determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute, CCCC Second Highway Institute, Southwest Institute, Northeast Institute and Energy Institute (i.e. RMB7,200.2998 million, RMB6,183.2670 million, RMB6,779.8459 million, RMB2,278.5240 million, RMB941.0601 million and RMB120.1361 million) on the Valuation Benchmark Date as set out in the respective asset valuation reports prepared by Beijing Pan-China using the income approach.

(2) Consideration for the Swapped-in Assets

Qilianshan has established a new wholly-owned subsidiary, Qilianshan Ltd, as the vesting entity of its cement business assets. According to the Supplemental Agreement, the consideration for the acquisition of the Swapped-in Assets by the Company and China Urban-Rural from Qilianshan is RMB10,430.4298 million.

The aforesaid consideration was determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interest of Qilianshan Ltd (i.e. RMB10,430.4298 million) on the Valuation Benchmark Date as set out in the asset valuation report prepared by Beijing Pan-China using the asset-based approach.

Consideration Shares

The issue price per Consideration Share has been adjusted from RMB10.62 to RMB10.17 considering that Qilianshan has completed the distribution of a cash dividend for the year ended 31 December 2021 of RMB0.45 per share (inclusive of tax).

Qilianshan will issue the Consideration Shares to the Company and China Urban-Rural at an issue price of RMB10.17 per Consideration Share to settle the shortfall between the considerations of the Swapped-out Assets and the Swapped-in Assets (i.e. RMB13,072.7031 million).

The total number of Consideration Shares to be issued by Qilianshan is 1,285,418,199 shares, of which:

- (1) the number of Consideration Shares to be issued to the Company is 1,110,869,947 shares, representing approximately 143.10% and approximately 53.88% of the total issued shares of Qilianshan as at the date of this announcement and the total number of shares of Qilianshan as enlarged by the issuance of the Consideration Shares, respectively; and
- (2) the number of Consideration Shares to be issued to China Urban-Rural is 174,548,252 shares, representing approximately 22.48% and approximately 8.47% of the total issued shares of Qilianshan as at the date of this announcement and the total number of shares of Qilianshan as enlarged by the issuance of the Consideration Shares, respectively.

The final number of Consideration Shares to be issued is subject to the approval from the CSRC.

During the period from the pricing benchmark date to the issuance date of the Consideration Shares, in the event of ex-right or ex-dividend events such as additional distribution of dividend, bonus issue, rights issue or capitalization issue by Qilianshan, the issue price of the Consideration Shares shall be adjusted according to the formula as set out in the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares, and the number of Consideration Shares to be issued shall be adjusted accordingly.

Allocation of the Swapped-in Assets

The parties agreed that upon completion of the Proposed Asset Reorganization, the Company and China Urban-Rural will hold 85% and 15% equity interests of Qilianshan Ltd, respectively.

Profit and Loss in the Transitional Period

(1) Swapped-out Assets

Pursuant to the Administrative Measures on Major Asset Reorganization of Listed Companies (《上市公司重大資產重組管理辦法》) and the Applicable Guidelines under Regulatory Rules – Listed Category No. 1 (《監管規則適用指引—上市類第1號》) issued by the CSRC, any increase in net assets of the Swapped-out Assets as a whole due to gains realized or other reasons during the Transitional Period shall be enjoyed by Qilianshan; any decrease in net assets of the Swapped-out Assets as a whole due to losses incurred or other reasons during the Transitional Period shall be borne by the Company and/or China Urban-Rural according to the proportion of net assets decrease in the Swapped-out Assets of their respective holdings, and such decrease shall be compensated to Qilianshan in cash.

The auditor will conduct a special audit of the Swapped-out Assets and issue a special audit report within three months after the Audit Benchmark Date of the Swapped-out Assets. The Company and/or China Urban-Rural shall compensate Qilianshan in cash within 30 working days from the date of issuance of the special audit report.

(2) Swapped-in Assets

The profit and loss of the Swapped-in Assets during the Transitional Period shall be shared and borne by Qilianshan. The auditor will conduct a special audit of the Swapped-in Assets and issue a special audit report within three months after the Audit Benchmark Date of the Swapped-in Assets. The profit of the Swapped-in Assets during the Transitional Period shall be distributed to Qilianshan by Qilianshan Ltd within six months from the date of issuance of the special audit report, and the loss of the Swapped-in Assets during the Transitional Period shall be compensated to Qilianshan Ltd by Qilianshan in cash within 30 working days from the date of issuance of the special audit report.

The Company will fulfill further disclosure obligations in accordance with the applicable requirements under the Hong Kong Listing Rules if required in due course.

Save for the above, all other terms and conditions of the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares remain unchanged and valid.

(II) Compensation Agreement

As certain assets of the Swapped-out Assets are appraised using the income approach and the results thereof are adopted as the pricing reference, in accordance with the Administrative Measures on Major Asset Reorganization of Listed Companies (《上市公司重大資產重組管理辦法》) and the Applicable Guidelines under Regulatory Rules – Listed Category No. 1 (《監管規則適用指引—上市類第1號》) published by the CSRC, on 28 December 2022, the Company, China Urban-Rural and Qilianshan entered into the Compensation Agreement. Pursuant to the Compensation Agreement, the Company and China Urban-Rural made commitments in respect of the performance of the Swapped-out Assets appraised using the income approach upon completion of the Proposed Assets Reorganization and, if such commitments are not fulfilled, shall compensate Qilianshan. The principal terms of the Compensation Agreement are set out below:

Date

28 December 2022

Parties

- (1) the Company;
- (2) China Urban-Rural; and
- (3) Qilianshan

Subject matter

The Performance Commitment Period is three consecutive fiscal years from the year in which the completion for the transfer of the Swapped-out Assets takes place. If the completion for the transfer of the Swapped-out Assets takes place in 2023, the Performance Commitment Period will be 2023, 2024 and 2025; if the completion for the transfer of the Swapped-out Assets takes place in 2024, the Performance Commitment Period will be 2024, 2025 and 2026.

Some of the subsidiaries within the consolidation scope of the Swapped-out Assets adopt valuation results using the asset-based approach as valuation conclusion and were therefore excluded from the scope of performance commitment assets. The scope of and consideration for the performance commitment assets are as follows: (i) the performance commitment assets of CCCC Highway Institute: all assets and liabilities (on a consolidated basis) after excluding Beijing CCCC Highway and Bridge Engineering Supervision Co., Ltd.* (北京中交公路橋樑工程監理有限公司), CCCC (Zouping) Investment and Development Co., Ltd.* (中交(鄒平)投資發展有限公司) and CCCC (Jinan) Ecological Greening Investment Co., Ltd.* (中交(濟南)生態綠化投資有限公司) with a consideration of RMB6,936.6018 million; (ii) the performance commitment assets of CCCC First Highway Institute: all assets and liabilities (on a consolidated basis) after excluding Xi'an Zhonghe Highway Alteration and Maintenance Engineering Technology Co., Ltd.* (西安眾合公路改建養護工程技術有限公司) and CCCC First Highway Consultants (Shenzhen) Environmental Technology Engineering Co., Ltd.* (中交一公院(深圳)環境技術工程有限公司) with a consideration of RMB6,160.7100 million; (iii) the performance commitment assets of CCCC Second Highway Institute: all assets and liabilities (on a consolidated basis) of CCCC Second Highway Institute with a consideration of RMB6,779.8459 million; (iv) the performance commitment assets of Southwest Institute: all assets and liabilities (on a consolidated basis) after excluding Sichuan CCCC General Contracting Co., Ltd.* (四川中交工程總承包有限公司) with a consideration of RMB2,262.0815 million; (v) the performance commitment assets of Northeast Institute: all assets and liabilities (on a consolidated basis) after excluding Jianli Zerun Water Treatment Co., Ltd.* (監利澤潤水處理有限公司) with a consideration of RMB876.4895 million; and (vi) the performance commitment assets of Energy Institute: all assets and liabilities of Energy Institute (on a consolidated basis) with a consideration of RMB120.1361 million.

- (1) Annual compensation: At the end of each fiscal year during the Performance Commitment Period, Qilianshan will engage an auditor to conduct the audit on the actual net profit of each of the performance commitment assets. If the accumulative net profit generated from any of the performance commitment assets in each fiscal year during the Performance Commitment Period does not meet the committed performance indicators as follows, the Company or China Urban-Rural which holds such performance commitment assets shall compensate Qilianshan.

Unit: RMB0'000

| | Performance Commitment Assets | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|--|-------------|-------------|-------------|-------------|
| Completion in 2023 | Performance commitment assets of CCCC Highway Institute | 46,409.95 | 49,787.29 | 52,410.73 | - |
| | Performance commitment assets of CCCC First Highway Institute | 43,022.48 | 42,761.39 | 43,925.73 | - |
| | Performance commitment assets of CCCC Second Highway Institute | 43,489.74 | 45,516.16 | 47,505.04 | - |
| | Performance commitment assets of Southwest Institute | 12,726.93 | 13,722.90 | 14,726.88 | - |
| | Performance commitment assets of Northeast Institute | 5,663.56 | 6,513.09 | 7,574.73 | - |
| | Performance commitment assets of Energy Institute | 772.98 | 1,004.73 | 1,030.08 | - |
| Completion in 2024 | Performance commitment assets of CCCC Highway Institute | - | 49,787.29 | 52,410.73 | 54,481.36 |
| | Performance commitment assets of CCCC First Highway Institute | - | 42,761.39 | 43,925.73 | 43,982.40 |
| | Performance commitment assets of CCCC Second Highway Institute | - | 45,516.16 | 47,505.04 | 49,281.19 |
| | Performance commitment assets of Southwest Institute | - | 13,722.90 | 14,726.88 | 14,748.71 |
| | Performance commitment assets of Northeast Institute | - | 6,513.09 | 7,574.73 | 8,029.21 |
| | Performance commitment assets of Energy Institute | - | 1,004.73 | 1,030.08 | 1,051.84 |

- (2) **Impairment Compensation:** Upon expiry of the Performance Commitment Period, Qilianshan will conduct an impairment test and issue an impairment test report on each of the performance commitment assets, and engage an auditor to issue a specific audit opinion on each of the impairment test reports. If the impairment amount of any of the performance commitment assets as at the end of the Performance Commitment Period exceeds the total number of Compensation Shares compensated by the Company and/or China Urban-Rural in respect of such performance commitment assets \times the issue price per Consideration Share + the cash compensated by the Company and/or China Urban-Rural in respect of such performance commitment assets), the Company and/or China Urban-Rural shall make an additional compensation to Qilianshan in respect of such performance commitment assets.

Compensation method

Any compensation payable by the Company and China Urban-Rural to Qilianshan shall be settled by the Consideration Shares obtained through the Proposed Assets Reorganization in priority and the shortfall shall be settled in cash. The calculation formula of the compensation amount payable and the number of the Compensation Shares payable is set out as follows:

(1) Annual compensation

- (i) The cash compensation amount payable by the Company and/or China Urban-Rural for the current period in respect of such performance commitment assets = (the accumulative committed net profit of such performance commitment assets as at the end of the current period – the accumulative actual net profit of such performance commitment assets as at the end of the current period) \div the sum of accumulative committed net profit of such performance commitment assets during the Performance Commitment Period \times the consideration receivable by the Company and/or China Urban-Rural in respect of such performance commitment assets under the Proposed Assets Reorganization – the accumulative amount compensated by the Company and/or China Urban-Rural in respect of such performance commitment assets as at the end of the current period

- (ii) Number of the Compensation Shares payable by the Company and/or China Urban-Rural for the current period in respect of such performance commitment assets = the compensation amount payable by the Company and/or China Urban-Rural for the current period in respect of such performance commitment assets \div the issue price per Consideration Share

If Qilianshan implements any ex-dividend or ex-rights events such as distribution of share dividends, bonus issue, capitalization issue or rights issue during the Performance Commitment Period, the number of the Compensation Shares will be adjusted accordingly. The calculation formula is: Number of the Compensation Shares payable for the current period (after adjustment) = the number of the Compensation Shares payable for the current period (before adjustment) \times (1 + ratio of capitalization issue or bonus issue). If Qilianshan distributes cash dividends during the Performance Commitment Period, the accumulated cash dividend attributable to the Compensation Shares payable calculated in accordance with the aforesaid formula shall be returned to Qilianshan with the corresponding Compensation Shares.

- (iii) If the Consideration Shares obtained by the Company and/or China Urban-Rural under the Proposed Assets Reorganization are insufficient to compensate, the shortfall shall be further settled in cash, the calculation formula of which is: The compensation cash payable for the current period = the compensation amount payable for the current period – the number of the Compensation Shares paid for the current period \times the issue price per Consideration Share

(2) *Impairment Compensation*

- (i) Additional cash compensation amount = the impairment amount of such performance commitment assets as at the end of the Performance Commitment Period – the accumulative compensation amount already paid by the Company and/or China Urban-Rural in respect of such performance commitment assets during the Performance Commitment Period

The impairment amount of such performance commitment assets as at the end of the Performance Commitment Period is the consideration receivable by the Company and/or China Urban-Rural in respect of such performance commitment assets under the Proposed Assets Reorganization less the comparable appraised value of such performance commitment assets as at the end of such period, after deducting the effect of capital increase, capital reduction, acceptance of donations and profit distribution by shareholders during the Performance Commitment Period.

- (ii) Number of additional Compensation Shares = the additional compensation amount \div the issue price per Consideration Share

If Qilianshan implements any ex-dividend or ex-rights events such as distribution of share dividends, bonus issue, capitalization issue or rights issue during the Performance Commitment Period, the number of the Compensation Shares will be adjusted accordingly. The calculation formula is: Number of additional Compensation Shares (after adjustment) = the number of the additional Compensation Shares (before adjustment) \times (1 + ratio of capitalization issue or bonus issue). If Qilianshan distributes cash dividends during the Performance Commitment Period, the accumulated cash dividend attributable to the Compensation Shares payable calculated in accordance with the aforesaid formula shall be returned to Qilianshan with the corresponding Compensation Shares.

- (iii) If the Consideration Shares obtained by the Company and/or China Urban-Rural under the Proposed Assets Reorganization are insufficient to compensate, the shortfall shall be further settled in cash.

The Compensation Shares and cash compensation payable by the Company and China Urban-Rural to Qilianshan for the respective performance commitment assets held by them due to annual compensation or impairment compensation shall be calculated separately, for which the Company and China Urban-Rural shall bear the responsibility severally but not jointly. The Compensation Shares and cash compensation to be paid by the Company and China Urban-Rural to Qilianshan shall not exceed their respective considerations for the Three Highway Institutes and the Three Municipal Institutes under the Proposed Assets Reorganization.

Compensation Measures

- (1) Qilianshan shall calculate the number of the Compensation Shares payable, notify the Company and China Urban-Rural in writing within 60 days from the date of the issuance of a special audit opinion by the auditor on the actual results or the impairment test of the performance commitment assets and issue a notice to convene a board meeting and a general meeting. Subject to the consideration and approval at the general meeting, Qilianshan shall repurchase from the Company and China Urban-Rural the number of the Compensation Shares payable for that year at a total price of RMB1.00, and cancel such Compensation Shares.

- (2) If the proposal regarding the repurchase and cancellation of the Compensation Shares payable by Qilianshan is not approved at the general meeting or cannot proceed due to reasons such as the failure to obtain the consent of the relevant creditors, the Company and China Urban-Rural shall, within two months, calculate the number of shares based on the following formula and donate the corresponding shares to other shareholders of Qilianshan (i.e. holders of shares of Qilianshan other than the Company and China Urban-Rural whose names appear on the register of members on the record date as determined in the announcement of Qilianshan in relation to the implementation of share donation):
- Number of shares to be donated by the Company and/or China Urban-Rural to other shareholders = $\frac{\text{the number of the Compensation Shares payable} - (\text{the total number of shares of Qilianshan held by the Company and/or China Urban-Rural} - \text{the number of the Compensation Shares payable})}{(\text{the total number of shares of Qilianshan} - \text{the number of the Compensation Shares payable})} \times \text{the number of the Compensation Shares payable}$. Each of the other shareholders of Qilianshan shall be entitled to those donated shares in proportion to their shareholding percentage in the number of shares held by them in aggregate.
- (3) The Company and China Urban-Rural shall not exercise the voting rights in respect of Compensation Shares payable from the date on which the number of the Compensation Shares payable is determined until such shares are cancelled or donated to other shareholders of Qilianshan.
- (4) If the Company and China Urban-Rural are required to make cash compensations to Qilianshan according to the Compensation Agreement, Qilianshan shall, within 60 days after the auditor issues a special audit opinion on the actual results or the impairment test of the performance commitment assets, determine the amount to be compensated by the Company and China Urban-Rural in cash for the current period and notify the Company and China Urban-Rural in writing. The Company and China Urban-Rural shall pay to Qilianshan in a lump sum within 30 working days from the date of receipt of Qilianshan's notice.

Condition precedent

The Compensation Agreement will become effective at the date when the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement take effect.

(III) Entrustment Agreement

On 28 December 2022, the Company, China Urban-Rural, Qilianshan Ltd and Tianshan Cement entered into the Entrustment Agreement, pursuant to which, the Company and China Urban-Rural will entrust Tianshan Cement to operate and manage Qilianshan Ltd by way of equity entrustment upon completion of the Proposed Assets Reorganization. The principal terms of the Entrustment Agreement are set out as below:

Date

28 December 2022

Parties

- (1) the Company;
- (2) China Urban-Rural;
- (3) Qilianshan Ltd; and
- (4) Tianshan Cement

Subject matter

Pursuant to the Entrustment Agreement, the Company and China Urban-Rural shall entrust Tianshan Cement to be responsible for the operation and management of Qilianshan Ltd and its subsidiaries by way of equity entrustment.

The Company and China Urban-Rural shall entrust Tianshan Cement with the exercise of shareholders' rights other than those described below:

- (1) Disposal of equity interests in Qilianshan Ltd;
- (2) Distribution of profits of Qilianshan Ltd;
- (3) Merger, division, change of corporate form, application for bankruptcy, dissolution and liquidation of Qilianshan Ltd;

- (4) Distribution of the remaining assets of Qilianshan Ltd;
- (5) Increase or decrease of the registered capital of Qilianshan Ltd;
- (6) Amendment of the articles of association of Qilianshan Ltd;
- (7) The provision of external guarantees by Qilianshan Ltd;
- (8) Issuance of new bonds/debt financing instruments by Qilianshan Ltd after the cumulative issuance of bonds/debt financing instruments in the current year exceeds RMB1,000 million;
- (9) Transfer of equity interests, major asset acquisition, equity investment matters (specifically, asset acquisition and equity investment of non-cement, commercial concrete, aggregate and other upstream and downstream principal businesses amounting to RMB10 million or more), major asset disposal, asset transfer, asset write-off, asset impairment matters (specifically, asset disposal, asset transfer, asset write-off, asset impairment amounting to RMB5 million or more, except for impairment/write-off caused by normal development needs of cement business such as capacity replacement);
- (10) The business policy of Qilianshan Ltd.

During the entrustment period, Qilianshan Ltd remains a subsidiary of the Company, and its financial results continue to be consolidated into the financial statements of the Company. The Company and China Urban-Rural have the right to dividends from Qilianshan Ltd.

Entrustment term

The entrustment term is 12 months from the date of completion of the transfer of Qilianshan Ltd (i.e. the date on which 100% equity interests of Qilianshan Ltd is transferred to the Company and China Urban-Rural). Unless amended by mutual agreement among the parties, the terms of the Entrustment Agreement will not change, but only the entrustment period will be extended twice at most with 12 months each time. If, upon such extensions, the parties agree to continue to entrust the operation to Tianshan Cement, the parties shall renegotiate on the terms of the relevant agreement.

Entrustment fee and payment method

The entrustment fee is fixed with RMB120 million per 12 months (exclusive of value-added tax), which will be paid in cash by Qilianshan Ltd to Tianshan Cement. Qilianshan Ltd shall pay the fixed entrustment fee (i.e. RMB30 million) and the corresponding amount of value-added tax to Tianshan Cement for the previous quarter on the fifth working day from the commencement of each quarter during the entrustment term. If the entrustment term is less than a quarter, the entrustment fee will be settled on the daily basis for a year of 365 days.

~~The entrustment fee was determined by the parties after arm's length negotiation with reference to Qilianshan Ltd's estimated annual output of cement of 23 million tons and the prevailing market prices of the entrustment of approximately RMB5.22 per ton, as well as the term and difficulty of entrustment.~~

Conditions precedent

The Entrustment Agreement is concluded on the date when it is signed and sealed by the parties and shall become effective on the date when all of the following conditions are fulfilled or satisfied:

- (1) The Entrustment Agreement has been approved by the Board and the general meeting of the Company;
- (2) The Entrustment Agreement has been approved by the competent decision-making authorities of China Urban-Rural and Tianshan Cement;
- (3) The 100% equity interests of Qilianshan Ltd has been transferred to the Company and China Urban-Rural.

II. PROFIT FORECAST IN RESPECT OF VALUATION APPROACH

Since the income approach is adopted in the asset valuation reports prepared by Beijing Pan-China for the Swapped-out Assets, the calculation of the valuation for the Swapped-out Assets contained in the asset valuation reports is regarded as a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Accordingly, the Company discloses the following valuation details.

Details of key assumptions, including the business assumptions upon which the profit forecast is based, are set out below:

(i) General assumptions

1. Assumption of trading: it is assumed that all the assets to be appraised are in trade, and the appraiser performs the valuation by simulating market with conditions such as the transaction conditions of the assets to be appraised.
2. Assumption of open market: assumption of open market is an assumption of the conditions under which the assets are intended to enter the market and the influence on the assets under such market conditions. The open market means fully developed and improved market conditions, and is a competitive market with voluntary buyers and sellers. Buyers and sellers are equal in this market and both have opportunities and time in acquiring ample market information; and the transactions between them are made on a voluntary, rational, non-compulsory and unrestricted condition.
3. Assumption of continuous use: assumption of continuous use is an assumption of the conditions under which the assets are intended to enter the market and the status of assets under such market conditions. Firstly, the assets to be appraised are in use; and secondly, it is assumed that such assets in use will continue to be used. Under the assumption of continuous use, the change of assets use or the best conditions for use of the assets are not taken into account. Therefore, the scope of use of the valuation results is restricted.
4. Assumption of going concern: it is an assumption for valuation made by taking the whole assets of the enterprise as the valuation target. Namely, the enterprise, as a business entity, operates continually in pursuit of its operation goals under its external environment. The operators of the enterprise are responsible and capable of assuming liabilities; and the enterprise conducts lawful operation, and is able to acquire appropriate profits to maintain its capability to operate as a going concern.

(ii) Assumptions in respect of the income approach

1. There are no material changes in the relevant prevailing laws, regulations and policies of the PRC, no material changes in the macro-economic conditions of the PRC and no material changes in the political, economic and social environment in the regions where the Swapped-out Assets are located; there are no other unforeseeable factors and force majeure that may give rise to material adverse impact.

2. It is assumed that the Swapped-out Assets will operate on a going concern basis according to the actual situation of the assets on the Valuation Benchmark Date.
3. It is assumed that the operators of the Swapped-out Assets are responsible, and the management is able to perform its duties.
4. Unless otherwise stated, it is assumed that the Swapped-out Assets fully comply with all relevant laws and regulations.
5. It is assumed that the accounting policies adopted in the future by the Swapped-out Assets are generally consistent with those used in the compilation of the valuation reports in all material aspects.
6. There are no material changes in the interest rates, exchanges rates, taxation benchmark and rates, policy levy, etc.
7. There are no other force majeure or unforeseeable factors that may give rise to material adverse impact on the Swapped-out Assets.
8. It is assumed that the forecast annual cash flow of the Swapped-out Assets is generated in the period.
9. It is assumed that after the Valuation Benchmark Date, the products or services of the Swapped-out Assets will maintain the current competitive market situation.
10. It is assumed that after the Valuation Benchmark Date, the research and development capabilities and technological edge of CCCC Second Highway Institute will remain at the current level.

11. It is assumed that CCCC Highway Institute, CCCC Highway Consultants and Civil Engineering Big Data Information Technology (Beijing) Co., Ltd. (中交公規土木大數據信息技術(北京)有限公司), Huakang Shengtai Environmental Technology (Beijing) Co., Ltd.* (華康昇泰環境科技(北京)有限公司), CCCC First Highway Institute, Xi'an China Highway Geotechnical Engineering Co., Ltd. (西安中交公路岩土工程有限責任公司), CCCC Civil Engineering Science & Technology Co., Ltd. (西安中交土木科技有限公司), CCCC Ruitong Road & Bridge Maintenance Technology Co., Ltd. (中交瑞通路橋養護科技有限公司), CCCC Second Highway Institute, CCCC Urban Rail Transit Design and Research Institute Co., Ltd. (中交城市軌道交通設計研究院有限公司), CCCC Urban and Rural Construction Planning and Design Institute Co., Ltd. (中交城鄉建設規劃設計研究院有限公司), Wuhan Engineering Consulting Co., Ltd. (武漢工程諮詢顧問有限責任公司), Wuhan CCCC Testing, Inspection and Reinforcement Engineering Co., Ltd. (武漢中交試驗檢測加固工程有限責任公司), Wuhan CCCC Engineering Survey Co., Ltd. (武漢中交工程勘察有限公司), CCCC Hemei Environmental and Ecological Construction Co., Ltd. (中交和美環境生態建設有限公司), Northeast Institute, Southwest Institute and Energy Institute can maintain the recognized qualification of high-tech enterprise (高新技術企業) in the coming years and enjoy the preferential income tax rate of 15%.

The Company's reporting accountant RSM Hong Kong has checked the arithmetical accuracy of the calculation of relevant forecasts using the income approach, which do not involve the adoption of accounting policies and the reasonableness of assumptions. The Board confirms that the profit forecasts for the Swapped-out Assets in the valuation reports were made after due and careful enquiries. The letters from the reporting accountant RSM Hong Kong and the Board are set out in Appendices I and II to this announcement, respectively. The following is the qualification of the expert who has given a conclusion or opinion which is contained in this announcement:

| Name | Qualification | Date of conclusion or opinion |
|---------------|------------------------------|-------------------------------|
| RSM Hong Kong | Certified Public Accountants | 28 December 2022 |

As at the date of this announcement, as far as the Directors are aware, the aforesaid expert was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for any shares, convertible securities, warrants, options or derivative securities which carry voting rights in any member of the Group.

The aforesaid expert has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and/or reference to its name.

III. PROPOSED SPIN-OFF

The Proposed Assets Reorganization by the Company pursuant to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement constitutes a spin-off under the applicable provisions of the Practice Note 15 of the Hong Kong Listing Rules. The Company has submitted an application for the Proposed Spin-off to the Hong Kong Stock Exchange and will make further announcement(s) on the progress of such application in due course.

IV. FINANCIAL IMPACTS OF THE PROPOSED ASSETS REORGANIZATION AND PROPOSED SPIN-OFF

Upon completion of the Proposed Assets Reorganization, the Three Highway Institutes and the Three Municipal Institutes will become the subsidiaries of Qilianshan, and the Company will become the controlling shareholder of Qilianshan, holding approximately 53.88% equity interests in Qilianshan. Accordingly, Qilianshan will become a non-wholly-owned subsidiary of the Company, and the financial results of the Three Highway Institutes and the Three Municipal Institutes will be consolidated into the consolidated financial statements of the Company.

The Company expects that upon completion of the Proposed Assets Reorganization, the Company's equity interests in the Three Highway Institutes will be reduced and the net profit of the Three Highway Institutes attributable to the Company in proportion to shareholding may be diluted. However, through the Proposed Assets Reorganization, the Three Municipal Institutes held by China Urban-Rural will be injected into Qilianshan and therefore the financial position and profitability of the Three Highway Institutes and the Three Municipal Institutes will all be reflected in the consolidated financial statements of the Company.

As the direct holding of 100% equity interests in the Three Highway Institutes by the Company will be effectively swapped to certain equity interests in Qilianshan and the Swapped-in Assets, the Company will not raise any proceeds from the disposal of equity interests in the Three Highway Institutes. The Proposed Assets Reorganization will not cause any significant effect on the profits or losses of the Company.

V. REASONS FOR AND BENEFITS OF THE PROPOSED ASSETS REORGANIZATION AND THE PROPOSED SPIN-OFF

The Directors believe that the Proposed Assets Reorganization and the Proposed Spin-off will provide the Company with good opportunities for its future development and deliver the following benefits to the Company:

(1) It is conducive to promoting the design sector to focus on the principal business and further improve the core competitiveness of the design business

The Company's wholly-owned subsidiaries, being CCCC Highway Institute, CCCC First Highway Institute, CCCC Second Highway Institute, and the wholly-owned subsidiaries of China Urban-Rural, being the Southwest Institute, Northeast Institute and Energy Institute, are mainly engaged in engineering survey, design consulting, and supervision and testing services, mainly focusing on transportation and municipal fields. They are world leading and domestic top road, bridge, tunnel and municipal design enterprises that have significant competitive advantages in related business fields. The Swapped-out Assets are mainly responsible for providing comprehensive technical solutions for transportation and municipal engineering. Their businesses cover highways, bridges, tunnels and facilities along the lines and municipal field. They provide the owners with relevant services including assessment, planning, feasibility study, survey, design, supervision, consultation and project management.

Through the Proposed Assets Reorganization and the Proposed Spin-off, the establishment of a professional listing platform of CCCC design consulting can promote the focus on principal business, strengthen the overall planning and leadership of the design consulting business, give play to the leading role of design consulting in the industry chain, and focus on the deeper and stronger development of the design field, improve the planning and design consulting capabilities in terms of the front end of the business chain and the high end of the value chain of the big transportation and the big city, and improve the profit margin level and technical strength of the design sector. At the same time, through follow-up equity financing to enhance capital strength, design assets with strategic value can be acquired to achieve leapfrogging development.

The Proposed Spin-off will further enhance the Company's asset quality and risk prevention capabilities, and promote the Company's sustainable and healthy long-term development.

(2) It is conducive to the implementation of market-oriented reforms such as equity incentives by the design sector, fully releasing the valuation potential of the design sector and maximizing the interests of all Shareholders

The design sector is knowledge-intensive, innovation-driven, and talent-resources-intensive. Taking the spin-off, restructuring and listing of the design sector as an opportunity, firstly, it can optimize the distribution mechanism, increase the sharing of incremental value creation, and enhance the enthusiasm of the team; secondly, we can explore to give full play to the power of talents, and closely integrate enterprise development with the interests of management and core employees through the form of stock option incentive such as management incentive and employee stock ownership; thirdly, it can further promote the reform of mixed ownership in the design sector, introduce external strategic shareholders, and implement global mergers and acquisitions.

The Proposed Assets Reorganization and the Proposed Spin-off are beneficial to the reasonable estimation of the Company's different businesses in the capital market. The market value of the design sector will be at the leading level of listed companies in the domestic A-share design industry, so that the Company's high-quality asset value can be fully reflected in the capital market, thereby improving the Company's overall market value and maximizing the interests of all Shareholders.

(3) Implementing the pilot reform of state-owned capital investment companies and building a model of cooperation among central enterprises

The Company is the world's largest port design and construction company, the world's largest road and bridge design and construction company, and the world's largest offshore oil drilling platform design company; it is also the largest international contractor and highway investor in China. CCCG is a global provider of integrated infrastructure services, with businesses covering various areas including infrastructure investment, design, construction and operation, equipment manufacturing, real estate, integrated urban development and ecological protection. CNBM Group ranks first in the world in seven business areas, including cement, commercial concrete, gypsum board, glass fiber, wind power blades and technical services for cement and glass engineering, and is the leader in China's building materials industry in "going global" and participating in the "Belt and Road" initiative construction. Its international market share of cement and glass engineering has reached 65%.

The infrastructure industry in which the Company and CCCG are engaged in and the building materials industry in which CNBM Group are engaged in are closely related to each other, with strong industry synergies and business synergies. As the Company, CCCG and CNBM Group are all pilot state-owned capital investment companies, the transactions will facilitate long-term cooperation among the central enterprise groups in more areas and serve as a model for strong alliances among central enterprises.

VI. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The disposal of the Three Highway Institutes by the Company to Qilianshan under the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement constitutes a disposal by the Company under Chapter 14 of the Hong Kong Listing Rules. At the same time, the acquisition of the Swapped-in Assets and the subscription of the Consideration Shares by the Company constitutes an acquisition by the Company under Chapter 14 of the Hong Kong Listing Rules. Pursuant to Rule 14.24 of the Hong Kong Listing Rules, as the Proposed Assets Reorganization involves both an acquisition and a disposal, it will be classified by reference to the higher amount of the acquisition and the disposal, and is subject to the reporting, announcement and/or the shareholders' approval requirements applicable to such classification.

As at the date of this announcement, China Urban-Rural is a wholly-owned subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.63% interests in the issued ordinary Shares of the Company. China Urban-Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As China Urban-Rural is a party to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement, the Proposed Assets Reorganization constitutes a connected transaction of the Company.

As the highest applicable percentage ratios of the acquisition and the disposal are both higher than 5% but less than 25%, the Proposed Assets Reorganization constitutes a discloseable transaction and a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under the Hong Kong Listing Rules.

VII. GENERAL INFORMATION

(1) Information on the Swapped-In Assets

Qilianshan Ltd is a wholly-owned subsidiary of Qilianshan incorporated in the PRC and is the vesting entity of the cement business assets of Qilianshan.

According to the audited consolidated financial statements of Qilianshan Ltd prepared in accordance with China Accounting Standards for Business Enterprises, as at 31 May 2022, the total assets and net assets of Qilianshan Ltd amounted to RMB12,570.9653 million and RMB8,827.3163 million, respectively. The followings set forth the net profit attributable to Qilianshan Ltd (before and after taxes and extraordinary items) for the two financial years ended 31 December 2020 and 2021:

| | For the year ended 31 December 2020 | For the year ended 31 December 2021 <i>RMB'0,000</i> |
|---|--|--|
| Net profit after taxes and extraordinary items | 153,778.10 | 99,778.59 |
| Net profit before taxes and extraordinary items | 181,885.74 | 117,704.74 |

(2) Information on the Swapped-Out Assets

CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute are the wholly-owned subsidiaries of the Company incorporated in the PRC, principally engaged in the survey, design, supervision and consultation of highways, bridges and municipal engineering projects.

Southwest Institute, Northeast Institute and Energy Institute are the wholly-owned subsidiaries of China Urban-Rural incorporated in the PRC, among which, Southwest Institute and Northeast Institute are principally engaged in the survey, design, supervision and consultation of municipal engineering projects, while Energy Institute principally engages in the survey, design and consultation of municipal engineering projects.

Set out below is the audited key financial information of the Swapped-out Assets prepared in accordance with China Accounting Standards for Business Enterprises:

| | Total assets as at 31 May 2022 | Net assets as at 31 May 2022 | Net profit before taxes and extraordinary items for the year ended 31 December 2020 | Net profit after taxes and extraordinary items for the year ended 31 December 2020 | Net profit before taxes and extraordinary items for the year ended 31 December 2021 | Net profit after taxes and extraordinary items for the year ended 31 December 2021 |
|-------------------------------------|---|---------------------------------------|---|--|---|--|
| | | | | | | <i>RMB'0,000</i> |
| CCCC Highway Institute | 629,037.87 | 226,959.93 | 66,006.17 | 55,397.97 | 57,920.81 | 49,415.41 |
| CCCC First Highway Institute | 643,747.65 | 219,880.18 | 58,972.81 | 50,189.18 | 61,863.67 | 51,912.91 |
| CCCC Second Highway Institute | 682,587.96 | 312,170.08 | 30,738.98 | 25,348.14 | 44,404.60 | 37,472.69 |
| Southwest Institute | 287,580.95 | 63,778.66 | 13,090.14 | 11,065.64 | 19,714.05 | 15,845.37 |
| Northeast Institute | 326,955.15 | 27,756.94 | 9,804.73 | 7,972.58 | 4,359.26 | 3,721.25 |
| Energy Institute | 12,550.12 | 8,596.53 | 586.00 | 516.37 | 836.79 | 729.25 |

(3) General Information of Other Parties

(i) The Company

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 management, 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.

(ii) China Urban-Rural

China Urban-Rural is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CCCG. It is mainly engaged in investment, development, management and operation of infrastructure projects such as municipal engineering, energy services, water affairs, ecological restoration, environmental protection, energy saving and environmental protection industries, gardening and landscaping, smart cities, information technology, tourism and health care.

CCCG is a state-owned enterprise established under the laws of the PRC and the controlling Shareholder of the Company holding approximately 59.63% 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.

(iii) Qilianshan

Qilianshan is a joint stock limited company incorporated and validly existing under the laws of the PRC, whose A shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600720). As at the date of this announcement, Qilianshan is directly owned as to approximately 14.93% by CNBM, and indirectly owned as to approximately 11.80% by CNBM through its subsidiary, QBM. The principal business of Qilianshan involves the production and sales of cement, commercial clinker, commercial concrete and aggregate. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, Qilianshan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

(iv) Tianshan Cement

Tianshan Cement is a joint stock limited company established and validly existing under the laws of the PRC, whose A shares are listed on the main board of Shenzhen Stock Exchange (stock code: 000877). As at the date of this announcement, Tianshan Cement is owned as to approximately 84.52% by CNBM, without any other shareholder holding more than 2.50% of the equity interests of Tianshan Cement. The principal business of Tianshan Cement involves the production and sales of cement, clinker, commercial concrete and aggregate. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, Tianshan Cement and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

VIII. CONFIRMATION FROM DIRECTORS

Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Liu Xiang, Mr. Sun Ziyu and Mr. Mi Shuhua, the Directors of the Company, are also directors or senior management of CCCG, and therefore are deemed to have a material interest in the Proposed Assets Reorganization, and have abstained from voting on the relevant Board resolutions. Save for the aforesaid Directors, none of the other Directors has or is deemed to have a material interest in the above-mentioned transactions.

The Directors (excluding the independent non-executive Directors, whose opinion will be set forth in the circular by reference to the advice from the independent financial adviser in this regard), having made all reasonable and due enquiries, consider that the Proposed Assets Reorganization is entered into on normal commercial terms and is fair and reasonable, although not conducted in the ordinary and usual course of business of the Company due to the transaction nature, is in the interests of the Company and its Shareholders as a whole.

IX. THE EGM

The EGM will be convened by the Company to consider and, if thought fit, to pass, among others, the relevant proposals of the Proposed Assets Reorganization and the Proposed Spin-off. The Independent Board Committee comprising independent non-executive Directors will be established by the Company to advise the Independent Shareholders on the Proposed Assets Reorganization. In accordance with the Hong Kong Listing Rules, the independent financial adviser, Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Proposed Assets Reorganization.

CCCG, which holds approximately 59.63% interests in the issued ordinary shares of the Company as at the date of this announcement, is required to abstain from voting at the EGM on approving the proposals in relation to the Proposed Assets Reorganization. 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 transactions under the abovementioned resolutions, therefore will be required to abstain from voting on the relevant resolutions at the EGM.

The Company will issue a circular containing, among other things, details of the Proposed Assets Reorganization and the Proposed Spin-off. As additional time is required to prepare and finalise the information to be contained in the circular, the Company will despatch the circular to the Shareholders on or before 27 February 2023.

The Proposed Assets Reorganization and the Proposed Spin-off are subject to, among other things, the approval, endorsement or consent of the relevant domestic and overseas regulatory authorities, including the SASAC, the CSRC, the Hong Kong Stock Exchange and the State Administration for Market Regulation. Accordingly, the Proposed Assets Reorganization and the Proposed Spin-off may or may not proceed. The Company will fulfill further disclosure obligations in accordance with the requirements under the Hong Kong Listing Rules in due course. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

X. DEFINITIONS

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

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| “A Share(s)” | domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange under the stock code 601800 and traded in Renminbi |
| “Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares” | the agreement on assets swap and acquisition of assets by issuance of shares entered into by the Company, China Urban-Rural and Qilianshan on 11 May 2022 in relation to the Proposed Assets Reorganization |

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| “Audit Benchmark Date” | if the completion date for the transfer of the Swapped-out Assets and Swapped-in Assets is before or on 15th (inclusive) of a month, the end of the preceding month of the completion date will be used as the audit benchmark date; if the completion date for the transfer of the Swapped-out Assets and Swapped-in Assets is after the 15th of a month, the end of the month of the completion date will be used as the audit benchmark date |
| “Beijing Pan-China” | Beijing Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司), an independent and qualified appraiser in the PRC |
| “Board” | the board of directors of the Company |
| “CCCC First Highway Institute” | CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement |
| “CCCC Highway Institute” | CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement |
| “CCCC Second Highway Institute” | CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement |
| “CCCCG” | 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 |
| “China Urban-Rural” | China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司), a wholly-owned subsidiary of CCCC as at the date of this announcement |

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| “CNBM” | China National Building Material Co., Ltd.* (中國建材股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange under the stock code 3323 and the controlling shareholder of Qilianshan as at the date of this announcement |
| “CNBM Group” | China National Building Material Group Co., Ltd.* (中國建材集團有限公司), a company incorporated in the PRC with limited liability and the controlling shareholder of CNBM as at the date of this announcement |
| “Company” | China Communications Construction Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Hong Kong Stock Exchange under the stock code 1800 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code 601800 |
| “Compensation Agreement” | the performance commitment and compensation agreement entered into by the Company, China Urban-Rural and Qilianshan on 28 December 2022 in relation to the Proposed Assets Reorganization |
| “Compensation Share(s)” | the share(s) with which Qilianshan was compensated by the Company and/or China Urban-Rural pursuant to the Compensation Agreement |
| “connected person” | has the meaning ascribed to it under the Hong Kong Listing Rules |
| “Consideration Share(s)” | the new A share(s) of par value of RMB1.00 each in the share capital of Qilianshan to be issued to the Company and/or China Urban-Rural to pay the consideration payable by Qilianshan under the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares |
| “CSRC” | China Securities Regulatory Commission |

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| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held to consider and approve the relevant proposals of the Proposed Assets Reorganization and the Proposed Spin-off |
| “Energy Institute” | CCCC Urban Energy Research and Design Institute Co., Ltd.* (中交城市能源研究設計院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this announcement |
| “Entrustment Agreement” | the conditional entrustment agreement entered into by the Company, China Urban-Rural, Qilianshan Ltd and Tianshan Cement on 28 December 2022 in relation to the entrustment of the daily operation and management of Qilianshan Ltd |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | overseas-listed foreign invested share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange under the stock code 1800 and traded in Hong Kong dollars |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Independent Board Committee” | the committee of Directors consisting of Mr. LIU Hui, Mr. CHAN Wing Tak Kevin, Mr. WU Guangqi and Mr. ZHOU Xiaowen who are independent non-executive Directors, formed to advise the Independent Shareholders on the Proposed Assets Reorganization |

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| “Independent Shareholder(s)” | the Shareholders, other than CCCG and its associates who will abstain from voting on the Proposed Assets Reorganization at the EGM |
| “Northeast Institute” | China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this announcement |
| “Performance Commitment Period” | three consecutive fiscal years from the year (inclusive) when the completion for the transfer of the Swapped-out Assets takes place |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan |
| “Proposed Assets Reorganization” | the Company disposes of the 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute, and China Urban-Rural disposes of the 100% equity interests of Southwest Institute, Northeast Institute and Energy Institute for all the assets and liabilities of Qilianshan; while Qilianshan will settle the shortfall against the value of the Swapped-out Assets by issuing the Consideration Shares to the Company and China Urban-Rural |
| “Proposed Spin-off” | the Company transfers its 100% equity interests in CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute to Qilianshan in exchange for the newly issued Consideration Shares by Qilianshan pursuant to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement |
| “QBM” | Gansu Qilianshan Building Material Co., Ltd.* (甘肅祁連山建材控股有限公司), a company incorporated in the PRC with limited liability and a subsidiary of CNBM, the controlling shareholder of Qilianshan, as at the date of this announcement |

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| “Qilianshan” | Gansu Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the main board of Shanghai Stock Exchange under the stock code 600720 |
| “Qilianshan Ltd” | Gansu Qilianshan Cement Group Ltd.* (甘肅祁連山水泥集團有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Qilianshan as at the date of this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Hong Kong Laws) (as amended, supplemented or otherwise modified from time to time) |
| “Share(s)” | A Share(s) and/or H Share(s) |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Southwest Institute” | Southwest Municipal Engineering Design and Research Institute of China * (中國市政工程西南設計研究總院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this announcement |
| “SSE” | Shanghai Stock Exchange |
| “Supervisor(s)” | the supervisor (s) of the Company |
| “Supplemental Agreement” | the supplemental agreement to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares entered into by the Company, China Urban-Rural and Qilianshan on 28 December 2022 in relation to the Proposed Assets Reorganization |
| “Swapped-in Assets” | the 100% equity interests of Qilianshan Ltd |

| | |
|------------------------------|--|
| “Swapped-out Assets” | the 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute held by the Company, and the 100% equity interests of Southwest Institute, Northeast Institute and Energy Institute held by China Urban-Rural, or any one of them (as the case may be) |
| “Three Highway Institutes” | CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute |
| “Three Municipal Institutes” | Northeast Institute, Southwest Institute and Energy Institute |
| “Tianshan Cement” | Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the main board of Shenzhen Stock Exchange under the stock code 000877 |
| “Transitional Period” | the period from the Valuation Benchmark Date (exclusive) to the completion date for the transfer of the Swapped-in Assets or the Swapped-out Assets (inclusive) (as the case may be) |
| “Valuation Benchmark Date” | 31 May 2022 |
| “%” | per cent |

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

Beijing, the PRC
28 December 2022

As at the date of this announcement, the directors of the Company are WANG Tongzhou, WANG Haihuai, LIU Xiang, SUN Ziyu, MI Shuhua, LIU Hui[#], CHAN Wing Tak Kevin[#], WU Guangqi[#] and ZHOU Xiaowen[#].

[#] *Independent non-executive Director*

^{*} *For identification purpose only*

APPENDIX I LETTER FROM RSM HONG KONG

The following is the full text of the letter dated 28 December 2022, prepared by RSM Hong Kong, Certified Public Accountants for inclusion in this announcement.

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF VALUATION OF 100% EQUITY INTERESTS IN CCCC HIGHWAY CONSULTANTS CO., LTD.* (中交公路規劃設計院有限公司), CCCC FIRST HIGHWAY CONSULTANTS CO., LTD.* (中交第一公路勘察設計研究院有限公司), CCCC SECOND HIGHWAY CONSULTANTS CO., LTD.* (中交第二公路勘察設計研究院有限公司), SOUTHWEST MUNICIPAL ENGINEERING DESIGN AND RESEARCH INSTITUTE OF CHINA* (中國市政工程西南設計研究總院有限公司), CHINA NORTHEAST MUNICIPAL ENGINEERING DESIGN & RESEARCH INSTITUTE CO., LTD.* (中國市政工程東北設計研究總院有限公司) AND CCCC URBAN ENERGY RESEARCH AND DESIGN INSTITUTE CO. LTD.* (中交城市能源研究設計院有限公司) AS AT 31 MAY 2022

TO THE DIRECTORS OF CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Beijing Pan-China Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) dated 31 August 2022 of 100% equity interests in CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司), CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司), Southwest Municipal Engineering Design and Research Institute of China* (中國市政工程西南設計研究總院有限公司), China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司) and CCCC Urban Energy Research and Design Institute Co. Ltd.* (中交城市能源研究設計院有限公司) (collectively, the “**Swapped-out Assets**”) as at 31 May 2022 (the “**Valuation**”) is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' Responsibilities for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in the Valuation (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Swapped-out Assets.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

** For identification purpose only*

Yours faithfully,

Certified Public Accountants

28 December 2022

APPENDIX II LETTER FROM THE BOARD

The following is the full text of the letter dated 28 December 2022, prepared by the Board for inclusion in this announcement.

To: The Stock Exchange of Hong Kong Limited
Listing Division
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sir/Madam,

Company: China Communications Construction Company Limited (the “**Company**”)

Re: Profit Forecast – Letter of Confirmation under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)

Reference is made to the announcement of the Company dated 28 December 2022 mentioning the valuation reports of CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司), CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司), China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司), Southwest Municipal Engineering Design and Research Institute of China * (中國市政工程西南設計研究總院有限公司) and CCCC Urban Energy Research and Design Institute Co., Ltd.* (中交城市能源研究設計院有限公司) dated 31 August 2022 (the “**Valuation Reports**”) prepared by Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) (the “**Valuer**”) using the income approach.

The Board of the Company has reviewed the bases and assumptions of the valuation and discussed the same with the Valuer and RSM Hong Kong, the reporting accountant of the Company (the “**Reporting Accountant**”). The Board of the Company has also considered the letter of confirmation issued by the Reporting Accountant on 28 December 2022 in relation to the calculations of the profit forecast in the Valuation Reports.

In accordance with the Hong Kong Listing Rules, the Board of the Company confirmed that the profit forecast used in the aforementioned Valuation Reports has been made after due and careful enquiry.

China Communications Construction Company Limited
Board of Directors

28 December 2022