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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China State Construction International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**中國建築國際集團有限公司**

**CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 3311)

**CONTINUING CONNECTED TRANSACTIONS  
WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED  
IN RELATION TO CONSTRUCTION WORKS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the EGM to be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 10 June 2020 at 3:20 p.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 3:00 p.m. at the same place and date) is set out on pages 34 to 35 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the EGM, including:

- (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.0 degree Celsius will not be permitted access to the meeting venue);
- (b) request of wearing of surgical face masks throughout the meeting and not wearing surgical face masks will not be permitted access to the meeting venue;
- (c) hand sanitizer will be provided;
- (d) no refreshments will be served; and
- (e) other safety measures as appropriate.

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## DEFINITIONS

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

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| “associate(s)”,<br>“connected person(s)”,<br>“continuing connected transactions”,<br>“controlling shareholder(s)”,<br>“percentage ratios” and<br>“subsidiary(ies)” | each has the meaning ascribed to it in the Listing Rules;   |
| “Board”  | the board of Directors;   |
| “COHL”   | China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of CSCECL and the controlling shareholder of both the Company and COLI;  |
| “COLI”   | China Overseas Land & Investment Limited (中國海外發展有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);  |
| “COLI Group”   | COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;   |
| “COLI Works Annual Cap”  | the maximum total contract sum of the construction contracts that may be awarded by the COLI Group to the Group (as construction contractor of the COLI Group) for each financial year under the New Master Engagement Agreement;                                       |
| “Company”  | China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);                                     |
| “CSCEC”  | 中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of CSCECL, COHL, the Company and COLI;   |
| “CSCECL”   | 中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is a non-wholly owned subsidiary of CSCEC and holding company of COHL; |

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## DEFINITIONS

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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, among other things, the New Master Engagement Agreement and the transactions contemplated thereunder;  |
| “Group”  | the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;  |
| “HK\$”   | Hong Kong dollars, the lawful currency of Hong Kong;  |
| “Hong Kong”  | the Hong Kong Special Administrative Region of the PRC;   |
| “Independent Board Committee”                                  | an independent committee of the Board comprising all Independent Non-executive Directors, namely Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, to advise the Independent Shareholders in respect of the transactions contemplated under the New Master Engagement Agreement;   |
| “Independent Financial Adviser”<br>or “Honestum International” | Honestum International Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the independent board committee of the Company and the Independent Shareholders in respect of the New Master Engagement Agreement and the transactions contemplated thereunder; |
| “Independent Shareholders”                                     | Shareholders other than COHL and its associate;   |
| “Latest Practicable Date”                                      | 15 May 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;  |
| “Listing Rules”  | the Rules Governing the Listing of Securities on the Stock Exchange;  |
| “Macau”  | the Macao Special Administrative Region of the PRC;   |

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## DEFINITIONS

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|-----------------------------------|---|
| “New Master Engagement Agreement” | the engagement agreement entered into between the Company and COLI on 8 April 2020 in respect of the engagement of any members of the Group by any members of the COLI Group as construction contractor for COLI Group’s construction works in the PRC, Hong Kong and Macau from time to time for three financial years ending on 31 December 2022; |
| “PRC”                             | People’s Republic of China, which for the purpose of this circular, excluding Hong Kong, Macau and Taiwan;  |
| “Previous Engagement Agreement”   | the engagement agreement entered into between the Company and COLI on 6 October 2017 in respect of the engagement of the Group by the COLI Group as construction contractor for the COLI Group’s construction works in the PRC, Hong Kong and Macau for the period commencing from 1 January 2018 and ending on 31 December 2020;                   |
| “SFO”                             | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);  |
| “Shareholder(s)”                  | the shareholder(s) of the Company from time to time;  |
| “Stock Exchange”                  | The Stock Exchange of Hong Kong Limited; and  |
| “%”                               | per cent..  |

\* *English translation for identification purpose only.*

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LETTER FROM THE BOARD

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 3311)**

*Non-executive Director:*

Mr. Yan Jianguo (*Chairman*)

*Executive Directors:*

Mr. Zhang Haipeng (*Chief Executive Officer*)

Mr. Tian Shuchen (*Vice President*)

Mr. Zhou Hancheng (*Financial Controller*)

Mr. Hung Cheung Shew (*Vice President*)

*Independent Non-executive Directors:*

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

20 May 2020

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED  
IN RELATION TO CONSTRUCTION WORKS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 April 2020 in respect of the New Master Engagement Agreement entered into between the Company and COLI on 8 April 2020.

The purpose of this circular is to provide you with, among other things, (i) the particulars of the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap), (ii) the letter from the Independent Board Committee with their view on the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap); and (iii) the letter from Honestum International with their advice on the New Master Engagement Agreement and the transactions contemplated thereunder (together with

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## LETTER FROM THE BOARD

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the COLI Works Annual Cap) to the Independent Board Committee and the Independent Shareholders, as well as to seek the approval of the Independent Shareholders in respect of the entering into of the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

### BACKGROUND

Reference is made to the announcement jointly issued by the Company and COLI dated 6 October 2017, and the circular of the Company dated 6 November 2017, in relation to, among other things, the Previous Engagement Agreement entered into between the Company and COLI which will expire on 31 December 2020.

On 6 October 2017, the Company and COLI entered into the Previous Engagement Agreement, pursuant to which the COLI Group will invite the Group to tender for the COLI Group's construction works in the PRC, Hong Kong and Macau as construction contractor from time to time for a term of three years commencing from 1 January 2018 to 31 December 2020, provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed HK\$7,000 million.

It is contemplated that (i) the pipeline for new construction projects originated from the COLI Group would increase towards the second half of the financial year ending on 2020; (ii) the number/total contract sum of construction projects which the COLI Group may invite the Group to put in tender would also increase from the level previously anticipated for the year; and (iii) the annual cap provided for in the Previous Engagement Agreement for the financial year ending on 31 December 2020 (i.e. HK\$7,000 million) needs to be revised.

As a result, on 8 April 2020, the Company and COLI entered into the New Master Engagement Agreement to replace and supersede the Previous Engagement Agreement. Pursuant to the New Master Engagement Agreement, (i) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau as construction contractor in accordance with the tendering procedures of the COLI Group from time to time for three financial years ending on 31 December 2022 subject to the COLI Works Annual Cap; and (ii) the COLI Group may engage the Group as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau upon the Group's successful tender.

When the New Master Engagement Agreement takes effect upon the satisfaction of the conditions precedent set out below, the revised annual cap for the financial year ending on 31 December 2020 of HK\$9,000 million as provided under the New Master Engagement Agreement (i.e. the COLI Works Annual Cap for the financial year ending on 31 December 2020) will (i) replace and supersede the annual cap for the financial year ending on 31 December 2020 of HK\$7,000 million as provided under the Previous Engagement Agreement and (ii) cover the transactions entered into under the Previous Engagement Agreement from 1 January 2020 up to the date on which the New Master Engagement Agreement takes effect.

There has been no actual transaction entered into between the Group and the COLI Group under the Previous Engagement Agreement from 1 January 2020 to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### THE NEW MASTER ENGAGEMENT AGREEMENT

#### Date

8 April 2020

#### Parties

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

#### Continuing Connected Transactions in relation to Construction Works

The Company expects that the COLI Group will invite the Group to tender for more construction works of the COLI Group in the PRC, Hong Kong and Macau as construction contractor from time to time and the annual cap provided for in the Previous Engagement Agreement for the financial year ending on 31 December 2020 (i.e. HK\$7,000 million) needs to be revised. As such, on 8 April 2020, the Company and COLI entered into the New Master Engagement Agreement for three financial years ending on 31 December 2022 whereby the parties agreed, among other things, that:

- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau as construction contractor in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group shall not exceed the following COLI Works Annual Cap:

| <b>For the financial year<br/>ending on 31 December<br/>2020</b> | <b>For the financial year<br/>ending on 31 December<br/>2021</b> | <b>For the financial year<br/>ending on 31 December<br/>2022</b> |
|--|--|--|
| HK\$9,000 million  | HK\$9,000 million  | HK\$9,000 million  |

- (c) the fees in respect of the construction works payable by the COLI Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

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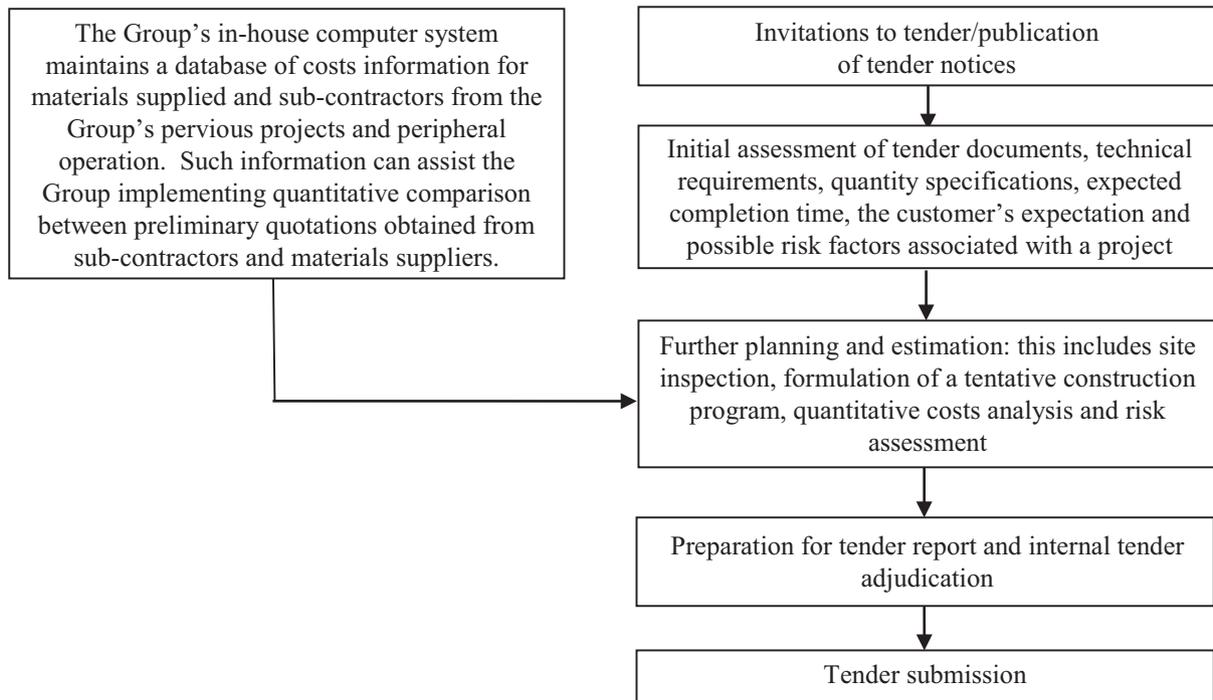
## LETTER FROM THE BOARD

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### Pricing basis of the tenders submitted by the Group

The price and terms of the tenders submitted by the Group to the COLI Group for the COLI Group's construction works in the PRC, Hong Kong and Macau are subject to the standard and systematic tender submission procedures maintained by the Group, which apply for tenders submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the tender submitted by the Group to the COLI Group are no more favourable to the COLI Group than those submitted to independent third parties, and are no less favourable to the Group than those submitted to independent third parties.

The standard and systematic tender submission procedures generally involve (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. The procedures, as illustrated in the following diagram, will enable the Group to review the feasibility and profitability of the tender to be submitted and to decide the contents and pricing terms of the tender to be submitted.



In preparing and assessing the tender documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, form a tentative construction program and conduct quantitative costs analysis and risk assessment.

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## LETTER FROM THE BOARD

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In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and sub-contractors from the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials.

If any contract is granted in favour of the Group as a result of the competitive tender, the relevant project owner of the COLI Group will issue a letter of award to the Group and the Group will act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender.

Since the tenders submitted by the Group to the COLI Group as well as those submitted to independent third parties need to go through the same standard and systematic tendering procedures of the Group as set out above, the tenders submitted to the COLI Group are prepared and assessed by the Group by taking into account the objective factors same as those for the tenders submitted to independent third parties, which include the technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. The Group does not take into account any other different factors for the tenders submitted to the COLI Group. As such, the standard and systematic tendering procedures of the Group as set out above ensure that the price and terms of the tenders submitted by the Group to the COLI Group are no more favourable to the COLI Group than those submitted to independent third parties, and are no less favourable to the Group than those submitted to independent third parties.

### **Calculation of the COLI Works Annual Cap**

*The respective COLI Works Annual Cap for the financial years ending on 31 December 2020 and 31 December 2021*

The respective COLI Works Annual Cap for the financial years ending on 31 December 2020 and 31 December 2021 is determined with reference to the respective estimated contract sum of the potential constructions works of the COLI Group which the Group expects to tender for during these two financial years of approximately HK\$8,988.51 million and approximately HK\$8,991.54 million, and such potential construction works include the construction projects in respect of the COLI Group's (i) land parcel in Chengdu, the PRC, with gross floor area of approximately 560,501 square metres; (ii) land parcel in Shenzhen, the PRC, with gross floor area of approximately 192,655 square metres; (iii) land parcel at Kam Sheung Road on Hong Kong's West Rail with gross floor area of approximately 114,896 square metres; and (iv) land parcels at the Kai Tak District in Hong Kong with gross floor area of approximately 278,992 square metres.

*The COLI Works Annual Cap for the financial year ending on 31 December 2022*

As of the Latest Practicable Date, the Group, based on the currently available information in respect of the development plans of the COLI Group's land parcels, has not identified any particular potential construction works of the COLI Group in the PRC, Hong Kong and Macau which the Group expects to tender for during the financial year ending on 31 December 2022.

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## LETTER FROM THE BOARD

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The COLI Works Annual Cap for the financial year ending on 31 December 2022 is determined with reference to:

- (a) the Group's expectation that the total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group in the PRC, Hong Kong and Macau for the financial year ending on 31 December 2022 will be close to that for each of the two previous financial years ending on 31 December 2020 and 31 December 2021 respectively, based on the total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2017 of approximately HK\$2,912.99 million, for the financial year ended 31 December 2018 of approximately HK\$2,602.78 million and for the financial year ended 31 December 2019 of approximately HK\$2,896.90 million; and
- (b) the Group's expectation that the total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau will generally experience a steady growth for three financial years ending on 31 December 2022, based on:
  - (i) the total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2017 of approximately HK\$42,849.47 million, for the financial year ended 31 December 2018 of approximately HK\$66,192.17 million, and for the financial year ended 31 December 2019 of approximately HK\$71,929.25 million; and
  - (ii) the land reserves of the COLI Group for the financial year ended 31 December 2017 of approximately 63.75 million square metres, for the financial year ended 31 December 2018 of approximately 70.10 million square metres, and for the financial year ended 31 December 2019 of approximately 65.22 million square metres.

The contract sums under the New Master Engagement Agreement will be satisfied by the COLI Group in cash from its general working capital. The New Master Engagement Agreement (together with the COLI Works Annual Cap) will replace and supersede the Previous Engagement Agreement (together with the annual cap thereunder) with effect from the satisfaction of the conditions precedent set out below.

### **Conditions Precedent**

The transactions contemplated under the New Master Engagement Agreement (together with the COLI Works Annual Cap) are conditional upon (i) the passing of the resolution by the Independent Shareholders at the EGM approving the New Master Engagement Agreement (together with the COLI Works Annual Cap) and the transactions contemplated thereunder, and (ii) the Company and COLI having complied with all requirements under the Listing Rules with respect to the New Master Engagement Agreement (together with the COLI Works Annual Cap) and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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In the event that the New Master Engagement Agreement does not become effective, the Previous Engagement Agreement (together with the annual cap thereunder) will remain in full force and binding on the Company and COLI.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW MASTER ENGAGEMENT AGREEMENT**

The COLI Group is a leading property developer in the PRC, Hong Kong and Macau and is actively engaged in the development of many extensive residential properties projects and commercial properties (including commercial buildings, hotels, shopping malls and long-term leased properties) projects across the PRC, Hong Kong and Macau. As such, the Directors consider that being able to participate in the construction works of the COLI Group in the PRC, Hong Kong and Macau upon successful tender allows the Group to strengthen its construction business performance and its track records of construction works in respect of residential properties projects and commercial properties projects in the PRC, Hong Kong and Macau.

It is expected that the pipeline for new construction projects originated from the COLI Group would increase towards the second half of the financial year ending on 2020 and the number/total contract sum of construction projects which the COLI Group may invite the Group to put in tender would also increase from the level previously anticipated for the year.

The Directors (including the Independent Non-executive Directors of the Company whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the transactions contemplated under the New Master Engagement Agreement are expected to be entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the New Master Engagement Agreement (together with the COLI Works Annual Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the New Master Engagement Agreement (together with the COLI Works Annual Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **GENERAL**

As at the Latest Practicable Date, the Company is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

COLI is principally engaged in the business of property development and investment, and treasury operations.

CSCECL is the holding company of COHL which, in turn, is the controlling shareholder of both the Company and COLI. CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

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## LETTER FROM THE BOARD

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CSCEC is the ultimate holding company of each of CSCECL, COHL, the Company and COLI. As at the Latest Practicable Date, CSCEC holds 23,630,695,997 shares of CSCECL, representing approximately 56.30% of the total issued share capital of CSCECL. The principal businesses of CSCEC are building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL, which, in turn, is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.66% of the issued share capital of the Company and approximately 55.99% of the issued share capital of COLI respectively. Accordingly, members of the COLI Group are connected persons of the Group and members of the Group are connected persons of the COLI Group. The transactions contemplated under the New Master Engagement Agreement between members of the COLI Group on one hand and members of the Group on the other hand, constitute continuing connected transactions for both the Company and COLI under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded to the Group by the COLI Group for each financial year under the New Master Engagement Agreement (i.e. the COLI Works Annual Cap) exceed 5% for the Company, the transactions contemplated under the New Master Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders should note that the COLI Works Annual Cap represents the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. The COLI Works Annual Cap bears no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COLI Group may or may not retain the Group to engage in construction works in the PRC, Hong Kong and Macau up to the level of the COLI Works Annual Cap, if at all, as the engagements are subject to tender procedures which are open to other independent third party construction contractors.

### EXTRAORDINARY GENERAL MEETING

Set out on pages 34 to 35 of this circular is a notice convening the EGM to be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 10 June 2020 at 3:20 p.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 3:00 p.m. at the same place and date), at which the ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon

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## LETTER FROM THE BOARD

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as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM from Friday, 5 June 2020 to Wednesday, 10 June 2020, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 June 2020.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's Articles of Association. As at the Latest Practicable Date, COHL and its associate, in aggregate holding 3,264,976,136 shares of the Company, representing approximately 64.66% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap). Amongst the total number of 3,264,976,136 shares of the Company held by COHL and its associate, 3,146,188,492 shares of the Company are held by COHL as beneficial owner while the balance of 118,787,644 shares of the Company are held by Silver Lot Development Limited, a wholly-owned subsidiary of COHL, as beneficial owner. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

None of the Directors has a material interest in the transactions contemplated under the New Master Engagement Agreement and thus no Director is required to abstain from voting on the board resolution(s) approving the transactions contemplated under the New Master Engagement Agreement. However, Mr. Yan Jianguo, who is the Chairman and Non-executive Director of the Company, the Chairman and President of COHL and the Chairman and Executive director of COLI, has voluntarily abstained from voting on the Board resolutions approving the entering into of the New Master Engagement Agreement (together with the COLI Works Annual Cap) and the transactions contemplated thereunder.

The Independent Board Committee (comprising all the Independent Non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap). Honestum International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

### RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 14 and 15 in this circular which contains its recommendation to the Independent Shareholders in relation to the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

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## LETTER FROM THE BOARD

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Your attention is also drawn to the letter from Honestum International set out on pages 16 to 29 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the New Master Engagement Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (together with the COLI Works Annual Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully

By Order of the Board

**China State Construction International Holdings Limited**

**Yan Jianguo**

*Chairman and Non-executive Director*



**中國建築國際集團有限公司**  
**CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 3311)**

20 May 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED  
IN RELATION TO CONSTRUCTION WORKS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 20 May 2020 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Honestum International has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular and the text of a letter of advice from Honestum International, as set out on pages 16 to 29 of the Circular, both of which provide details of the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

Having considered the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap), the advice of Honestum International, and the relevant information contained in the letter from the Board, we are of the opinion that the New Master Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee of  
China State Construction International Holdings Limited**

**Adrian David Li Man Kiu**  
*Independent Non-executive Director*

**Raymond Leung Hai Ming**  
*Independent Non-executive Director*

**Lee Shing See**  
*Independent Non-executive Director*

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## LETTER FROM HONESTUM INTERNATIONAL

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*The following is the full text of a letter of advice from Honestum International Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



20 May 2020

*To the Independent Board Committee and the Independent Shareholders of  
China State Construction International Holdings Limited*

Dear Sirs,

### **REVISION OF ANNUAL CAPS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the New Master Engagement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 20 May 2020 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Reference is made to the announcement jointly issued by the Company and COLI dated 6 October 2017 and the circular of the Company dated 6 November 2017, in relation to, among other things, the continuing connected transactions of the Company as contemplated under the Previous Engagement Agreement which are due to expire on 31 December 2020. It is contemplated that the COLI Group will invite the Group to tender for more construction works of the COLI Group in the PRC, Hong Kong and Macau as construction contractor from time to time and the Company and COLI expect that the respective annual transaction amount between the Group and the COLI Group for the financial year ending on 31 December 2020 will exceed the annual cap under the Previous Engagement Agreement. In order to revise the annual cap for the continuing connected transactions under the Previous Engagement Agreement and renew the transactions thereunder, on 8 April 2020, the Company and COLI entered into a New Master Engagement Agreement for a term of three financial years commencing from 1 January 2020 and ending on 31 December 2022 under which the Company and COLI agreed to, among others, terminate the Previous Engagement Agreement upon the taking effect of the New Master Engagement Agreement.

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL, which, in turn, is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.66% of the issued share capital of the Company and approximately 55.99% of the issued share capital of COLI respectively. Accordingly, members of the COLI Group are connected persons of the Group and members of the Group are connected persons of the COLI Group. The

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## LETTER FROM HONESTUM INTERNATIONAL

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transactions contemplated under the New Master Engagement Agreement between members of the COLI Group on one hand and members of the Group on the other hand, constitute continuing connected transactions (“**Continuing Connected Transactions**”) for both the Company and COLI under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded to the Group by the COLI Group for each financial year under the New Master Engagement Agreement (i.e. the COLI Works Annual Cap) exceed 5% for the Company, the Continuing Connected Transactions are subject to the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been formed to consider whether (i) the terms of the New Master Engagement Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transactions under the New Master Engagement Agreement, including the relevant proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on ordinary resolutions to be proposed at the EGM. We, Honestum International Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we are independent from and not associated or connected with the Directors, chief executive and substantial shareholders of the Company or COLI or any of their respective subsidiaries or associates. During the last two years, there was no previous engagement between us and the Company or COLI or any of their respective subsidiaries or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or COLI or any of their respective subsidiaries or associates. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and are eligible to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement and the proposed COLI Works Annual Cap.

### **BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management (the “**Management**”) of the Company were true, accurate and complete at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Management regarding the Continuing Connected Transactions including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management respectively in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information

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## LETTER FROM HONESTUM INTERNATIONAL

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have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent in-depth investigation into the business and affairs of the Group, COLI or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, we have taken into account the principal factors and reasons as set out below.

#### **(A) Background of and reasons for entering into the Continuing Connected Transactions**

##### ***(i) Background of the Group and the COLI Group***

The Group is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investments and project consultancy business. According to the annual results announcement of the Company dated 25 March 2020, the total revenue from construction contracts represented approximately 42.6% of the Company's total revenue during the financial year ended 31 December 2019.

The COLI Group is a leading property developer in the PRC, Hong Kong and Macau and is actively engaged in the development of many extensive residential properties projects and commercial properties (including commercial buildings, hotels, shopping malls and long-term leased properties) projects across the PRC, Hong Kong and Macau. During its normal course of business, the COLI Group may invite the Group to tender for the construction works of the COLI Group in the PRC, Hong Kong and Macau as construction contractor from time to time.

##### ***(ii) The reasons for entering into the Continuing Connected Transactions***

Pursuant to the Previous Engagement Agreement, the Group may tender for the construction works of the COLI Group in the PRC, Hong Kong and Macau as construction contractor from time to time provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending on 31 December 2020 shall not exceed HK\$7,000 million.

As stated in the Letter from the Board, the total new contract sum awarded by the COLI Group to the Group in 2019 amounted to approximately HK\$2,896.90 million (representing approximately 41.4% of the previous annual cap under the Previous Engagement Agreement). Meanwhile, the Group has not been engaged by the COLI Group as construction contractor for the COLI Group's construction works in the period between 1 January 2020 and the Latest Practicable Date as the Group has neither identified any suitable projects from the COLI Group's construction works nor successfully been nominated by the COLI Group as construction contractor through tender. However, it is expected that the pipeline for new construction projects originated from the COLI Group would increase towards the second half of the financial year ending on 31 December 2020 and the number/total contract sum of construction projects which the COLI Group may invite the Group to put

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## LETTER FROM HONESTUM INTERNATIONAL

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in tender would also increase from the level previously anticipated for the year. With reference to the COLI Group's future growth and expansion in its land reserves and the Group's construction works capacity in the PRC, Hong Kong and Macau, the Company and COLI expect that the respective annual transaction amount between the Group and the COLI Group for the financial year ending on 31 December 2020 will exceed the previous annual cap under the Previous Engagement Agreement.

In order to revise the annual cap for the continuing connected transactions under Previous Engagement Agreement and renew the transactions thereunder, on 8 April 2020, the Company and COLI entered into the New Master Engagement Agreement for a term of three financial years commencing from 1 January 2020 and ending on 31 December 2022 under which the Company and COLI agreed to, among others, replace and supersede the Previous Engagement Agreement upon the taking effect of the New Master Engagement Agreement.

When the New Master Engagement Agreement takes effect upon the satisfaction of the conditions precedent set out in the Letter from the Board, the revised annual cap for the financial year ending on 31 December 2020 of HK\$9,000 million as provided under the New Master Engagement Agreement (i.e. the COLI Works Annual Cap for the financial year ending on 31 December 2020) will (i) replace and supersede the annual cap for the financial year ending on 31 December 2020 of HK\$7,000 million as provided under the Previous Engagement Agreement and (ii) cover the transactions entered into under the Previous Engagement Agreement from 1 January 2020 up to the date on which the New Master Engagement Agreement takes effect.

### *(iii) Benefits of the Continuing Connected Transactions*

As stated in the Letter from the Board, it is considered that through the New Master Engagement Agreement, the Group is able to participate in the construction works of the COLI Group in the PRC, Hong Kong and Macau as construction contractor upon successful tender and it allows the Group to strengthen its construction business performance and its track records of construction works in respect of residential properties projects and commercial properties projects in the PRC, Hong Kong and Macau.

In relation to the revision of the COLI Works Annual Cap, taking into account of the above and (i) the business nature of the Group and the COLI Group; (ii) the transactions contemplated under the New Master Engagement Agreement are in line with the existing business activities of the Group, and are subject to same standard and systematic tender review procedures applicable to independent third parties and connected persons of the Company; (iii) the transaction amount between the Group and the COLI Group is expected to increase during the second half of 2020 in view of the COLI Group's future growth and expansion in its land reserves; (iv) the transactions contemplated under the New Master Engagement Agreement provide a good opportunity for the Group to further develop its construction business in the PRC, Hong Kong and Macau; and (v) the New Master Engagement Agreement itself does not impose any contractual obligation on the Group to sign any definitive agreements with the COLI Group, we are of the view that the entering into the New Master Engagement Agreement are in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM HONESTUM INTERNATIONAL

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### (B) Principal terms of the New Master Engagement Agreement

Date: 8 April 2020

Parties: the Company and COLI

Transaction nature: Under the New Master Engagement Agreement, the Company and COLI agreed that, for three financial years commencing from 1 January 2020 and ending on 31 December 2022 whereby the parties agreed, among other things, that:

- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau as construction contractor in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group shall not exceed the following COLI Works Annual Cap:

| <b>For the<br/>financial year<br/>ending on<br/>31 December<br/>2020</b> | <b>For the<br/>financial year<br/>ending on<br/>31 December<br/>2021</b> | <b>For the<br/>financial year<br/>ending on<br/>31 December<br/>2022</b> |
|--|--|--|
| HK\$9,000<br>million   | HK\$9,000<br>million   | HK\$9,000<br>million   |

- (c) the fees in respect of the construction works payable by the COLI Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

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Pricing basis:

In preparing and assessing the tender documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, form a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and sub-contractors from the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials.

The price and terms of the tenders submitted by the Group to the COLI Group for the COLI Group's construction works in the PRC, Hong Kong and Macau are subject to the standard and systematic tender submission procedures maintained by the Group, which apply for tenders submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the tender submitted by the Group to the COLI Group are no more favourable to the COLI Group than those submitted to independent third parties, and are no less favourable to the Group than those submitted to independent third parties. For the details of the Group's standard and systematic tender submission procedures, please refer to the Letter from the Board.

### **(C) Our review on the Group's tender submission procedures and tender review procedures**

Shareholders should note that the above agreements do not impose any contractual obligation for the Group to tender for construction works of the COLI Group. Instead, as confirmed by the Management, the Group have maintained a standard and systematic tender review procedures to review the feasibility and profitability of invitations to tender from the COLI Group or other independent third parties as described in the Letter from the Board.

As stated in the Letter from the Board, a standard and systematic tender submission procedures has been maintained by the Group, which applies for tender submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the tender submitted by the Group to the COLI Group are no more favourable to the COLI Group than those submitted to independent third parties, and are no less favourable to the Group than those submitted to independent third parties. For details of the Group's standard and systematic tender submission procedures, please refer to the Letter from the Board.

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## LETTER FROM HONESTUM INTERNATIONAL

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As confirmed by the Management, each tender submission is subject to the review and approval of a review committee (the “**Review Committee**”) comprising of 5-7 members and none of the committee members is employees or directors of the COLI Group. As advised by the Management, the Group’s standard and systematic tender submission procedures are in line with the market practice. We consider that the Review Committee has sufficient independence capabilities to review terms of transactions under the New Master Engagement Agreement.

To ascertain the Group’s standard and systematic tender submission procedures, we have interviewed with the Management and have obtained and reviewed two randomly selected sample tender reports of the Group in 2019, of which one was submitted to the COLI Group while the other was submitted to the independent third parties. Based on our discussion and review, we noted that (i) the standard and systematic tender submission procedures has been implemented by the Group to review the feasibility and profitability of invitations to tender received; (ii) the pricing terms of the tenders were determined by the Group with reference to the technical requirements, quantity specifications, expected completion time, the customer’s expectations and the possible risk factors associated with the project; (iii) the tender submissions had been reviewed by the Review Committee; and (iv) the abovementioned standard and systematic tender submission procedures maintained by the Group is applicable to tender submitted to both connected persons and independent third parties. We further understand that the Review Committee is responsible to make the final decision on whether to accept an invitation to tender based on the analysis result of the tender review process and to finalise the contents and pricing term of the proposed tender. If any contract is granted to the Group as a result of the competitive tender, the relevant project owners will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works based on the terms of the successful tender.

As the tender documents submitted by the Group will be reviewed and evaluated by the Review Committee based on the same standard and systematic tender submission procedures applicable to tender submitted to both connected persons and independent third parties, we consider that by following the standard and systematic tender submission procedures and with the approval of the Review Committee, the terms and conditions of the transactions under the New Master Engagement Agreement would be on normal commercial terms and be fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM HONESTUM INTERNATIONAL

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### (D) The proposed annual caps under the New Master Engagement Agreement

As set out in the Letter from the Board, the historical figures and annual caps are as follows:

|                     | Year ended/ending on 31 December |                     |                     |   |                     |                     |
|---------------------|----------------------------------|---------------------|---------------------|---|---------------------|---------------------|
|                     | 2017                             | 2018                | 2019                | 2020  | 2021                | 2022                |
|                     | <i>HK\$'million</i>              | <i>HK\$'million</i> | <i>HK\$'million</i> | <i>HK\$'million</i>                                 | <i>HK\$'million</i> | <i>HK\$'million</i> |
| Historical figures  | 2,912.99                         | 2,602.78            | 2,896.90            | Nil<br>(up to<br>the Latest<br>Practicable<br>Date) | N/A                 | N/A                 |
| Previous annual cap | 3,000                            | 7,000               | 7,000               | 7,000   | N/A                 | N/A                 |
| Proposed annual cap | N/A                              | N/A                 | N/A                 | 9,000   | 9,000               | 9,000               |

As stated in the Letter from the Board, the respective COLI Works Annual Cap is calculated with reference to the following factors:

*The respective COLI Works Annual Cap for the financial years ending on 31 December 2020 and 31 December 2021*

The respective COLI Works Annual Cap for the financial years ending on 31 December 2020 and 31 December 2021 is determined with reference to the respective estimated contract sum of the potential constructions works of the COLI Group which the Group expects to tender for during these two financial years of approximately HK\$8,988.51 million and approximately HK\$8,991.54 million, and such potential construction works include the construction projects in respect of the COLI Group's (i) land parcel in Chengdu, the PRC, with gross floor area of approximately 560,501 square metres; (ii) land parcel in Shenzhen, the PRC, with gross floor area of approximately 192,655 square metres; (iii) land parcel at Kam Sheung Road on Hong Kong's West Rail with gross floor area of approximately 114,896 square metres; and (iv) land parcels at the Kai Tak District in Hong Kong with gross floor area of approximately 278,992 square metres.

*The COLI Works Annual Cap for the financial year ending on 31 December 2022*

As of the Latest Practicable Date, the Group, based on the currently available information in respect of the development plans of the COLI Group's land parcels, has not identified any particular potential construction works of the COLI Group in the PRC, Hong Kong and Macau which the Group expects to tender for during the financial year ending on 31 December 2022.

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## LETTER FROM HONESTUM INTERNATIONAL

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The COLI Works Annual Cap for the financial year ending on 31 December 2022 is determined with reference to:

- (a) the Group's expectation that the total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group in the PRC, Hong Kong and Macau for the financial year ending on 31 December 2022 will be close to that for each of the two previous financial years ending on 31 December 2020 and 31 December 2021 respectively, based on the total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2017 of approximately HK\$2,912.99 million, for the financial year ended 31 December 2018 of approximately HK\$2,602.78 million and for the financial year ended 31 December 2019 of approximately HK\$2,896.90 million; and
- (b) the Group's expectation that the total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau will generally experience a steady growth for three financial years ending on 31 December 2022, based on:
  - (i) the total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the financial year ended 31 December 2017 of approximately HK\$42,849.47 million, for the financial year ended 31 December 2018 of approximately HK\$66,192.17 million, and for the financial year ended 31 December 2019 of approximately HK\$71,929.25 million; and
  - (ii) the land reserves of the COLI Group for the financial year ended 31 December 2017 of approximately 63.75 million square metres, for the financial year ended 31 December 2018 of approximately 70.10 million square metres, and for the financial year ended 31 December 2019 of approximately 65.22 million square metres.

### ***Our assessments on the proposed annual caps and its basis***

In assessing the reasonableness of the above proposed annual caps, we have reviewed and discussed with the Management the basis and assumptions underlying the projections of the annual caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the annual caps:

#### *The COLI Works Annual Cap*

We noted that actual historical aggregate transaction amounts under the Previous Engagement Agreement was approximately HK\$3,000 million for each of the financial year ended 31 December 2018 and 2019 respectively.

The proposed COLI Works Annual Cap for the three financial years ending on 31 December 2022 are HK\$9,000 million, representing approximately HK\$2,000 million or 28.6% increase from the previous annual caps under the Previous Engagement Agreement.

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## LETTER FROM HONESTUM INTERNATIONAL

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In reviewing the basis of the COLI Works Annual Cap, we have considered the following factors and reasons:

*i. Reasons for the low utilisation rate of the previous annual caps*

As set out in the Letter from the Board, the total new contract sum awarded by the COLI Group to the Group amounted to approximately HK\$2,912.99 million, HK\$2,602.78 million and HK\$2,896.90 million for the financial years ended 31 December 2017, 2018 and 2019 respectively, representing approximately 97.1%, 37.2% and 41.4% of the corresponding previous annual cap. According to the Management, the total contract sum awarded by the COLI Group remained stable for the years ended 31 December 2017, 2018 and 2019. As explained by the Management, the relatively low utilisation rates of the annual cap in 2018 and 2019 were primarily due to the combined effect of (i) the revised annual cap from HK\$3,000 million in 2017 to HK\$7,000 million in 2018 and (ii) the number of tender invitations actually offered by the COLI Group to the Group was less than that expected by the Management in the corresponding period.

According to the 2017 Annual Report of COLI, with 76 land parcels in 31 cities in the PRC and Hong Kong newly acquired in 2017, the COLI Group had a total land reserve of approximately 63.75 million square metres as at 31 December 2017. In view of the full utilisation (i.e. 97.1%) of the previous annual cap during the first half of 2017 and the land reserves of the COLI Group in the PRC, Hong Kong and Macau as at 31 December 2017 which were available for development for the three financial years ending on 31 December 2020, the annual caps were then increased from HK\$3,000 million in 2017 to HK\$7,000 million for the three financial years ending on 31 December 2020 under the Previous Engagement Agreement.

However, as advised by the Management, all tender invitation processes are initiated by the project owners according to their own development plans and the timing to offer a tender invitation is completely out of the control of the Management. Although the COLI Group has continued to expand its land reserve in Hong Kong in 2018 and 2019, no tender invitation of some projects was offered as the Management expected. For example, the West Rail Kam Sheung Road Project (a land parcel at Kam Sheung Road on Hong Kong's West Rail which covers an area of approximately 42,000 square metres with a total gross floor area of approximately 115,000 square metres) was acquired by the COLI Group in 2017 but the relevant tender invitation process is yet to be initiated as at the date of this letter. As a result, the utilisation rates of the annual cap in 2018 and 2019 were relatively low.

Given that the actual utilisation rate of the annual cap is subject to factors which are out of the control of the Group (such as the actual number of tender invitations offered and the actual number of tenders awarded to the Group), the Management consider that it would be more appropriate to set the COLI Works Annual Cap with reference to their best estimation based on the potential projects available in the land reserves and acquisition of land parcels in the PRC, Hong Kong and Macau of the COLI Group for the three financial years ending on 31 December 2022.

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## LETTER FROM HONESTUM INTERNATIONAL

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*ii. Land reserve and potential construction projects of the COLI Group in the PRC, Hong Kong and Macau*

According to the annual results announcement of COLI for the financial year ended 31 December 2019, the COLI Group acquired 53 land parcels in 25 cities in mainland China and Hong Kong in 2019, adding an aggregate gross floor area of approximately 11.46 million square metres to its land reserve. As at 31 December 2019, the COLI Group had a total land reserve of approximately 65.22 million square metres. In particular, the COLI Group's land reserve in Hong Kong as at 31 December 2019 comprises of (i) the West Rail Kam Sheung Road Project with gross floor area of approximately 115,000 square metres acquired in 2017 and (ii) land parcels in the Kai Tak district with total gross floor area of approximately 300,000 square metres newly acquired in 2019, which would be available for development for the three financial years ending on 31 December 2022.

As stated in the annual results announcement of COLI for the financial year ended 31 December 2019, Hong Kong, Macau and mainland China remained the core markets and the major contributor of the COLI Group and it has maintained its leading position in the property development and property investment industry. In order to support its sustainable development of properties development business, the COLI Group continued to expand its land reserve in the PRC and Hong Kong. Having considered that the sustainable growth of the property development projects of the COLI Group, the Management expect that the COLI Group's demand for and contract sum of construction works offered to the Group or other independent construction contractors will continue to increase during the three financial years ending on 31 December 2022.

*iii. Contract sum per square metre*

The contract sum per square metre of each project varied according to factors including the technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. In particular, according to the 2018 Annual Report of COLI, the projects in the Kai Tak district enjoy convenient transportation at an excellent location in Kowloon and are planned to be developed as luxury residential projects. As such, the Management consider that a relatively higher contract sum per square metre should be applied for the land parcels in the Kai Tak district when determining the COLI Works Annual Cap for the three financial years ending on 31 December 2022. In this respect, we notice that the contract sums per square metre which applied for the calculation of the COLI Works Annual Cap are basically within the range of the historical contract sums per square metre of projects awarded to the Group for the three financial years ended 31 December 2019.

According to the Management, it was recommended to increase the COLI Works Annual Cap to HK\$9,000 million in order to provide the flexibility for the Company to continue the transactions under the New Master Engagement Agreement without adversely affecting the business operations of the Company. Such proposed COLI Works Annual Cap was arrived after taking into accounts of several factors, including (i) the existing land reserve of the COLI Group, including the West Rail Kam Sheung Road Project; (ii) the COLI Group has continued to expand

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its land reserve in the PRC and Hong Kong, including the land parcels in the Kai Tak district with total gross floor area of approximately 300,000 square metres newly acquired in 2019; and (iii) the COLI Group has actively expanded its property development business in Hong Kong in recent years.

The Management further explained that, in view of the land reserve of the COLI Group as at 31 December 2019, the COLI Works Annual Cap of HK\$9,000 million should avoid the re-occurrence of the situation in 2017 when the utilisation of the previous annual cap reached 97.1% during the first half of 2017, limiting the Group from accepting any new tender invitations to be offered by the COLI Group during that year, which may adversely affect the operation and business development of the Company. It is expected that these new properties development projects will invite qualified construction contractors, including the Group, tender for certain parts of such construction works as construction contractors over the next few years. As confirmed by the Management, the COLI Group has been a stable and long-term business partner to the Group, and the Group may tender for the COLI Group's construction works in accordance with the tendering procedures of the Group from time to time over the next few years.

In view of (i) the land parcels available for development in Hong Kong of the COLI Group as mentioned above, (ii) the potential schedule for construction works of the COLI Group for each of the three financial years ending on 31 December 2022, (iii) the historical contract sums per square metre for projects awarded to the Group for the three financial years ended 31 December 2019 and (iv) the flexibility necessary for the Group to work along with the actual development schedule of the COLI Group, we are of the view that the COLI Works Annual Cap is fair and reasonable.

Given the abovementioned, we are of the view that the proposed annual caps under the New Master Engagement Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Shareholders should note that each of the proposed annual caps under the New Master Engagement Agreement represents the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. Each of these annual caps bears no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COLI Group may or may not retain the Group to engage in construction works up to the level of the relevant annual caps, if at all, as its engagement is subject to tender procedures which are open to other independent third party construction contractors.

### **(E) Reporting requirements and conditions of the Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- a) the independent non-executive directors of the listed issuer must review the non-exempt continuing connected transactions every year and confirm in the annual report that the continuing connected transactions have been entered into:
  - in the ordinary and usual course of business of the listed issuer's group;

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- on normal commercial terms or better; and
  - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole;
- b) the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
- have not been approved by the listed issuer's board of director;
  - were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
  - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - have exceeded the annual caps;
- c) the listed issuer must provide a copy of the auditors' letter to the Exchange at least 10 business days before the bulk printing of its annual report;
- d) the listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Continuing Connected Transactions by way of the annual caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the relevant annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

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## LETTER FROM HONESTUM INTERNATIONAL

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### RECOMMENDATION

Having taken into account the factors and reasons as stated above, we consider that the terms of the New Master Engagement Agreement, including the relevant proposed annual caps, are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

**Honestum International Limited**

**Michael Chum**

**Annette Tsang**

*Chairman*

*Executive Director*

*Note: Mr. Michael Chum is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry. Ms. Annette Tsang is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

As at the Latest Practicable Date:

- (i) Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 shares of the Company, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of shares in issue of the Company. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (ii) Mr. Yan Jianguo held share options to subscribe 700,000 shares (representing 0.006% shares in issue) of COLI (an associated corporation of the Company). All the share options held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;
- (iii) Mr. Zhang Haipeng held 3,078,000 shares (representing 0.143% shares in issue) in China State Construction Development Holdings Limited ("**CSC Development**", a non-wholly owned subsidiary of the Company). All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;
- (iv) Mr. Hung Cheung Shew held 7,095 shares (representing 0.000% shares in issue) in COLI; 30,000 shares (representing 0.001% shares in issue) in CSC Development; and 2,365 shares (representing 0.000% shares in issue) in China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner; and

- (v) Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 774,000; 284,000; and 684,000 shares in CSCECL (an intermediate holding company of the Company), representing 0.002%; 0.001%; and 0.002% of shares in issue in CSCECL. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL's shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phase II).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Yan Jianguo, a non-executive director of the Company, is a director of the Company's holding company, namely COHL, and some of its subsidiaries. Operations of such companies are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as these companies are engaged in construction, property development and related businesses. As at the Latest Practicable Date, COHL held 3,264,976,136 shares of the Company, representing approximately 64.66% of the issued share capital of the Company.

As the Board operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the business of these companies.

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

## 6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date of this circular which is significant in relation to the businesses of the Group;
- (ii) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2019 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (iii) save as disclosed in the paragraph headed “Competing Interests” above, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 7. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given opinions, letter or advice included in this circular:

| <b>Name</b>                    | <b>Qualification</b>  |
|--------------------------------|---|
| Honestum International Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO |

The letter of Honestum International is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Honestum International had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Honestum International had no interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited accounts of the Group were made up.

Honestum International has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the New Master Engagement Agreement;
- (ii) the Previous Engagement Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Honestum International” of this circular; and
- (v) the letter of consent from the expert referred to under the paragraph headed “Qualification and Consent of Expert” in this appendix.

## **9. GENERAL**

The English text of this circular shall prevail over the Chinese text.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**中國建築國際集團有限公司**

**CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 3311)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**Meeting**”) of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at Meeting Room S221, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 10 June 2020 at 3:20 p.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 3:00 p.m. at the same place and date) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT:**

- (A) (i) the New Master Engagement Agreement (as defined in the circular of the Company dated 20 May 2020 of which this notice forms part (the “Circular”)) (a copy of which is tabled at the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the COLI Works Annual Cap (as defined in the Circular) for the respective financial years ending on 31 December 2020, 31 December 2021 and 31 December 2022 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the New Master Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

By Order of the Board

**China State Construction International Holdings Limited**

**Yan Jianguo**

*Chairman and Non-executive Director*

Hong Kong, 20 May 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Notes*

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the Meeting from Friday, 5 June 2020 to Wednesday, 10 June 2020, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 June 2020.
- (8) In view of the ongoing Novel Coronavirus (COVID-19) epidemic, the Company will implement the following precautionary measures at the Meeting, including:
  - (a) compulsory body temperature checks (any person with fever, respiratory symptoms or a body temperature of over 37.0 degree Celsius will not be permitted access to the meeting venue);
  - (b) request of wearing of surgical face masks throughout the Meeting and not wearing surgical face masks will not be permitted access to the meeting venue;
  - (c) hand sanitizer will be provided;
  - (d) no refreshments will be served; and
  - (e) other safety measures as appropriate.