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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
CONNECTED TRANSACTION
ACQUISITION OF 17.25% EQUITY INTEREST IN CORE (USA)

The Board hereby announces that, in accordance with the resolution passed at the twenty-fifth meeting of the fifth session of the Board, on 19 October 2023, Zhen Hua HK entered into the Equity Transfer Agreement with CORE, pursuant to which, Zhen Hua HK has conditionally agreed to acquire and CORE has conditionally agreed to sell 17.25% equity interest in CORE (USA) at a consideration of USD67,826,137.50 (equivalent to approximately RMB486,987,754.18).

As at the date of this announcement, CORE is a subsidiary of CCCG, the controlling Shareholder which holds approximately 59.47% equity interest in the issued ordinary shares of the Company. CORE is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

BACKGROUND

The Board hereby announces that, in accordance with the resolution passed at the twenty-fifth meeting of the fifth session of the Board, on 19 October 2023, Zhen Hua HK entered into the Equity Transfer Agreement with CORE, pursuant to which, Zhen Hua HK has conditionally agreed to acquire and CORE has conditionally agreed to sell 17.25% equity interest in CORE (USA) at a consideration of USD67,826,137.50 (equivalent to approximately RMB486,987,754.18).

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

- Date:** 19 October 2023
- Parties:** (1) Zhen Hua HK; and
(2) CORE.
- Subject matter:** Pursuant to the Equity Transfer Agreement, Zhen Hua HK has conditionally agreed to acquire and CORE has conditionally agreed to sell 17.25% equity interest in CORE (USA) at a consideration of USD67,826,137.50 (equivalent to approximately RMB486,987,754.18).
- Basis of determination of the consideration:** The consideration under the Equity Transfer Agreement was determined by the parties after reasonable and arm's length negotiations with reference to the market value of 100% equity interest of CORE (USA) as at 31 December 2022 (the "**Valuation Benchmark Date**") as set out in the valuation report (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and qualified valuer (the "**Valuer**") using the market approach (i.e., USD393,195,000, which is equivalent to approximately RMB2,822,943,502.50).
- Payment:** As at the date of this announcement, an amount of USD1,296,299.38 (equivalent to approximately RMB9,306,781.40) is payable by CORE to Zhen Hua HK, and Zhen Hua HK shall pay the shortfall between the above consideration and the aforementioned amount in one lump sum by wire into the bank account designated by CORE within ten days after the Equity Transfer Agreement becomes effective.
- Effective:** The Equity Transfer Agreement is effective upon signing by the parties.
- Others:** CORE shall be responsible for the transaction costs occurred by Zhen Hua HK and CORE in connection with the Acquisition. It is agreed by the parties that the transaction costs to be paid by CORE shall be USD126,877.70 (equivalent to approximately RMB910,918.45).

DESCRIPTION OF THE VALUATION APPROACH

(1) Reasons for Adopting the Market Approach

In the Valuation Report, the Valuer applied the market approach and asset-based approach to appraise the market value of the 100% equity interest of CORE (USA). Wherein, the valuation results under the market approach are USD393,195,000 and USD392,533,000 under the asset-based approach.

Considering that the market approach is to evaluate the current fair market value of an evaluation target with a reference object on the real market, and it is characterized with a direct evaluation angle and approach, an intuitive evaluation process, the direct sourcing of evaluation data from the market and convincing valuation results, the Valuer has therefore selected the valuation results of the market approach as the valuation conclusion of the Valuation Report.

(2) Principal Assumptions Used in the Market Approach

- (i) it is assumed that the business is sustainable with the efforts of the management by CORE (USA) and CORE; additional manpower, equipment and facilities investment is necessary to realize the growth potential of the business and to maintain its competitive edge; and for the purpose of this valuation, it is assumed that the proposed facilities and systems will be adequate to cope with future expansion in its operation scale;
- (ii) it is assumed that there will be no material changes in the current political, legal, technological, financial or economic conditions that could adversely affect the business of CORE (USA);
- (iii) it is assumed that the business and contractual terms prescribed in the relevant contracts and agreements will be performed;
- (iv) it is assumed that the public data obtained are true, complete and accurate and such information have not been verified by the Valuer;
- (v) it is assumed that the financial and business data provided by CORE (USA) and CORE are accurate and have been relied upon to a significant extent in arriving at the Valuer's opinion on the valuation and such information have not been verified by the Valuer;
- (vi) it is assumed that there will be no change in the capital structure of CORE (USA);
and

(vii) It is assumed that there are no hidden or unforeseen circumstances relating to the appraised assets that may adversely affect the reported value. In addition, the Valuer does not assume any responsibility for changes in market conditions that may occur after the Valuation Benchmark Date. Assumptions which have a significant impact on the valuation analysis have been fully considered and verified to ensure the accuracy and reasonableness of the appraised value.

(3) Detailed Process of Market Approach Valuation

Calculation formula and parameter sources

Taking into account the industry in which CORE (USA) operates, the composition of its major assets and its operation in the past 12 months, the Valuer selected the price-to-book ratio (P/B ratio) as the value multiplier and determined the following criteria for the selection of comparable listed companies:

- (i) the registered place of business is the United States of America (principal);
- (ii) the market capitalization is not more than RMB10 billion (based on the RMB central parity of USD1 to RMB6.9646 as at the Valuation Benchmark Date, approximately USD1.45 billion); and
- (iii) the industry is real estate operation and development, with operations mainly in apartment rental or hotel operation and related industries.

Based on the above selection criteria, the Valuer has obtained an exhaustive list of comparable companies which meet the above criteria on a best effort basis and has identified six comparable companies, and details of the P/B ratios of these comparable companies as at the Valuation Benchmark Date are set out below:

Name of Comparable Companies	Stock Code	P/B Ratio
Centerspace	NYSE: CSR	1.08 ×
FRP Holdings, Inc.	NasdaqGS: FRPH	1.97 ×
Sonder Holdings Inc.	NasdaqGS: SOND	6.70 ×
Playa Hotels & Resorts N.V.	NasdaqGS: PLYA	1.44 ×
Bally's Corporation	NYSE: BALY	0.81 ×
Full House Resorts, Inc.	NasdaqCM: FLL	2.36 ×
Median		1.71 ×

Discount for lack of marketability

The concept of discount for lack of marketability (“**DLOM**”) involves the liquidity that how quickly and easily the equity interest can be converted to cash if the owner sells them. The DLOM reflects the fact that the equity interest in privately held companies are not readily marketable compared to similar interests of the listed companies.

In view of the fact that most of the businesses or financial interests of CORE (USA) under valuation do not enjoy immediate liquidity, the Valuer has adopted the DLOM to adjust its valuation results under the market approach to take into account the DLOM of the valued businesses or equity interest. The Valuer has adopted the Black-Scholes model in assessing the DLOM and details of the parameters are set out below:

Parameter	Valuation Benchmark Date	Remarks
Type of Option	European options	–
Spot and Exercise Prices	1	–
Term of Option	5 years	–
Risk-free Rate	3.69%	Based on the moving average of yields of 5-year U.S. Treasuries as at the Valuation Benchmark Date
Volatility	59.31%	By reference to the above comparable companies
DLOM	37%	Black-Scholes calculation results

Valuation calculation

Market value of the 100% equity interest of CORE (USA) as at the Valuation Benchmark Date = Selected P/B ratio × net assets attributable to the parent of CORE (USA) × (1-DLDM). Details of the calculation are set out as below:

	<i>Unit: USD</i>
Selected multiplier: P/B ratio	1.71 ×
Net assets attributable to the parent of CORE (USA)	364,982,223
DLDM	37%
Market value of the 100% equity interest of CORE (USA) (rounded)	393,195,000

(4) Opinions of the Board

The Board has discussed with the Valuer and reviewed the Valuation Report. Having fully considered the appropriateness of the valuation approach adopted by the Valuer and the abovementioned selection criteria of comparable companies and valuation assumptions, the Board is of the view that the valuation results are fair and reasonable.

INFORMATION ABOUT CORE (USA)

CORE (USA) was established in Delaware, USA in 2016. It is principally engaged in finance leasing, operating leasing and factoring business. As at the date of this announcement, CORE (USA) is owned as to 77.9% and 4.85% by Zhen Hua HK and China Communications USA Limited* (中交美國有限公司) (both being subsidiaries of the Company), respectively, and as to 17.25% by CORE. Upon completion of the Acquisition, CORE (USA) will become a wholly-owned subsidiary of the Company. The original investment cost of 17.25% equity interest in CORE (USA) made by CORE is USD68.12 million (equivalent to approximately RMB489.0675 million).

According to the unaudited consolidated financial statements of CORE (USA) prepared in accordance with U.S. Accounting Standards, as at 30 June 2023, the total assets and net assets of CORE (USA) amounted to USD367.9568 million (equivalent to RMB2,641.7458 million) and USD367.4301 million (equivalent to RMB2,637.9644 million), respectively. The table below sets out the audited net profit/(loss) attributable to CORE (USA) (before and after tax and extraordinary items) for the two financial years ended 31 December 2022:

	For the year ended		For the year ended	
	31 December 2021		31 December 2022	
	<i>USD million</i>	<i>RMB million</i>	<i>USD million</i>	<i>RMB million</i>
Net profit/(loss) before tax and extraordinary items	(2.08)	(14.9334)	(44.87)	(322.1442)
Net profit/(loss) after tax and extraordinary items	(2.08)	(14.9334)	(45.16)	(324.2262)

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Acquisition is beneficial to the enhancement the core competitiveness of the Company in overseas, the effective acceleration of the development of overseas business and the achievement of the healthy and sustainable growth of the overseas business, so as to help realize the interests of the Company and its Shareholders as a whole.

CONFIRMATION FROM DIRECTORS

Mr. WANG Tongzhou, Mr. WANG Haihuai, Mr. LIU Xiang and Mr. MI Shuhua, being the Directors, are also the directors or senior management of CCCG, and therefore are deemed to have material interests in the transaction under the Equity Transfer Agreement, and have abstained from voting on the relevant Board resolution. Save for the above Directors, none of the other Directors of the Company has or is deemed to have a material interest in the abovementioned connected transaction.

The Directors (including the independent non-executive Directors), having made all reasonable and due enquiries, are of the opinion that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and the Acquisition under the Equity Transfer Agreement, although is not conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, CORE is a subsidiary of CCCG, the controlling Shareholder which holds approximately 59.47% equity interest in the issued ordinary shares of the Company. CORE is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

GENERAL INFORMATION

(1) 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, 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.

(2) Zhen Hua HK

Zhen Hua HK is a wholly-owned subsidiary of the Company incorporated in Hong Kong. It is principally engaged in civil engineering, marine engineering, building and construction, site formation and environmental project development and other businesses.

(3) CORE

CORE is a non-wholly-owned subsidiary of CCCG incorporated in Singapore. It is principally engaged in the development of building and construction. As at the date of this announcement, CORE is held as to 51% by CCCG through its wholly-owned subsidiary, CCCG Real Estate Group Co., Ltd.* (中交房地產集團有限公司), and as to 24.5% by China Harbour Engineering Company Ltd.* (中國港灣工程有限責任公司) and 24.5% by China Road and Bridge Corporation* (中國路橋工程有限責任公司) (both being wholly-owned subsidiaries of the Company).

DEFINITION

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

“Acquisition”	acquisition of 17.25% equity interest in CORE (USA) by Zhen Hua HK from CORE under Equity Transfer Agreement
“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
“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(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CORE”	CCCG Overseas Real Estate Pte. Ltd, a non-wholly-owned subsidiary of CCCG as at the date of this announcement
“CORE (USA)”	CORE (USA) Investment Holding LLC, a non-wholly-owned subsidiary of the Company as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Zhen Hua HK and CORE on 19 October 2023 in relation to the Acquisition
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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

“USD”	United States dollars, the lawful currency of the United States of America
“Zhen Hua HK”	China Harbour (HK) Zhen Hua Engineering Company Limited* (中國港灣(香港)振華工程有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	percent

For the purpose of this announcement, unless the content otherwise requires, conversion of USD into RMB is based on the approximate exchange rate of the RMB central parity of USD1.00 to RMB7.1795 published by the People’s Bank of China as at the date of this announcement. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or USD have been, could have been or may be converted at such or any other rate or at all.

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

Beijing, the PRC
19 October 2023

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

[#] *Independent non-executive Director*

^{*} *For identification purpose only*