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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 or registered institution in securities, 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(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(I) CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**

AND

**(II) CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS LAND & INVESTMENT LIMITED**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Main Contract Transactions is set out on pages IBC I-1 to IBC I-2 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Revision Transactions is set out on pages IBC II-1 to IBC II-2 of this circular. A letter from the Independent Financial Adviser I containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Main Contract Transactions is set out on pages IFA I-1 to IFA I-21 of this circular. A letter from the Independent Financial Adviser II containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Revision Transactions is set out on pages IFA II-1 to IFA II-16 of this circular.

A notice convening the EGM via the e-Meeting System to be held on Thursday, 11 November 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM via the e-Meeting System, 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 via the e-Meeting System at the meeting or any adjourned meeting (as the case may be) should you so wish.

22 October 2021

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DEFINITIONS

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

“associates”, “connected persons”, “continuing connected transaction(s)”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“COGO”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 81) and which is held as to approximately 38.32% by COLI;
“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, being 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 Associated Company(ies)”	company(ies) which respective share capital is held as to not less than 30% and not more than 50% by the COLI Group which are not members of the COLI Group, and their respective subsidiaries from time to time (excluding COGO and its subsidiaries);
“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“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);
“Construction Main Contracts”	government or public sector contracts, or contracts for large-scale construction with single contract sum of exceeding HK\$2 billion, awarded by tender;
“Construction Projects”	construction projects under the Construction Main Contracts;

DEFINITIONS

“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, COLI and the Company;
“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), being the intermediate holding company of each of COLI and the Company, and a non-wholly owned subsidiary of CSCEC;
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on the Stock Exchange and their respective subsidiary(ies)) from time to time;
“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 Main Contract Transactions and the Revision Transactions;
“Executive Board”	has the meaning as defined under the section headed “LETTER FROM THE BOARD — (I) CONTINUING CONNECTED TRANSACTIONS WITH CSCECL — FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (d) Management” of this circular;
“Existing 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;
“First Supplemental Agreement”	the supplemental agreement to the Existing Master Engagement Agreement entered into between the Company and COLI on 10 June 2021 which extends only the scope of the tendering for construction works by the Group to include the COLI Associated Companies but without revision of the Original Construction Work Caps;

DEFINITIONS

“Framework Agreement”	the framework agreement dated 10 September 2021 entered into between the Company and CSCECL in respect of the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the Construction Main Contracts;
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Main Contract Transactions and the Revision Transactions;
“Independent Financial Adviser I” or “Red Sun”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the Main Contract Transactions;
“Independent Financial Adviser II” or “Honestum International”	Honestum International Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Second Supplemental Agreement and the Revision Transactions;
“Independent Financial Advisers”	collectively, Independent Financial Adviser I and Independent Financial Adviser II;
“Independent Shareholders”	shareholders of the Company, other than COHL and its associates;
“JV Agreement”	has the meaning as defined under the section headed “LETTER FROM THE BOARD — (I) CONTINUING CONNECTED TRANSACTIONS WITH CSCECL — FRAMEWORK AGREEMENT — Customary terms of joint venture agreements” of this circular;

DEFINITIONS

“Latest Practicable Date”	18 October 2021, 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 as amended from time to time;
“Macau”	the Macao Special Administrative Region of the PRC;
“Main Contract Cap(s)”	the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for each financial year under the Framework Agreement;
“Main Contract Transactions”	the entering into of the Framework Agreement and the transactions contemplated thereunder (together with the Main Contract Caps);
“Original Construction Work Caps”	the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group for each financial year under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement), which amount has not taken into account the estimated contract sum of the potential construction works of the COLI Associated Companies which the Group expects to tender for;
“PRC”	People’s Republic of China which, for the purpose of this circular excludes Hong Kong, Macau and Taiwan;
“Proposed Revised Construction Work Caps”	the proposed revised maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group and the COLI Associated Companies for each of the financial years ending on 31 December 2021 and 31 December 2022 under the Second Supplemental Agreement in the amount of HK\$20 billion and HK\$21 billion respectively, which amount has taken into account the estimated contract sum of the potential construction works of both the COLI Group and the COLI Associated Companies which the Group expects to tender for;
“Respective Interest”	has the meaning as defined under the section headed “LETTER FROM THE BOARD — (I) CONTINUING CONNECTED TRANSACTIONS WITH CSCECL — FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (a) Proportion of interest” of this circular;

DEFINITIONS

“Revision Transactions”	the entering into of the Second Supplemental Agreement and the transactions contemplated thereunder (together with the Proposed Revised Construction Work Caps);
“Second Supplemental Agreement”	the supplemental agreement to the Existing Master Engagement Agreement entered into between the Company and COLI on 10 September 2021 in respect of the revision of the Original Construction Work Caps for the two financial years ending on 31 December 2022, being the remainder of the term of the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *English translation for identification purpose only*

SPECIAL ARRANGEMENTS FOR THE EGM

All registered Shareholders will be able to join the EGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, our registered Shareholders will be able to view the live video broadcast and participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System which will be despatched later.

HOW TO ATTEND AND VOTE

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the EGM or other persons as your proxy by providing their email address for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote via the e-Meeting System at the EGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the "Intermediary") and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote via e-Meeting System at the EGM and in doing so, you will be asked to provide your email address. Details regarding the e-Meeting System including the login details will be emailed to you by the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited ("Tricor Standard").

Completion and return of the form of proxy will not preclude a member from attending and voting via the e-Meeting System at the EGM or any adjournment thereof (as the case may be) and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

For the purpose of determining shareholders' eligibility to attend and vote via the e-Meeting System at the EGM, the register of members of the Company will be closed from Monday, 8 November 2021 to Thursday, 11 November 2021, both days inclusive, during which period no transfer of Shares will be effected.

If you have any questions relating to the EGM, please contact Tricor Standard with the following details:

Address : Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email : emeeting@hk.tricorglobal.com
Telephone : (852) 2975 0928
Fax : (852) 2861 1465

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the EGM arrangements at a short notice. Shareholders are advised to check the websites of the Company (<https://www.csci.com.hk>) and Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) for the latest announcement and information relating to the EGM.

LETTER FROM THE BOARD



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 Directors:

Mr. Yan Jianguo (*Chairman*)

Mr. Chen Xiaofeng

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

22 October 2021

To the Shareholders

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(II) CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS LAND & INVESTMENT LIMITED**

INTRODUCTION

References are made to:

- (1) the announcement of the Company dated 10 September 2021 in relation to the entering into of the Framework Agreement between the Company and CSCECL, whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Construction Main Contracts as joint venture main contractor for a term of three financial years commencing on 1 January 2022 and ending on 31 December 2024, subject to the Main Contract Caps; and

LETTER FROM THE BOARD

- (2) the announcement of the Company dated 10 September 2021 in relation to the entering into of the Second Supplemental Agreement between the Company and COLI to revise the respective Original Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022, taking into account the estimated contract sum of the potential construction works of both the COLI Group and the COLI Associated Companies which the Group expects to tender for.

The purpose of this circular is to provide you with, among other things:

- the particulars of the Main Contract Transactions and the Revision Transactions;
- the letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the terms of the Framework Agreement and the Main Contract Transactions;
- the letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the terms of the Second Supplemental Agreement and the Revision Transactions;
- the letter from Red Sun with its advice on the Main Contract Transactions to the Independent Board Committee and the Independent Shareholders in relation to the Main Contract Transactions;
- the letter from Honestum International with its advice on the Revision Transactions to the Independent Board Committee and the Independent Shareholders in relation to the Revision Transactions,

as well as to seek the approval of the Independent Shareholders in respect of the Main Contract Transactions and the Revision Transactions.

(I) CONTINUING CONNECTED TRANSACTIONS WITH CSCECL

On 10 September 2021, the Company and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Construction Main Contracts as joint venture main contractor. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Construction Main Contracts.

The cooperation between the Company and CSCECL (or their respective subsidiaries) as contemplated by the Framework Agreement will take the form of contractual joint venture in accordance with customary terms in the construction industry whereby the Company and CSCECL (or their respective subsidiaries) will cooperate to implement the relevant Construction Main Contracts as joint venture main contractor.

Upon a successful tender (or such other contract award process), the relevant Construction Main Contracts shall be awarded by the relevant third-party developer/owner client to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor.

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The Framework Agreement does not anticipate the formation of any joint venture company, nor the acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries), which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint ventures/joint operations” in the financial statements of the Company.

THE FRAMEWORK AGREEMENT

Date

10 September 2021

Parties

1. the Company; and
2. CSCECL, the intermediate holding company of the Company.

Term

The Framework Agreement shall cover three financial years commencing on 1 January 2022 and ending on 31 December 2024.

Subject matter

Pursuant to the Framework Agreement, the Company and CSCECL agreed that:

- (a) the parties (or their respective subsidiaries) may cooperate to enter into and implement the Construction Main Contracts as joint venture main contractor, provided that the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year shall not exceed the corresponding Main Contract Cap as set out in the paragraph headed “Main Contract Caps” below in this circular; and
- (b) the contractual joint ventures for entering into and implementing the particular Construction Main Contracts as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries).

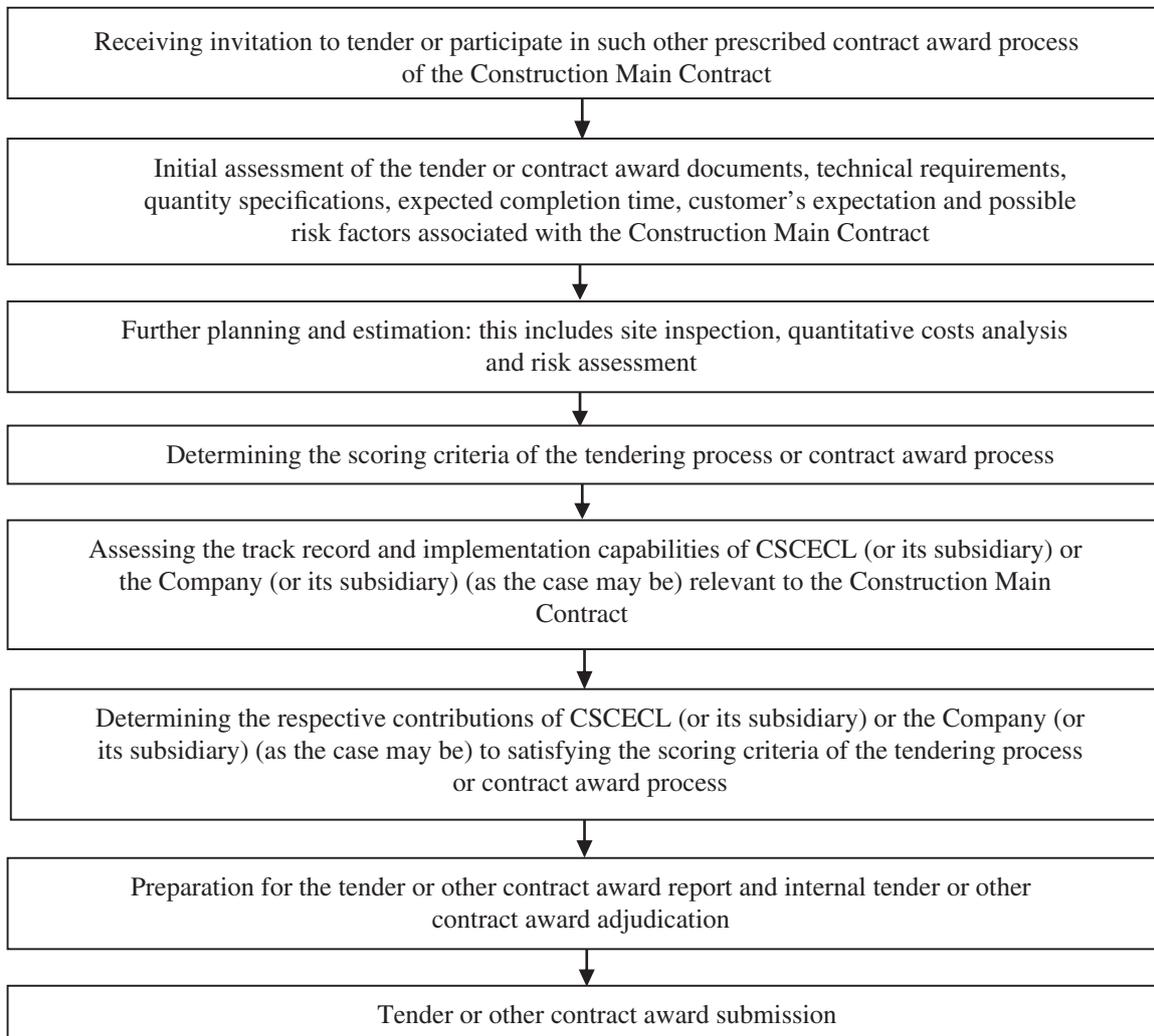
Invitation for cooperation

In the event that the Company (or its subsidiary) or CSCECL (or its subsidiary) decides to participate in the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of a Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such process with each other as joint venture main contractor, if

LETTER FROM THE BOARD

the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be), after making qualitative and quantitative assessment of the scoring criteria of such process, determines that such invitation will maximize the scoring of such tendering process or contract award process and therefore the chance of successful award of the Construction Main Contract.

The engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) will determine whether or not to make such invitation to the other party (or its subsidiary) during its standard tender or other contract award submission procedures in respect of a Construction Main Contract which generally involve (i) receiving invitation to tender or participate in such other prescribed contract award process of the Construction Main Contract; (ii) initial assessment of the tender or contract award documents; (iii) further planning and estimation; (iv) determining the scoring criteria of the tendering process or contract award process; (v) assessing the track record and implementation capabilities of CSCECL (or its subsidiary) or the Company (or its subsidiary) (as the case may be) relevant to the Construction Main Contract; (vi) determining the respective contributions of CSCECL (or its subsidiary) and the Company (or its subsidiary) (as the case may be) to satisfying the scoring criteria of the tendering process or contract award process; (vii) preparation for the tender or other contract award report and internal tender or other contract award adjudication; and (viii) tender or other contract award submission (the “**Procedures**”).



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In assessing the tender or contract award documents, the Company (or its subsidiary) or CSCECL (or its subsidiary) will take into account factors including the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with the Construction Main Contract. The Company (or its subsidiary) or CSCECL (or its subsidiary) will then perform site inspection, conduct quantitative costs analysis and risk assessment.

If, during the Procedures, the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) is satisfied that the participation of CSCECL (or its subsidiary) or the Company (or its subsidiary) in the tendering process or such other prescribed contract award process in respect of the Construction Main Contract will maximize the scoring of such process and therefore the chance of successful award of the Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such tendering process or contract award process. The president of the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary), who does not hold any position in the other party (or its subsidiary), will review and approve the decision of making such invitation to CSCECL (or its subsidiary) or the Company (or its subsidiary).

Contract sum of the Construction Main Contracts

As a general principle and in accordance with market practice, the contract sum with respect to the Construction Main Contracts shall be determined in the ordinary course of business on normal commercial terms and on an arm's length basis after a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client.

Main Contract Caps

The maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor during the term of the Framework Agreement shall not exceed the following Main Contract Caps:

For the financial year ending on 31 December 2022	For the financial year ending on 31 December 2023	For the financial year ending on 31 December 2024
HK\$31 billion	HK\$33 billion	HK\$35 billion

Basis of determining the Main Contract Caps

The Main Contract Caps are determined with reference to the estimated annual contract sum of the Construction Main Contracts during the relevant financial year.

LETTER FROM THE BOARD

In determining the Main Contract Caps, the Company has also considered the following:

- (a) the expected tenders by the Group for three potential Construction Projects with contract sum of approximately HK\$27.3 billion for the financial year ending on 31 December 2022, four potential Construction Projects with contract sum of approximately HK\$28.1 billion for the financial year ending on 31 December 2023, and three potential Construction Projects with contract sum of approximately HK\$29.1 billion for the financial year ending on 31 December 2024, respectively, the estimation of which is based on the expected approximate amount of investment/expenditure that the relevant third-party developer/owner client would invest/expend on such relevant Construction Project, the expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges. In respect of the aforementioned ten potential Construction Projects, it is expected that the Group would engage in, among others, the construction of entertainment and hospitality buildings, industrial buildings, infrastructures (including highway and light rail) and development of lands, and the size and scale of each of such Construction Project would have a bearing in determining the Main Contract Caps;
- (b) a buffer of 10% of the aforesaid contract sum for each financial year to accommodate the expected general increase in construction cost in each of the three financial years which is estimated to be contributed by the general escalation in labour cost, materials cost, and cost relating to the implementation of safety measures, quality assurance and environmental protection measures; and
- (c) a buffer of HK\$1 billion, HK\$2 billion and HK\$3 billion for each of the three financial years to accommodate other potential Construction Projects to be announced by the relevant third-party developer/owner client.

Customary terms of joint venture agreements

During the term of the Framework Agreement, the Company and CSCECL (or their respective subsidiaries) may from time to time enter into a standard individual joint venture agreement (the “**JV Agreement**”) which contains the below customary terms in the construction industry, for establishing a contractual joint venture to enter into and implement a particular Construction Main Contract:

(a) Proportion of interest

The respective interest of the Company and CSCECL (or their respective subsidiaries) in each contractual joint venture under a JV Agreement (the “**Respective Interest**”) will be determined by the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be), based on the respective contributions of the Company and CSCECL (or their respective subsidiaries) to satisfying the scoring criteria of the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of the Construction Main Contract. The scoring criteria and the respective contributions of the Company and CSCECL (or their respective subsidiaries) will be determined by the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) during the Procedures.

LETTER FROM THE BOARD

(b) Profit/loss sharing

The Company and CSCECL (or their respective subsidiaries) shall be jointly and severally liable towards the relevant third-party developer/owner client for carrying out the particular Construction Main Contract awarded to them, notwithstanding the contractual arrangement between them under the JV Agreement. However, the liabilities, obligations, risks, rights, interests, profits and losses arising out of the contractual joint venture shall be shared or borne by the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. If either party (or its subsidiary) incurs any liability arising out of the contractual joint venture in excess of its Respective Interest, the other party (or its subsidiary) shall indemnify such party (or its subsidiary) so that the overall liability is apportioned between the parties (or their respective subsidiaries) in accordance with their Respective Interest.

(c) Financing and other support

Any initial and additional working capital of a contractual joint venture under a JV Agreement shall be contributed by the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. The parties (or their respective subsidiaries) shall provide full technical and other support to the contractual joint venture as and when required.

(d) Management

A contractual joint venture under a JV Agreement shall be managed by an executive board (the “**Executive Board**”) to be set up by the Company and CSCECL (or their respective subsidiaries). The Executive Board shall comprise members appointed by CSCECL (or its subsidiary) and members appointed by the Company (or its subsidiary), the number of which shall be determined in accordance with their Respective Interest. A member appointed by CSCECL (or its subsidiary) and a member appointed by the Company (or its subsidiary) present at a meeting of the Executive Board shall form a quorum. Any decision on material/major matters (including those specified in paragraph (f) below) made at meeting of the Executive Board shall require a unanimous consent of the members present at the meeting.

(e) Guarantee

In the event that the third-party developer/owner client requires the parent company of each of the Company and CSCECL (or their respective subsidiaries) to guarantee the performance of the relevant Construction Main Contract by such party (or its subsidiary), each of the Company and CSCECL (or their respective subsidiaries) shall indemnify its parent company for any liabilities arising from such guarantee.

(f) Other restrictions

Without the prior written consent from the other party (or its subsidiary), neither the Company (or its subsidiary) nor CSCECL (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of such party (or its subsidiary) under such JV Agreement; (ii) change the nature or scope of business of the contractual joint venture; and (iii) procure the joint venture to enter into any transactions concerning the relevant Construction Projects which are not on an arm’s length basis.

LETTER FROM THE BOARD

Condition Precedent

The Main Contract Transactions are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the Main Contract Transactions.

Historical Amount

Reference is made to the announcement and the circular of the Company dated 4 June 2019 and 10 July 2019, respectively. On 4 June 2019, the Company and CSCECL entered into a framework agreement in respect of the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the main contractor contract(s) for the construction projects of large-scale transport facilities, drainage pipelines, housing and other related public utilities structures/facilities in Hong Kong (the “**2019 Framework Agreement**”).

The maximum total contract sum that may be awarded jointly to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor during the term of the 2019 Framework Agreement at the request of the Company shall not exceed the following annual caps:

For the financial year ended on 31 December 2019*	For the financial year ended on 31 December 2020	For the financial year ending on 31 December 2021
HK\$10 billion	HK\$15 billion	HK\$20 billion

* (excluding any contractual joint ventures which were not entered into by the Company and CSCECL (or their respective subsidiaries) as contemplated under the 2019 Framework Agreement, or any contractual joint ventures entered into by the Company and CSCECL (or their respective subsidiaries) which were separately disclosed by the Company under the Listing Rules before 4 June 2019)

Since the Company and CSCECL (or their respective subsidiaries) have not entered into any of the above main contractor contract(s) as joint venture main contractor as at the Latest Practicable Date, there is no historical transaction amount available.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE FRAMEWORK AGREEMENT

Both the Company and CSCECL are well established engineering contractors and represent high levels of technology and management in various fields of construction. It is perceived that the join-up of the Company and CSCECL as joint venture main contractor will enhance the chance of successful award of the Construction Main Contracts. CSCECL Group has substantial experience in construction markets in the PRC and overseas. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience and the specific construction qualifications of CSCECL Group, and provide opportunities for the Group to strengthen and further develop its construction related business and qualifications in the PRC and overseas.

LETTER FROM THE BOARD

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 I) consider that the Main Contract Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the Framework Agreement (together with the Main Contract Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Main Contract Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CSCECL is an intermediate holding company of the Company. Hence, CSCECL is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Main Contract Transactions constitute continuing connected transactions for the Company.

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year as contemplated under the Framework Agreement, i.e. the Main Contract Caps, exceed 5%, the Main Contract Transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Main Contract Transactions and no Director is required to abstain from voting on the Board resolution(s) approving the Main Contract Transactions. However, Mr. Yan Jianguo, being the chairman and non-executive director of the Company and the chairman and president of COHL, has voluntarily abstained from voting on the Board resolutions approving the Main Contract Transactions. Mr. Zhang Haipeng, being executive Director and a director of COHL, was absent from the relevant Board meeting and did not vote on the Board resolutions approving the Main Contract Transactions.

Shareholders of the Company should note that the Main Contract Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Main Contract Caps bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance.

(II) CONTINUING CONNECTED TRANSACTIONS WITH COLI

Background

Reference is made to the announcement dated 8 April 2020 and the circular dated 20 May 2020 of the Company in relation to the Existing Master Engagement Agreement entered into between the Company and COLI, the term of which commenced on 8 April 2020 until 31 December 2022, pursuant to which (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

LETTER FROM THE BOARD

from time to time for three financial years ending on 31 December 2022 subject to the Original Construction Work Caps; 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.

Reference is also made to the announcement of the Company dated 10 June 2021 in relation to the First Supplemental Agreement entered into between the Company and COLI, pursuant to which, in addition to the members of the COLI Group subject to the Existing Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the COLI Associated Companies from time to time on the terms set out in the Existing Master Engagement Agreement for the remainder of the term of the Existing Master Engagement Agreement.

THE EXISTING MASTER ENGAGEMENT AGREEMENT

The principal terms of the Existing Master Engagement Agreement

Date

8 April 2020

Parties

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

Subject Matter

Pursuant to the Existing Master Engagement Agreement, the Company and COLI 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 Original Construction Work Cap:

For the financial year ended on 31 December 2020	For the financial year ending on 31 December 2021	For the financial year ending on 31 December 2022
HK\$9,000 million	HK\$9,000 million	HK\$9,000 million

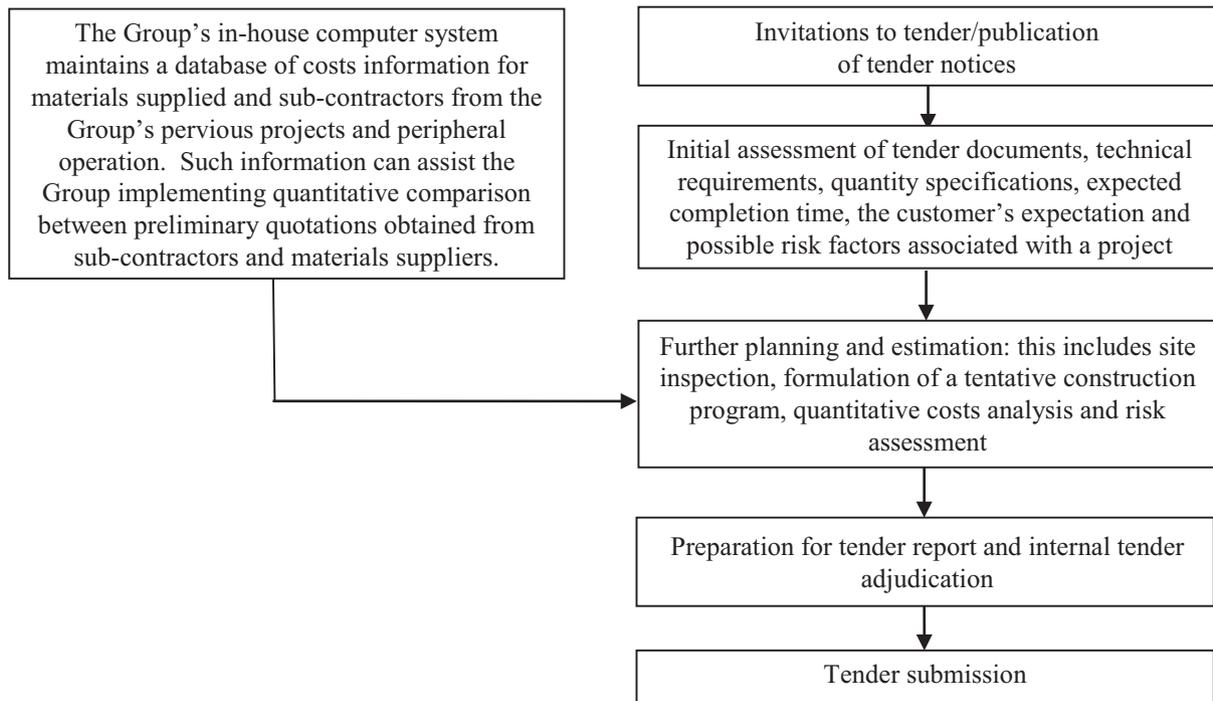
LETTER FROM THE BOARD

- (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.

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.

LETTER FROM THE BOARD

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 Original Construction Work Cap

The respective Original Construction Work Cap for the financial years ended on 31 December 2020 and ending on 31 December 2021

The respective Original Construction Work Cap for the financial years ended on 31 December 2020 and ending on 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 Original Construction Work Cap for the financial year ending on 31 December 2022

As of 15 May 2020, the Group, based on the then available information in respect of the development plans of the COLI Group's land parcels, had not identified any particular potential construction works of the COLI Group in the PRC, Hong Kong and Macau which the Group expected to tender for during the financial year ending on 31 December 2022.

LETTER FROM THE BOARD

The Original Construction Work 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 ended on 31 December 2020 and ending on 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 Existing Master Engagement Agreement have been and will be satisfied by the COLI Group in cash from its general working capital. The Existing Master Engagement Agreement (together with the Original Construction Work Cap) has replaced and superseded the previous engagement agreement (together with the annual cap thereunder) with effect from the satisfaction of the conditions precedent under the Existing Master Engagement Agreement.

THE FIRST AND SECOND SUPPLEMENTAL AGREEMENTS

Proposed Revised Construction Work Caps under the Second Supplemental Agreement

Pursuant to the First Supplemental Agreement, in addition to the members of the COLI Group subject to the Existing Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the COLI Associated Companies in the PRC, Hong Kong and Macau from time to time on the terms set out in the Existing Master Engagement Agreement for the remainder of the term of the Existing Master Engagement Agreement.

LETTER FROM THE BOARD

The respective Original Construction Work Caps for each of the financial years ending on 31 December 2021 and 31 December 2022 were determined with reference to the respective estimated contract sum of the potential construction works of the COLI Group which the Group expected to tender for during these two financial years only but without reference to those of the COLI Associated Companies which the Group expects to tender for during these two financial years. The First Supplemental Agreement has not sought to amend the Original Construction Work Caps.

In light of the foregoing and taking into account the potential construction works of the COLI Associated Companies (in addition to those of the COLI Group) which the Group intends to tender for during the financial years ending on 31 December 2021 and 31 December 2022, the Company expects that the maximum total contract sum of the construction contracts that may be awarded by the COLI Group and the COLI Associated Companies to the Group for each of the financial years ending on 31 December 2021 and 31 December 2022 will exceed the Original Construction Work Caps for these two financial years. In this connection, the Company and COLI entered into the Second Supplemental Agreement on 10 September 2021 to revise the respective Original Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 as follows:

	For the financial year ending on 31 December 2021	For the financial year ending on 31 December 2022
Original Construction Work Caps	HK\$9,000 million <i>(Note 1)</i>	HK\$9,000 million <i>(Note 1)</i>
Proposed Revised Construction Work Caps	HK\$20 billion <i>(Note 2)</i>	HK\$21 billion <i>(Note 3)</i>

Note 1: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group only under the Existing Master Engagement Agreement, and following the amendments made under the First Supplemental Agreement, by the COLI Group and the COLI Associated Companies.

Note 2: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group and the COLI Associated Companies, among which, it includes (1) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group (i.e. HK\$9,000 million) (among which approximately HK\$2,248 million was utilized by a COLI Associated Company and will not be re-allocated under the HK\$11 billion sub-cap) and (2) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Associated Companies (i.e. HK\$11 billion). For details of the total contract sum awarded by the COLI Associated Company to the Group as construction contractor for the construction works of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021, please refer to sub-paragraph (b) of and note 1 to the sub-paragraph (b) of the section headed “Basis of determining the Proposed Revised Construction Work Caps”.

Note 3: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group and the COLI Associated Companies, among which, it includes (1) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group (i.e. HK\$9,000 million) and (2) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Associated Companies (i.e. HK\$12 billion).

LETTER FROM THE BOARD

Save for the revision of the Original Construction Work Caps to the Proposed Revised Construction Work Caps, all other terms and conditions under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) shall remain the same.

The total contract sums awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group under the Existing Master Engagement Agreement for the year ended 31 December 2020 and the eight months ended 31 August 2021 were approximately HK\$100.4 million and HK\$4,512.5 million, respectively.

In regard to the utilization of the Original Construction Work Caps, (i) approximately HK\$100.4 million was utilized by COLI Group for the financial year ended 31 December 2020, and (ii) an aggregate sum of approximately HK\$6,760.5 million was utilized by the COLI Group and a COLI Associated Company for the period from 1 January 2021 to 10 September 2021, among which approximately HK\$4,512.5 million was utilized by the COLI Group and approximately HK\$2,248 million was utilized by a COLI Associated Company.

Basis of determining the Proposed Revised Construction Work Caps

The Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 are determined with reference to the following factors:

- (a) the Original Construction Work Cap of HK\$9,000 million for each of the financial years ending on 31 December 2021 and 31 December 2022;
- (b) the historical transaction amount of the previous construction contracts with COLI Associated Company for the financial year ending 31 December 2021, being the total contract sum awarded by a COLI Associated Company to the Group as construction contractor for the construction works of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021 of approximately HK\$2,248 million (*Note 1*);
- (c) the expected tenders by the Group for three potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$10 billion for the financial year ending on 31 December 2021 and six potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$11 billion for the financial year ending 31 December 2022 respectively, such potential construction projects of which are located in the PRC and/or Hong Kong; and
- (d) a buffer of HK\$1,000 million and HK\$1,000 million for the financial years ending on 31 December 2021 and 31 December 2022 respectively to accommodate other potential construction works of the COLI Associated Companies.

LETTER FROM THE BOARD

Note 1: Such amount (i.e. HK\$2,248 million) has been counted towards the Original Construction Work Cap for the financial year ending on 31 December 2021 of the amount of HK\$9,000 million subsequent to the amendments made under the First Supplemental Agreement (pursuant to which the Group could also enter into relevant transactions with the COLI Associated Companies as long as the maximum total contract sum of the construction contracts awarded by the COLI Group and the COLI Associated Companies is within the Original Construction Work Cap). Once the Proposed Revised Construction Work Caps have been approved by the Independent Shareholders, despite that the Proposed Revised Construction Work Cap for the financial year ending 31 December 2021 shall comprise two sub-caps of (i) HK\$9,000 million in respect of the COLI Group and (ii) HK\$11 billion in respect of the COLI Associated Companies, the Company does not intend to re-allocate the HK\$2,248 million under the HK\$11 billion sub-cap since such transaction took place historically and was permitted as a result of the amendments made under the First Supplemental Agreement. Going forward, all contract sums of the construction contracts to be awarded by each of the COLI Group and the COLI Associated Companies shall be allocated under the respective sub-caps.

Condition Precedent

The revision of the Original Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 contemplated under the Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022) will take effect conditional upon the Company having obtained the approval of the Independent Shareholders at the EGM by way of poll.

In the event that the Second Supplemental Agreement does not become effective, the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) will remain in full force and binding on the Company and COLI.

REASONS FOR AND BENEFITS OF THE REVISION OF THE ORIGINAL CONSTRUCTION WORK CAPS

The COLI Associated Companies are well established property developers in the PRC, Hong Kong and Macau and are 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 Associated Companies 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.

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 II) consider that the Revision Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Revision Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, COHL is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.81% of the issued share capital of the Company and approximately 56.09% of the issued share capital of COLI. Accordingly, members of the COLI Group and the COLI Associated Companies are connected persons of the Company and the Revision Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Proposed Revised Construction Work Caps, for the financial years ending on 31 December 2021 and 31 December 2022, exceed 5%, the Revision Transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Revision Transactions and no Director is required to abstain from voting on the Board resolution(s) approving the Revision Transaction. However, Mr. Yan Jianguo, being the chairman and non-executive director of the Company, the chairman and executive director of COLI and the chairman and president of COHL, has voluntarily abstained from voting on the Board resolutions approving the Revision Transactions. Mr. Zhang Haipeng, being executive Director and a director of COHL, was absent from the relevant Board meeting and did not vote on the Board resolutions approving the Revision Transactions.

Shareholders should note that the Proposed Revised Construction Work Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Proposed Revised Construction Work Caps bear 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 and the COLI Associated Companies 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 Proposed Revised Construction Work Caps, if at all, as the engagements are subject to tender procedures which are open to other independent third party construction contractors.

INFORMATION ON THE PARTIES TO THE FRAMEWORK AGREEMENT AND THE SECOND SUPPLEMENTAL AGREEMENT

The Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

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.

LETTER FROM THE BOARD

CSCEC is the ultimate holding company of each of CSCECL, COHL, COLI and the Company. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

EGM

A notice convening the EGM via the e-Meeting System to be held on Thursday, 11 November 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve the Main Contract Transaction and the Revision Transactions.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting via the e-Meeting System, 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 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 via the e-Meeting System 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 via the e-Meeting System at the EGM from Monday, 8 November 2021 to Thursday, 11 November 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend and vote via the e-Meeting System at the EGM, 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 Friday, 5 November 2021.

VOTING BY WAY OF POLL

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 resolutions to be proposed at the EGM in accordance with the Company's articles of association.

As at the Latest Practicable Date, COHL and its associates held in aggregate 3,264,976,136 Shares, representing approximately 64.81% of the issued share capital of the Company, of which 118,787,644 Shares were held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 3,146,188,492 Shares were held by COHL. COHL and its associates will abstain from voting at the EGM on the resolutions relating to the Main Contract Transactions and the Revision Transactions.

To the extent that the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon COHL;

LETTER FROM THE BOARD

- (ii) COHL was not subject to any obligation or entitlement whereby it had or it might have temporarily or permanently passed control over the exercise of the voting right in respect of its shares in the Company to a third party, either generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between COHL's beneficial shareholding interest in the Company as disclosed in this circular and the number of shares in the Company in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

The results of the voting will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules after the EGM.

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 Main Contract Transactions and the Revision Transactions. Red Sun has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Main Contract Transactions and Honestum International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Revision Transactions.

RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the Independent Board Committee set out on pages IBC I-1 to IBC I-2 in this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Framework Agreement and the Main Contract Transactions; (ii) the letter of advice from the Independent Board Committee set out on pages IBC II-1 to IBC II-2 in this circular which contains its recommendation to the Independent Shareholders in relation to the terms of the Second Supplemental Agreement and the Revision Transactions; (iii) the letter from Red Sun set out on pages IFA I-1 to IFA I-21 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Main Contract Transactions; and (iv) the letter from Honestum International set out on pages IFA II-1 to IFA II-16 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Revision Transactions.

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 Advisers) consider that the terms of the Framework Agreement and the Main Contract Transactions, and the terms of the Second Supplemental Agreement and the Revision Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and (i) the Framework Agreement (together with the Main Contract Caps); and (ii) the Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps) have been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of (i) the Framework Agreement (together with the Main Contract Caps); and (ii) the Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

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

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE MAIN CONTRACT TRANSACTIONS**



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)

22 October 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)

We refer to the circular dated 22 October 2021 (the “**Circular**”) issued by the Company to the 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 terms of the Framework Agreement and the Main Contract Transactions 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. Red Sun has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the Main Contract Transactions.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 26 of the Circular and the text of a letter of advice from Red Sun, as set out on pages IFA I-1 to IFA I-21 of the Circular, both of which provide details of the Framework Agreement and the Main Contract Transactions.

Having considered (i) the Main Contract Transactions; (ii) the advice of Red Sun; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Framework Agreement and the Main Contract Transactions 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.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE MAIN CONTRACT TRANSACTIONS**

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

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE REVISION TRANSACTIONS**



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)

22 October 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS LAND & INVESTMENT LIMITED**

We refer to the circular dated 22 October 2021 (the “**Circular**”) issued by the Company to the 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 terms of the Second Supplemental Agreement and the Revision Transactions 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 Second Supplemental Agreement and the Revision Transactions.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 26 of the Circular and the text of a letter of advice from Honestum International, as set out on pages IFA II-1 to IFA II-16 of the Circular, both of which provide details of the Second Supplemental Agreement and the Revision Transactions.

Having considered (i) the Revision Transactions; (ii) the advice of Honestum International; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Second Supplemental Agreement and the Revision Transactions 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.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE REVISION TRANSACTIONS**

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

LETTER FROM RED SUN

The following is the full text of the letter from Red Sun which sets out its advice to the Independent Board Committee and Independent Shareholders in connection with the terms of the Framework Agreement and the Main Contract Transactions for inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

22 October 2021

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the Main Contract Transactions between the Company and CSCECL, which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 22 October 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 September 2021, the Company and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Construction Main Contracts as joint venture main contractor. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Construction Main Contracts.

The cooperation between the Company and CSCECL (or their respective subsidiaries) as contemplated by the Framework Agreement will take the form of contractual joint venture in accordance with customary terms in the construction industry whereby the Company and CSCECL (or their respective subsidiaries) will cooperate to implement the relevant Construction Main Contracts as joint venture main contractor.

LETTER FROM RED SUN

Upon a successful tender (or such other contract award process), the relevant Construction Main Contract shall be awarded by the relevant third-party developer/owner client to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor.

The Framework Agreement does not anticipate the formation of any joint venture company, nor the acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries), which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint ventures/joint operations” in the financial statements of the Company.

As at the Latest Practicable Date, CSCECL is an intermediate holding company of the Company. Hence, CSCECL is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Main Contract Transactions constitute continuing connected transactions for the Company. Since the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year as contemplated under the Framework Agreement, i.e. the Main Contract Caps, exceed 5%, the Main Contract Transactions are subject to the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Main Contract Transactions and no Director is required to abstain from voting on the Board resolution(s) approving the Main Contract Transactions. However, Mr. Yan Jianguo, being the chairman and non-executive director of the Company and the chairman and president of COHL has voluntarily abstained from voting on the Board resolutions approving the Main Contract Transactions. Mr. Zhang Haipeng, being executive Director and a director of COHL, was absent from the relevant Board meeting and did not vote on the Board resolutions approving the Main Contract Transactions.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Yan Jianguo as Chairman and non-executive Director; Mr. Zhang Haipeng as chief executive officer and executive Director; Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Hung Cheung Shew as executive Directors; Mr. Chen Xiaofeng as non-executive Director; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Framework Agreement and the Main Contract Transactions, 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.

We, Red Sun, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the terms of the Framework Agreement and the Main Contract Transactions, for the Independent Board Committee’s consideration when making their recommendation to the Independent Shareholders.

LETTER FROM RED SUN

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CSCECL and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Framework Agreement and the Main Contract Transactions.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Group, details of which are set out in the relevant circulars dated (i) 24 March 2020 in relation to continuing connected transactions; and (ii) 24 November 2020 in relation to continuing connected transactions.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser I, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and CSCECL and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and CSCECL made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM RED SUN

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, CSCECL and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Framework Agreement and the Main Contract Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the Main Contract Transactions, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and the CSCECL Group

1.1 Principal business and the financial information of the Group

The Group is principally engaged in the construction business, infrastructure investments and prefabrication constructions. According to the latest published interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), the Group’s business activities are principally carried out in Hong Kong, Macau and the PRC.

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Set out below is a summary of the Group's operating results by segment and activities, extracted from the published annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report") and the 2021 Interim Report:

Summary of the Group's operating results by segment:

	For the year ended 31 December		For the six months ended 30 June	
	2020	2019	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	62,458,009	61,669,678	36,370,988	28,002,101
- the PRC	32,349,676	31,935,556	20,802,687	14,028,707
- Hong Kong	22,403,905	21,421,172	10,468,113	10,291,263
- Macau	4,503,455	4,693,648	2,925,396	1,946,546
- CSC Development Group (<i>Note</i>)	3,200,973	3,619,302	2,174,792	1,735,585

Note: China State Construction Development Holdings Limited, a limited liability company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange, and its subsidiaries (together the "CSC Development Group") is currently managed by a separate business team. The chief operating decision maker regards the CSC Development Group as a distinct reportable segment and assesses its performance based on its overall result.

For the year ended 31 December 2020 compared to the year ended 31 December 2019

The Group recorded a revenue of approximately HK\$61.7 billion and HK\$62.5 billion for the years ended 31 December 2019 and 2020, respectively, representing a year-on-year increase of approximately 1.3%.

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For the six months ended 30 June 2021 compared to the six months ended 30 June 2020

The Group recorded a revenue of approximately HK\$28.0 billion and HK\$36.4 billion for the six months ended 30 June 2020 and 2021, respectively, representing a period-on-period increase of approximately 29.9%.

Summary of the Group's operating results by business activities:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2020	2019	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	62,458,009	61,669,678	36,370,988	28,002,101
- Revenue from construction contracts	26,754,732	26,286,314	13,313,160	12,184,372
- Revenue from infrastructure investment projects <i>(Note 1)</i>	31,512,242	31,031,737	20,311,617	13,826,687
- Revenue from façade contracting business	2,294,968	2,678,001	1,619,370	1,267,187
- Revenue from infrastructure operation <i>(Note 2)</i>	764,313	834,113	478,785	366,460
- Others <i>(Note 3)</i>	1,131,754	839,513	648,056	357,395

Notes:

1. Revenue from infrastructure investment projects mainly comprises revenue generated from the provision of construction services under Public-Private-Partnership model and government targeted repurchase of resettlement housing project, and the corresponding interest income.
2. Revenue from infrastructure operation comprises revenue from thermoelectricity business and toll road operation.
3. Revenue from others mainly comprises revenue from project consultancy services, sales of building materials, machinery leasing, logistics services, insurance contracts and rental income from investment properties.

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For the year ended 31 December 2020 compared to the year ended 31 December 2019

The Group derived revenue from construction contracts of approximately HK\$26.3 billion and HK\$26.8 billion for the years ended 31 December 2019 and 2020, respectively, representing an increase of approximately 1.8%. As set out above, revenue generated from construction contracts accounted for approximately 42.6% and 42.8% of the Group's total revenue for the years ended 31 December 2019 and 2020, respectively.

The Group derived revenue from infrastructure investment projects of approximately HK\$31.0 billion and HK\$31.5 billion for the years ended 31 December 2019 and 2020, respectively, representing an increase of approximately 1.5%. As set out above, revenue generated from infrastructure investment projects accounted for approximately 50.3% and 50.5% of the Group's total revenue for the years ended 31 December 2019 and 2020, respectively.

The Group derived revenue from façade contracting business, infrastructure operation and others of approximately HK\$4.4 billion and HK\$4.2 billion for the years ended 31 December 2019 and 2020, respectively, representing a decrease of approximately 3.7%. As set out above, revenue generated from façade contracting business, infrastructure operation and others accounted for approximately 7.1% and 6.7% of the Group's total revenue for the years ended 31 December 2019 and 2020, respectively.

For the six months ended 30 June 2021 compared to the six months ended 30 June 2020

The Group derived revenue from construction contracts of approximately HK\$12.2 billion and HK\$13.3 billion for the six months ended 30 June 2020 and 2021, respectively, representing an increase of approximately 9.3%. As set out above, revenue generated from construction contracts accounted for approximately 43.5% and 36.6% of the Group's total revenue for the six months ended 30 June 2020 and 2021, respectively.

The Group derived revenue from infrastructure investment projects of approximately HK\$13.8 billion and HK\$20.3 billion for the six months ended 30 June 2020 and 2021, respectively, representing an increase of approximately 46.9%. As set out above, revenue generated from infrastructure investment projects accounted for approximately 49.4% and 55.8% of the Group's total revenue for the six months ended 30 June 2020 and 2021, respectively.

The Group derived revenue from façade contracting business, infrastructure operation and others of approximately HK\$2.0 billion and HK\$2.7 billion for the six months ended 30 June 2020 and 2021, respectively, representing an increase of approximately 37.9%. As set out above, revenue generated from façade contracting business, infrastructure operation and others accounted for approximately 7.1% and 7.6% of the Group's total revenue for the six months ended 30 June 2020 and 2021, respectively.

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1.2 Principal activities of CSCECL

CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

According to the annual report of CSCECL for the year ended 31 December 2020, its total revenue increased by approximately 13.7% from approximately RMB1,419.8 billion for the year ended 31 December 2019 to approximately RMB1,615.0 billion for the year ended 31 December 2020.

1.3 Overview of the economy in PRC and Macau

The PRC

The table below sets out a summary of the national GDP, urbanisation rate and disposable income of urban households per capita from 2018 to 2020 in the PRC:

	2018	2019	2020
<i>(approximate)</i>			<i>(Note)</i>
National GDP (<i>RMB trillion</i>)	91.9	98.7	100.9
Total population (<i>million</i>)	1,395.4	1,400.1	1,411.8
Urban population (<i>million</i>)	831.4	848.4	902.0
Urbanisation rate (%)	59.6	60.1	63.9
Per capita disposable income of urban households (<i>RMB</i>)	39,251	42,359	43,834

Source: National Bureau of Statistics of China

Note: Extracted from the 7th National Population Census of the PRC

As disclosed on the website of the National Bureau of Statistics of China (“NBS”)(國家統計局) (<http://data.stats.gov.cn>), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2020 was approximately 2.4% (2019: 7.3%), as COVID-19 had caused temporary adverse impact on the PRC economy on national and regional levels, while the PRC economy has continued to recover and recorded a period-on-period growth in GDP of approximately 12.7% compared to the GDP for the six months ended 30 June 2020, based on preliminary data published by the National Bureau of Statistics of China in July 2021.

In addition, we also noted that promotion of urbanisation remains one of the main objectives of the PRC government under its fourteenth five-year plan (十四五規劃), which sets out the overall direction of PRC governmental policies from 2021 to 2025. Pursuant to the fourteenth five-year plan, the PRC government has set the target for the percentage of permanent urban residents at 65% by 2025. The urbanisation rate reached 63.9% in 2020 according to the NBS.

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The urbanisation rate and income per capita in the PRC have increased steadily in recent years, which, in turn, has contributed towards a sustainable growth potential of PRC's construction industry.

Macau

The table below sets out a summary of the GDP and the GDP per capita from 2018 to 2020 in Macau:

	2018	2019	2020
<i>(approximate)</i>			
GDP (<i>MOP million</i>)	446,429	445,118	194,398
GDP per capita (<i>MOP'000</i>)	676.2	660.9	285.3

Source: Macau Statistics and Census Service

As disclosed on the website of the Macau Statistics and Census Service, the economy of Macao, which was mainly driven by exports of services, was inevitably affected by the COVID-19, with a substantial drop in total demand. Meanwhile, government investment slid by 9.5% year-on-year, with public construction investment and equipment investment falling by 6.9% and 21.2% respectively. However, the effect of the COVID-19 outbreak has gradually subsided in Macau and border controls have been easing accordingly, which, in fact, GDP dropped by 3.2% in the first quarter of 2021 and public construction investment and equipment investment showed respective increases of 73.8% and 13.3% as compared to the corresponding period in 2020.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

Framework Agreement

1. Principal terms of the Framework Agreement

Date

10 September 2021

Parties

1. the Company; and
2. CSCECL, the intermediate holding company of the Company.

Term

The Framework Agreement shall cover three financial years commencing on 1 January 2022 and ending on 31 December 2024.

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Subject matter

Pursuant to the Framework Agreement, the Company and CSCECL agreed that:

- (a) the parties (or their respective subsidiaries) may cooperate to enter into and implement the Construction Main Contracts as joint venture main contractor, provided that the maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) for the relevant financial year shall not exceed the corresponding Main Contract Cap as set out in the paragraph headed “Main Contract Caps” below in the Circular; and
- (b) the contractual joint ventures for entering into and implementing the particular Construction Main Contracts as contemplated under the Framework Agreement are joint ventures/joint operations arrangement between the Company and CSCECL (or their respective subsidiaries).

Details of the major terms and conditions of the Framework Agreement are set out in the section headed “The Framework Agreement” in the Letter from the Board in the Circular.

2. Reasons for and benefits of entering into the Framework Agreement

Both the Company and CSCECL are well established engineering contractors and represent high levels of technology and management in various fields of construction. It is perceived that the join-up of the Company and CSCECL as joint venture main contractor will enhance the chance of successful award of the Construction Main Contracts. CSCECL Group has substantial experience in construction markets in the PRC and overseas. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience and the specific construction qualifications of CSCECL Group, and provide opportunities for the Group to strengthen and further develop its construction related business and qualifications in the PRC and overseas.

The Directors consider that the Main Contract Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the Framework Agreement (together with the Main Contract Caps) has been entered into on normal commercial terms after arm’s length negotiations between the parties, and the terms of the Main Contract Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the Group is principally engaged in, amongst others, building construction and civil engineering works; and (ii) the CSCECL’s years of experience in large-scale public infrastructure and/or building projects in the PRC, we concur with the Directors that entering into the Framework Agreement between the parties would potentially enhance the chance of a successful award of the Construction Main Contracts to the Company (or its subsidiary or joint venture main contractor) and is beneficial to the Group and the Shareholders as a whole.

LETTER FROM RED SUN

3. Customary terms of joint venture agreements

During the term of the Framework Agreement, the Company and CSCECL (or their respective subsidiaries) may from time to time enter into a standard individual joint venture agreement (the “**JV Agreement**”) which contains the below customary terms in the construction industry, for establishing a contractual joint venture to enter into and implement a particular Construction Main Contract:

(a) Proportion of interest

The respective interest of the Company and CSCECL (or their respective subsidiaries) in each contractual joint venture under a JV Agreement (the “**Respective Interest**”) will be determined by the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be), based on the respective contributions of the Company and CSCECL (or their respective subsidiaries) to satisfying the scoring criteria of the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of the Construction Main Contract. The scoring criteria and the respective contributions of the Company and CSCECL (or their respective subsidiaries) will be determined by the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) during the Procedures as defined in the Letter from the Board.

(b) Profit/loss sharing

The Company and CSCECL (or their respective subsidiaries) shall be jointly and severally liable towards the relevant third-party developer/owner client for carrying out the particular Construction Main Contract awarded to them, notwithstanding the contractual arrangement between them under the JV Agreement. However, the liabilities, obligations, risks, rights, interests, profits and losses arising out of the contractual joint venture shall be shared or borne by the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. If either party (or its subsidiary) incurs any liability arising out of the contractual joint venture in excess of its Respective Interest, the other party (or its subsidiary) shall indemnify such party (or its subsidiary) so that the overall liability is apportioned between the parties (or their respective subsidiaries) in accordance with their Respective Interest.

(c) Financing and other support

Any initial and additional working capital of a contractual joint venture under a JV Agreement shall be contributed by the Company and CSCECL (or their respective subsidiaries) in accordance with their Respective Interest. The parties (or their respective subsidiaries) shall provide full technical and other support to the contractual joint venture as and when required.

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(d) Management

A contractual joint venture under a JV Agreement shall be managed by an executive board (the “**Executive Board**”) to be set up by the Company and CSCECL (or their respective subsidiaries). The Executive Board shall comprise members appointed by CSCECL (or its subsidiary) and members appointed by the Company (or its subsidiary), the number of which shall be determined in accordance with their Respective Interest. A member appointed by CSCECL (or its subsidiary) and a member appointed by the Company (or its subsidiary) present at a meeting of the Executive Board shall form a quorum. Any decision on material/major matters (including those specified in paragraph (f) below) made at meeting of the Executive Board shall require a unanimous consent of the members present at the meeting.

(e) Guarantee

In the event that the third-party developer/owner client requires the parent company of each of the Company and CSCECL (or their respective subsidiaries) to guarantee the performance of the relevant Construction Main Contract by such party (or its subsidiary), each of the Company and CSCECL (or their respective subsidiaries) shall indemnify its parent company for any liabilities arising from such guarantee.

(f) Other restrictions

Without the prior written consent from the other party (or its subsidiary), neither the Company (or its subsidiary) nor CSCECL (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of such party (or its subsidiary) under such JV Agreement; (ii) change the nature or scope of business of the contractual joint venture; and (iii) procure the joint venture to enter into any transactions concerning the relevant Construction Projects which are not on an arm’s length basis.

Condition Precedent

The Main Contract Transactions are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the Main Contract Transactions.

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Historical Amount

Reference is made to the announcement and the circular of the Company dated 4 June 2019 and 10 July 2019, respectively. On 4 June 2019, the Company and CSCECL entered into a framework agreement in respect of the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the main contractor contract(s) for the construction projects of large-scale transport facilities, drainage pipelines, housing and other related public utilities structures/facilities in Hong Kong (the “**2019 Framework Agreement**”).

The maximum total contract sum that may be awarded jointly to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor during the term of the 2019 Framework Agreement at the request of the Company shall not exceed the following annual caps:

For the financial year ended on 31 December 2019*	For the financial year ended on 31 December 2020	For the financial year ending on 31 December 2021
HK\$10 billion	HK\$15 billion	HK\$20 billion

* (excluding any contractual joint ventures which were not entered into by the Company and CSCECL (or their respective subsidiaries) as contemplated under the 2019 Framework Agreement, or any contractual joint ventures entered into by the Company and CSCECL (or their respective subsidiaries) which were separately disclosed by the Company under the Listing Rules before 4 June 2019)

Since the Company and CSCECL (or their respective subsidiaries) have not entered into any of the above main contractor contracts as joint venture main contractor as at the Latest Practicable Date, there is no historical transaction amount available.

4. Our analysis

With a view to assess the fairness and reasonableness of the Framework Agreement and the transactions contemplated thereunder, on a best effort basis, we have obtained and reviewed a total of four samples of framework agreements of which were entered into between a period from 1 June 2018 and up to 10 September 2021 (being the date of the Framework Agreement), on a non-exhaustive and random basis, in relation to the formation of joint venture entered into by the Company and independent third parties for Construction Projects (the “**Company JV Agreements**”).

In addition to the above, we also conducted research based on published information on the website of Hong Kong Exchanges and Clearing Limited (<https://www.hkex.com.hk>), on a non-exhaustive basis, on joint ventures arrangements entered into by listed companies in Hong Kong in the construction or property related industry (the “**Reviewed Listed Companies**”). The samples were selected, with the following criteria, (i) the announcements or circular were made by Reviewed Listed Companies which are listed on the Main Board of the Stock Exchange; (ii) the activity of the joint venture is related to construction or property related services; and (iii) the announcements or circular were made during the period from 10 February 2021 up to and including 10 September 2021 (being the date of the Framework Agreement) which we considered to be a recent and reasonable period for the purpose of our analysis hereunder and we considered that such period to be

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demonstrative for the prevailing market practice. On a best effort basis, we have identified 11 samples of announcements/circulars in respect of the joint venture agreements entered into by the Reviewed Listed Companies with independent third parties and/or connected parties (the “**Market JV Agreements**”). Based on the above criteria and notwithstanding that the background and the scale of operations of the Market JV Agreements may be different from that of the Construction Main Contracts as contemplated under the Framework Agreement, we are of the view that the Market JV Agreements serve as meaningful and comparative references in comparing the salient terms in respect of the formation of joint venture set up by companies listed on the Stock Exchange in the construction and property related industry for our analysis purposes.

The following table sets forth the relevant details of the Market JV Agreements:

Name of Company	Stock code	Date of announcement/ circular	Proportion of interest attributable to the company (approximately %)	Description of the Market JV Agreements
CIFI Holdings (Group) Co. Ltd.	884	2 August 2021	50	Property development in Chongqing, the PRC
China Communications Construction Company Limited	1800	23 July 2021	91	Real estates development and operation, non-residential real estates leasing and etc
CIFI Holdings (Group) Co. Ltd.	884	20 July 2021	50	Property development project in Tianjin, the PRC
CIFI Holdings (Group) Co. Ltd.	884	15 July 2021	50	Property development project in Foshan, the PRC
CIFI Holdings (Group) Co. Ltd.	884	9 July 2021	50	Property development project in Chengdu, the PRC
Beijing Urban Construction Design & Development Group Co., Limited	1599	7 April 2021	30.6	Investment and financing, design, construction, operation, maintenance, transfer and other businesses
Great Eagle Holdings Limited	41	28 February 2021	27	Acquisition of a property in London
Wing Tai Properties Limited	369	28 February 2021	21	Acquisition of a property in London
Financial Street Property Co., Limited	1502	23 February 2021	51	Property management and relevant services
Kerry Properties Limited	683	23 February 2021	40	Holding and development of a parcel of land
Financial Street Property Co., Limited	1502	10 February 2021	51	Property management and relevant services

Shareholders should note that the businesses, operations and prospects of the joint venture(s) to be formed under the terms of the Framework Agreement and the transactions contemplated thereunder may or may not be the similar to those of the Company JV Agreements and Market JV Agreements (together, the “**Sampled JV Agreements**”) and the aforesaid samples are used to provide a general reference for the common market practice regarding the formation of joint venture.

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We noted the following from our review of the Sampled JV Agreements:

- (i) the proportion of interest attributable to the Company or the Reviewed Listed Companies, where applicable, as joint venture partners pursuant to the respective Sampled JV Agreements varied, which ranged from 30% to 85% per joint venture partner for the Company JV Agreements and ranged from 21% to 91% attributable to the company listed on the Stock Exchange for the Market JV Agreements;
- (ii) the liabilities, interests, profit and loss arising out of the joint ventures under the respective Sampled JV Agreements shall be shared or borne in accordance with the respective interest of the joint venture partners;
- (iii) working capital shall be contributed in accordance with the respective interest of the joint venture partners under the respective Sampled JV Agreements;
- (iv) pursuant to a majority of the Sampled JV Agreements, where specified, various operational matters can be decided by a majority of the executive board set up by the joint venture partners and certain specified matters required unanimous consent of the executive board/shareholder;
- (v) based on information reviewed, more than half of the Sampled JV Agreements sets out the terms governing circumstances whereby the parent company of the joint venture partners is required to provide guarantee on the party's performance, the joint venture partners shall indemnify its parent company for any liabilities arising from such guarantee; and
- (vi) in relation to transfer, assign or pledge interest of the parties, more than half of the Sampled JV Agreements contained similar clauses.

Based on our analysis above, we are of the view that the terms as set out under paragraph headed "Customary terms of joint venture agreements" in the Letter from the Board are in line with market practice as a whole and thus considered to be fair and reasonable.

Having considered that (i) the Construction Main Contracts fall within the principal business activities of the Group; (ii) the reasons for and benefit of the Group to enter into the Framework Agreement; (iii) the results of our analysis performed on the terms of the Framework Agreement; and (iv) the customary terms of joint venture agreements as set out in the Framework Agreement are in line with market practice as set out above, we concur with the Directors' view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Contract sum of the Construction Main Contracts

As a general principle and in accordance with market practice, the contract sum with respect to the Construction Main Contracts shall be determined in the ordinary course of business on normal commercial terms and on an arm's length basis after a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client.

6. Invitation for cooperation

Internal approval process

In the event that the Company (or its subsidiary) or CSCECL (or its subsidiary) decides to participate in the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in respect of a Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such process with each other as joint venture main contractor, if the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be), after making qualitative and quantitative assessment of the scoring criteria of such process, determines that such invitation will maximize the scoring of such tendering process or contract award process and therefore the chance of successful award of the Construction Main Contract.

The engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) (as the case may be) will determine whether or not to make such invitation to the other party (or its subsidiary) during its standard tender or other contract award submission procedures in respect of a Construction Main Contract which generally involve (i) receiving invitation to tender or participate in such other prescribed contract award process of the Construction Main Contract; (ii) initial assessment of the tender or contract award documents; (iii) further planning and estimation; (iv) determining the scoring criteria of the tendering process or contract award process; (v) assessing the track record and implementation capabilities of CSCECL (or its subsidiary) or the Company (or its subsidiary) (as the case may be) relevant to the Construction Main Contract; (vi) determining the respective contributions of CSCECL (or its subsidiary) and the Company (or its respective subsidiary) (as the case may be) to satisfying the scoring criteria of the tendering process or contract award process; (vii) preparation for the tender or other contract award report and internal tender or other contract award adjudication; and (viii) tender or other contract award submission (the "**Procedures**").

In assessing the tender or contract award documents, the Company (or its subsidiary) or CSCECL (or its subsidiary) will take into account factors including the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with the Construction Main Contract. The Company (or its subsidiary) or CSCECL (or its subsidiary) will then perform site inspection, conduct quantitative costs analysis and risk assessment.

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If, during the Procedures, the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary) is satisfied that the participation of CSCECL (or its subsidiary) or the Company (or its subsidiary) in the tendering process or such other prescribed contract award process in respect of the Construction Main Contract will maximize the scoring of such process and therefore the chance of successful award of the Construction Main Contract, the Company (or its subsidiary) or CSCECL (or its subsidiary) may invite the other party (or its subsidiary) to participate in such tendering process or contract award process. The president of the engineering department of the Company (or its subsidiary) or CSCECL (or its subsidiary), who does not hold any position in the other party (or its subsidiary), will review and approve the decision of making such invitation to CSCECL (or its subsidiary) or the Company (or its subsidiary).

Our analysis

For our assessment in connection with internal approval process, we have reviewed the internal standard procedures of the Group governing the tendering process (i.e. the Procedures) which set out, among others, standard procedures for tenders covering areas, such as (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) determining the scoring criteria; (v) assessing the track record and implementation capabilities of potential joint venture partner; (vi) determining the respective contributions of the Company and its potential joint venture partners to satisfying the scoring criteria of the tendering process; (vii) preparation for tender report and internal tender adjudication; and (viii) tender submission.

In addition, we have discussed and understood from the Management that (i) the same Procedures would apply to tenders with independent third parties and connected persons of the Group; (ii) the auditor of the Company would also conduct an annual review on the transactions entered into under the Framework Agreement to ensure that the transaction amounts are within the annual caps and the transactions are in accordance with the terms as set out in the Framework Agreement; and (iii) the independent non-executive Directors would also review the transactions entered into under the Framework Agreement annually to ensure that they are conducted on normal commercial terms and are in accordance with the terms of the Framework Agreement.

Furthermore, on a best effort basis, we have obtained and reviewed a total of five samples of the assessment on joint venture partner for project tender* (the “**Assessment on Joint Venture Partner for Project Tender**”) (工程投標聯營夥伴確定表) for tenders for contractual joint venture with independent third parties which were assessed between a period from 1 January 2018 and up to 10 September 2021 (being the date of the Framework Agreement), on a non-exhaustive and random basis. Based on our discussions with the Management and reviewed the samples of the Assessment on Joint Venture Partner for Project Tender, we understand that (i) the contractual joint venture with connected persons will be reviewed against the same prescribed procedures which were applied to contractual joint venture with independent third parties; and (ii) the evaluations as set out in the samples of the Assessment on Joint Venture Partner for Project Tender are in line with the Procedures as mentioned above.

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Moreover, under the Procedures and samples of the Assessment on Joint Venture Partner for Project Tender being reviewed and our discussions with the Management, we also note that the respective interest of the Company and the potential joint venture partners in each contractual joint venture will be determined based on the respective contributions of the Company and the potential joint venture partner to satisfy the scoring criteria of the tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner and may vary depending on the parties' respective (i) track record and implementation capabilities; (ii) contributions to satisfying the scoring criteria of the tendering process; and (iii) abilities to enhance the chance of successful award of the contracts. Based on our discussions with the Management, we noted that the basis to determine the respective interest of the Company and potential joint venture partners in each contractual joint venture for tenders with connected persons will be evaluated under the same prescribed assessment in a manner no different from tenders with independent third parties.

Having considered that (i) the internal control guidance regarding a proper tender procedure (i.e. the Procedure) which also applies to the tenders with either connected persons or independent third parties; (ii) annual reviews in respect of the transactions under the Framework Agreement will be performed by auditor of the Company and the independent non-executive Directors; and (iii) the basis to determine the respective interest of the Company and potential joint venture partners in each contractual joint venture, we concur with the Directors' view that the Company has sufficient internal control procedures to govern the tendering process (i.e. the Procedure) for transactions under the Framework Agreement.

7. Main Contract Caps

The maximum total contract sum of the Construction Main Contracts which may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor during the term of the Framework Agreement shall not exceed the following Main Contract Caps:

For the financial year ending on		
31 December 2022	31 December 2023	31 December 2024
HK\$31 billion	HK\$33 billion	HK\$35 billion

Basis of determining the Main Contract Caps

The Main Contract Caps are determined with reference to the estimated annual contract sum of the Construction Main Contracts during the relevant financial year.

In determining the Main Contract Caps, the Company has also considered the following:

- (a) the expected tenders by the Group for three potential Construction Projects with contract sum of approximately HK\$27.3 billion for the financial year ending on 31 December 2022, four potential Construction Projects with contract sum of approximately HK\$28.1 billion for the financial year ending 31 December 2023, and three potential Construction Projects with contract sum of approximately HK\$29.1 billion for the financial years ending on 31 December 2024, respectively, the estimation of which is based on the expected approximate

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amount of investment/expenditure that the relevant third-party developer/owner client would invest/expend on such relevant Construction Project, the expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges. In respect of the aforementioned ten potential Construction Projects, it is expected that the Group would engage in, among others, the construction of entertainment and hospitality buildings, industrial buildings, infrastructures (including highway and light rail) and development of lands, and the size and scale of each of such Construction Project would have a bearing in determining the Main Contract Caps;

- (b) a buffer of 10% of the aforesaid contract sum for each financial year to accommodate the expected general increase in construction cost in each of the three financial years which is estimated to be contributed by the general escalation in labour cost, materials cost, and cost relating to the implementation of safety measures, quality assurance and environmental protection measures; and
- (c) a buffer of HK\$1 billion, HK\$2 billion and HK\$3 billion for each of the three financial years to accommodate other potential Construction Projects to be announced by the relevant third-party developer/owner client.

In assessing the fairness and reasonableness of the Main Contract Caps, we have reviewed and discussed with the Management a schedule setting out a list of potential new construction projects to be tendered by the Group for the three years ending 31 December 2024, which, upon successful tender, for the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the Construction Main Contracts under the Framework Agreement. The aforesaid schedule includes (i) three potential projects to be tendered in the year of 2022 with an estimated contract amount between HK\$2 billion and HK\$23 billion; (ii) four potential projects to be tendered in the year of 2023 with an estimated contract amount between HK\$5 billion and HK\$9 billion; and (iii) three potential projects to be tendered in the year of 2024 with an estimated contract amount between HK\$5 billion and HK\$15 billion. We also noted that majority of the aforementioned potential projects are located in the PRC and Macau. As such, having considered that (i) the schedule setting out the potential new construction projects is only based on information currently available to the Group; and (ii) the schedule for the list of potential new construction projects to be tendered by the Group is not exhaustive, we considered that such schedule forms a fair and reasonable basis for determining the Main Contract Caps.

As advised by the Management, a buffer of 10% has been included in the Main Contract Caps for each of the three years ending 31 December 2024 to cater for any increase in construction cost, such as labour cost and material cost. To this end, we have reviewed publications by (i) National Bureau of Statistics of China titled “2020 China Statistical Yearbook” and noted that the price indices of construction and installation recorded a five-year growth of approximately 2.2% from 2014 to 2019, in particular the material costs recorded a five-year growth of approximately 4.2% from 2014 to 2019; and (ii) Macau Statistics and Census Service titled “Yearbook of Statistics 2020” in July 2021 and noted that the average prices of spiral & round reinforcing steel bars and concrete recorded a five-year growth of approximately 10.0% and 28.2%, respectively, from 2015 to 2020. Furthermore, as advised by the Management, variation orders are common in construction related projects, such as construction drawings cannot accurately anticipate all occurrences during the actual construction phase on construction sites and additional costs might incur for alteration or variation orders to

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accommodate the changes during the actual construction phase. Having considered the above, we considered that the buffer of 10% to cater for any potential increase in construction cost to be reasonable in this regard. In addition, a further HK\$1 billion, HK\$2 billion and HK\$3 billion has also been included Main Contract Caps for each of the three years ending 31 December 2024 to cater for any unforeseeable changes in the market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum in respect of the cooperation of the Company and CSCECL to enter into the Construction Main Contracts under the Framework Agreement, thereby providing a degree of flexibility.

Notwithstanding that the Company and CSCECL have not entered into any Construction Main Contract as joint venture main contractor for the two years ended 31 December 2020 and up to the Latest Practicable Date, having considered that (i) the overview of the economy and its large-scale infrastructure and/or building construction activities which have been set out under the paragraph headed “1.3 Overview of the economy in PRC and Macau” in this letter above; (ii) the potential projects which the Company and CSCECL (or their respective subsidiaries) may cooperate to enter into for each of the three years ending 31 December 2022, 2023 and 2024 with an aggregate potential contract sum of approximately HK\$27.3 billion, HK\$28.1 billion and HK\$29.1 billion, respectively, under the potential Construction Projects, plus a buffer; and (iii) the basis and assumption for the calculation of the Main Contract Caps, we consider the basis for determining the Main Contract Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the Main Contract Caps represent the best estimates by the Group based on the information available at the time. In addition, the Main Contract Caps would provide the Group or the joint venture main contractor with the flexibility but not the obligation to submit tender for the Construction Main Contracts and any tender submitted for the Construction Main Contracts shall be subject to the Procedures as mentioned above.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the basis and reasons for entering into the Framework Agreement;
- (ii) the implementation of the relevant Construction Main Contracts as joint venture main contractor that may be awarded jointly to the Group and CSCECL contemplated under the Framework Agreement is a furtherance and continuance of the Group’s businesses;
- (iii) the findings from our analysis as set out under paragraph headed “4. Our analysis” in this letter;
- (iv) the implementation of the relevant Construction Main Contracts as joint venture main contractor that may be awarded jointly to the Group and CSCECL under the Framework Agreement will be conducted in the ordinary and usual course of business of the Group; and

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- (v) the basis for determining the Main Contract Caps includes, amongst other things, the estimated annual contract sum for the potential Construction Main Contracts, details of which are set out under the section headed “7. Main Contract Caps” in this letter above,

we are of the view that the terms of the Framework Agreement and the Main Contract Transactions 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. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the resolution to approve the Framework Agreement and the Main Contract Transactions at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Jimmy Chung
Managing Director

Mr. Jimmy Chung is a Responsible Officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

** For identification purposes only*

LETTER FROM HONESTUM INTERNATIONAL

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.



22 October 2021

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS WITH CHINA OVERSEAS LAND & INVESTMENT LIMITED IN RELATION TO THE REVISION 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 Second Supplemental Agreement to the Existing 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 22 October 2021 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 dated 8 April 2020 and the circular dated 20 May 2020 of the Company in relation to the Existing Master Engagement Agreement entered into between the Company and COLI, the term of which commenced on 8 April 2020 until 31 December 2022, pursuant to which (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 Original Construction Work Caps; 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.

Reference is also made to the announcement of the Company dated 10 June 2021 in relation to the First Supplemental Agreement entered into between the Company and COLI, pursuant to which, in addition to the members of the COLI Group subject to the Existing Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the COLI Associated Companies from time to time on the terms set out in the Existing Master Engagement Agreement for the remainder of the term of the Existing Master Engagement Agreement. The First Supplemental Agreement has not sought to amend the Original Construction Work Caps.

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On 10 September 2021, the Company and COLI entered into the Second Supplemental Agreement to revise the Original Construction Work Caps, taking into account the estimated contract sum of the potential construction works of both the COLI Group and the COLI Associated Companies which the Group expects to tender for.

As at the Latest Practicable Date, COHL is the controlling shareholder of both the Company and COLI by virtue of it being interested in approximately 64.81% of the issued share capital of the Company and approximately 56.09% of the issued share capital of COLI. Accordingly, members of the COLI Group and the COLI Associated Companies are connected persons of the Company and the Revision Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Proposed Revised Construction Work Caps, for the financial years ending on 31 December 2021 and 31 December 2022, exceed 5%, the Revision 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 the independent non-executive Directors, has been formed to consider whether (i) the terms of the Second Supplemental Agreement and the Revision Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Revision Transactions (together with the Proposed Revised Construction Work Caps) are fair and reasonable 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 resolution 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.

During the past two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of which are set out in (i) the circular of the Company dated 20 May 2020 in relation to revision of annual caps and renewal of continuing connected transactions between the Company and COLI; (ii) the circular of the Company dated 17 December 2020 in relation to revision of annual caps and renewal of continuing connected transactions between the Company and COGO and (iii) the circular of the Company dated 6 May 2021 regarding the formation of joint venture in relation to land in Zhuhai, the PRC, between the Company and COLI. Save for the above, 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. 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 terms of the Second Supplemental Agreement and the Revision Transactions.

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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 terms of the Second Supplemental Agreement and the Revision 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 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the terms of the Second Supplemental Agreement and the Revision Transactions, we have taken into account the principal factors and reasons as set out below.

(A) Background of and reasons for entering into the Revision Transactions

(i) *Background of the Group and the COLI Associated Companies*

The Group is principally engaged in construction business, infrastructure investments and prefabricated constructions and its revenue is mainly derived from the PRC, Hong Kong and Macau. According to the 2020 annual report of the Company (the “**2020 Annual Report**”), the total revenue from construction contracts represented approximately 42.8% of the Group’s total revenue during the financial year ended 31 December 2020.

The COLI Associated Companies are well established property developers in the PRC, Hong Kong and Macau and are 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 their normal course of business, the COLI Associated Companies may invite the Group to tender for the construction works of the COLI Associated Companies in the PRC, Hong Kong and Macau as construction contractor from time to time.

(ii) *The reasons for the Proposed Revised Construction Work Caps under the Second Supplemental Agreement*

Pursuant to the Existing Master 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 2022 shall not exceed HK\$9,000 million.

As stated in the Letter from the Board, pursuant to the First Supplemental Agreement, in addition to the members of the COLI Group subject to the Existing Master Engagement Agreement, the Group may, with effect from the date of the First Supplemental Agreement, tender for the construction works of the COLI Associated Companies in the PRC, Hong Kong and Macau from time to time on the terms set out in the Existing Master Engagement Agreement for the remainder of the term of the Existing Master Engagement Agreement.

However, the First Supplemental Agreement has not sought to amend the Original Construction Work Caps. The respective Original Construction Work Caps for each of the financial years ending on 31 December 2021 and 31 December 2022 were determined with reference to the respective estimated contract sum of the potential construction works of the COLI Group which the Group expected to tender for during these two financial years only but without reference to those of the COLI Associated Companies which the Group expects to tender for during these two financial years.

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As stated in the Letter from the Board, the total contract sum awarded by a COLI Associated Company to the Group as construction contractor for the construction work of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021 was approximately HK\$2,248 million. Taking into account the potential construction works of the COLI Associated Companies (in addition to those of the COLI Group) which the Group intends to tender for during the financial years ending on 31 December 2021 and 31 December 2022, the Company expects that the maximum total contract sum of the construction contracts that may be awarded by the COLI Group and the COLI Associated Companies to the Group for each of the financial years ending on 31 December 2021 and 31 December 2022 will exceed the Original Construction Work Caps for these two financial years. In this connection, the Company and COLI entered into the Second Supplemental Agreement on 10 September 2021 to revise the respective Original Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022.

Save for the revision of the Original Construction Work Caps to the Proposed Revised Construction Work Caps, all other terms and conditions under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) shall remain the same.

(iii) Benefits of the revision of the Original Construction Work Caps

As stated in the Letter from the Board, the Directors consider that through the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) and the Second Supplemental Agreement, the Group is able to participate in the construction works of the COLI Associated Companies in the PRC, Hong Kong and Macau 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 Original Construction Work Caps, taking into account of the above and (i) the business nature of the Group and the COLI Associated Companies; (ii) the transactions contemplated under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) and the Second Supplemental 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 maximum total contract sum of the construction contracts that may be awarded by the COLI Group and the COLI Associated Companies to the Group is expected to increase during the financial years ending on 31 December 2021 and 31 December 2022 in view of the potential construction works of the COLI Associated Companies (in addition to those of the COLI Group) which the Group intends to tender for; (iv) the Proposed Revised Construction Work Caps under the Second Supplemental Agreement provide a good opportunity for the Group to further develop its construction business in the PRC, Hong Kong and Macau; and (v) the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) and the Second Supplemental Agreement does not impose any contractual obligation on the Group to sign any definitive agreements with the COLI Group or the COLI Associated Companies, we are of the view that the entering into the Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps) 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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(B) Principal terms of the Existing Master Engagement Agreement

Date: 8 April 2020

Parties: the Company and COLI

Subject Matter: Pursuant to the Existing Master Engagement Agreement, the Company and COLI 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 Original Construction Work Cap:

For the financial	For the financial	For the financial
year ended on	year ending on	year ending on
31 December 2020	31 December 2021	31 December 2022

HK\$9,000 million	HK\$9,000 million	HK\$9,000 million
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- (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.

Pricing basis of the tenders submitted by the Group: 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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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 Second Supplemental Agreement (together with the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022) do not impose any contractual obligation for the Group to tender for construction works of both the COLI Group and the COLI Associated Companies. Instead, as confirmed by the Management, the Group has maintained a standard and systematic tender review procedures to review the feasibility and profitability of invitations to tender from both the COLI Group and the COLI Associated Companies 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.

As confirmed by the Management, each tender submission is subject to the review and approval of a review committee (the "**Review Committee**") comprising of 4-7 members and none of the committee members is employees or directors of the COLI Group or the COLI Associated Companies. 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 Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) and the Second Supplemental Agreement.

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To ascertain the Group's standard and systematic tender submission procedures, we have obtained and reviewed three randomly selected sample tender reports of the Group in 2019 and 2020, of which one was submitted to the COLI Associated Company in 2020, one was submitted to the COLI Group in 2019 and one was submitted to an independent third party in 2020. Based on our discussion with the Management 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 Second Supplemental Agreement and the Revision Transactions would be on normal commercial terms and be fair and reasonable so far as the Independent Shareholders are concerned.

(D) The Proposed Revised Construction Work Caps under the Second Supplemental Agreement

As set out in the Letter from the Board, the respective Original Construction Work Caps and the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 2022 are as follows:

	For the financial year ending on 31 December	
	2021	2022
Original Construction Work Caps	HK\$9,000 million (Note 1)	HK\$9,000 million (Note 1)
Proposed Revised Construction Work Caps	HK\$20 billion (Note 2)	HK\$21 billion (Note 3)

Note 1: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group only under the Existing Master Engagement Agreement, and following the amendments made under the First Supplemental Agreement, by the COLI Group and the COLI Associated Companies.

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Note 2: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group and the COLI Associated Companies, among which, it includes (1) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group (i.e. HK\$9,000 million) (among which approximately HK\$2,248 million was utilized by a COLI Associated Company and will not be re-allocated under the HK\$11 billion sub-cap) and (2) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Associated Companies (i.e. HK\$11 billion). For details of the total contract sum awarded by the COLI Associated Company to the Group as construction contractor for the construction works of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021, please refer to sub-paragraph (b) of and note 1 to the sub-paragraph (b) of the section headed “Basis of determining the Proposed Revised Construction Work Caps” in the Letter from the Board.

Note 3: being the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group and the COLI Associated Companies, among which, it includes (1) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Group (i.e. HK\$9,000 million) and (2) the maximum total contract sum of the construction contracts which may be awarded to the Group (as construction contractor) by the COLI Associated Companies (i.e. HK\$12 billion).

Save for the revision of the Original Construction Work Caps to the Proposed Revised Construction Work Caps, all other terms and conditions under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) shall remain the same.

The total contract sums awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group under the Existing Master Engagement Agreement for the year ended 31 December 2020 and the eight months ended 31 August 2021 were approximately HK\$100.4 million and HK\$4,512.5 million, respectively.

As stated in the Letter from the Board, the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 are determined with reference to the following factors:

- (a) the Original Construction Work Cap of HK\$9,000 million for each of the financial years ending on 31 December 2021 and 31 December 2022;
- (b) the historical transaction amount of the previous construction contracts with COLI Associated Company for the financial year ending 31 December 2021, being the total contract sum awarded by a COLI Associated Company to the Group as construction contractor for the construction works of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021 of approximately HK\$2,248 million (*Note 1*);
- (c) the expected tenders by the Group for three potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$10 billion for the financial year ending on 31 December 2021 and six potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$11 billion for the financial year ending on 31 December 2022 respectively, such potential construction projects of which are located in the PRC and/or Hong Kong; and

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- (d) a buffer of HK\$1,000 million and HK\$1,000 million for the financial years ending on 31 December 2021 and 31 December 2022 respectively to accommodate other potential construction works of the COLI Associated Companies.

Note 1: Such amount (i.e. HK\$2,248 million) has been counted towards the Original Construction Work Cap for the financial year ending on 31 December 2021 of the amount of HK\$9,000 million subsequent to the amendments made under the First Supplemental Agreement (pursuant to which the Group could also enter into relevant transactions with the COLI Associated Companies as long as the maximum total contract sum of the construction contracts awarded by the COLI Group and the COLI Associated Companies is within the Original Construction Work Cap). Once the Proposed Revised Construction Work Caps have been approved by the Independent Shareholders, despite that the Proposed Revised Construction Work Cap for the financial year ending 31 December 2021 shall comprise two sub-caps of (i) HK\$9,000 million in respect of the COLI Group and (ii) HK\$11 billion in respect of the COLI Associated Companies, the Company does not intend to re-allocate the HK\$2,248 million under the HK\$11 billion sub-cap since such transaction took place historically and was permitted as a result of the amendments made under the First Supplemental Agreement. Going forward, all contract sums of the construction contracts to be awarded by each of the COLI Group and the COLI Associated Companies shall be allocated under the respective sub-caps.

Our assessments on the Proposed Revised Construction Work Caps and its basis

In assessing the reasonableness of the above Proposed Revised Construction Work 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 Proposed Revised Construction Work Caps

The Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 are HK\$20 billion and HK\$21 billion respectively, representing an increase of approximately HK\$11 billion and HK\$12 billion from the Original Construction Work Caps under the Existing Master Engagement Agreement respectively.

In reviewing the basis of the Proposed Revised Construction Work Caps, we have considered the following factors and reasons:

i. Utilisation of the Original Construction Work Caps

As set out in the Letter from the Board, (i) the respective total contract sum of approximately HK\$100.4 million and HK\$4,512.5 million awarded by the COLI Group to the Group as construction contractor for the construction works of the COLI Group under the Existing Master Engagement Agreement for the year ended 31 December 2020 and the eight months ended 31 August 2021, respectively; and (ii) the total contract sum awarded by a COLI Associated Company to the Group as construction contractor for the construction works of the COLI Associated Company during the period from 10 June 2021 to 10 September 2021 of approximately HK\$2,248 million. Therefore, the total contract sum awarded by both the COLI Group and the COLI Associated Companies for the financial year ended on 31 December 2020 and the period from 1 January 2021 to 10 September 2021 were approximately HK\$100.4 million and at least HK\$6,760.5 million respectively, representing approximately 1.1% and 75.1% of the Original Construction Work Caps for the corresponding period.

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As advised by the Management, the low utilisation rate of the Original Construction Work Cap for the financial year ended on 31 December 2020 of approximately 1.1% was primarily due to the unexpected delay in the tendering process of some projects. However, as at 10 September 2021, the utilisation rate of the Original Construction Work Cap for the financial year ending on 31 December 2021 was approximately 75.1%. In consideration of such high utilisation rate of the Original Construction Work Cap for the financial year ending on 31 December 2021 together with the expected tenders by the Group for the potential construction projects of the COLI Associated Companies, the Management consider that it would be more appropriate to revise the Original Construction Work Caps to the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022.

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

According to the annual report of COLI for the financial year ended 31 December 2020, the COLI group together with its associates and joint ventures, excluding COGO (the “**COLI Group Series of Companies**”) had a total land reserve of approximately 61.79 million square metres as at 31 December 2020. According to the annual reports of COLI for the financial years ended 31 December 2018, 2019 and 2020, the COLI Group Series of Companies (excluding COGO) acquired 63, 53 and 64 land parcels in the PRC and in Hong Kong during the respective year, among which 6, 2 and nil land parcels with not less than 30% and not more than 50% interest attributable to the COLI Group respectively. Such land parcels, which represented the land reserves of the COLI Associated Companies, added a total GFA of approximately 1.8 million, 225,000 and nil square metres to the land reserve of the COLI Group (attributable interest of approximately 726,000, 67,500 and nil square metres). According to the interim report of COLI for the six months ended 30 June 2021, the COLI Group Series of Companies (excluding COGO) acquired 20 land parcels in the PRC and in Hong Kong during the period, among which 3 land parcels represented the land reserves of the COLI Associated Companies, added a total GFA of approximately 842,000 square metres to the land reserve of the COLI Group (attributable interest of approximately 405,000 square metres). Taking into consideration the historical land acquisitions in the PRC and in Hong Kong carried out by the COLI Associated Companies in each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2021, it is expected that the COLI Associated Companies will further expand their land reserves in the PRC and in Hong Kong in the future based on their historical acquisitions in the past few years. Given that the COLI Associated Companies are property developers with business focus mainly in the PRC, Hong Kong and Macau, such land reserves will be used for property development projects someday in the future. As the COLI Associated Companies’ land bank grows, it is expected that the number of potential construction work projects originated from the COLI Associated Companies will increase, and consequentially, the demand for and contract sum of construction works offered to the Group or other independent construction contractors will continue to increase.

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In line with the land investment strategy of the COLI Group Series of Companies (excluding COGO) to deepen its efforts in first- and second-tier major cities and refine investment presence, in particular, the abovementioned land acquisitions of the COLI Associated Companies, which were included in the land reserves of the COLI Associated Companies as at 31 December 2020, comprises of (i) 2 land parcels in the Kai Tak district in Hong Kong with total gross floor area of approximately 225,000 square metres acquired in 2019; (ii) 6 land parcels in the first- and second-tier cities such as Jinan, Beijing, Ezhou, Fuzhou and Shanghai with total gross floor area of approximately 1.8 million square metres acquired in 2018; and (iii) the West Rail Kam Sheung Road Project in Hong Kong with gross floor area of approximately 115,000 square metres acquired in 2017, which would be available for development for the two financial years ending on 31 December 2022. In addition, the COLI Associated Companies acquired 3 land parcels during the six months ended 30 June 2021, which were located in Xiamen, Suzhou and Changchun.

As stated in the annual report of COLI for the financial year ended 31 December 2020, property development projects of the COLI Group Series of Companies (excluding COGO) were mainly located in the first-tier and second-tier cities in Mainland China and the PRC, Hong Kong and Macau remained as the core markets and the major contributor of the COLI Group Series of Companies (excluding COGO). As set out in the Letter from the Board, the increment in the Proposed Revised Construction Work Caps for the financial years ending on 31 December 2021 and 31 December 2022 are mainly determined with reference to (i) the historical transaction amount of the previous construction contracts with COLI Associated Company for the financial year ending 31 December 2021 of approximately HK\$2,248 million; (ii) the expected tenders by the Group for three potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$10 billion for the financial year ending on 31 December 2021 and six potential construction projects of the COLI Associated Companies with contract sum of approximately HK\$11 billion for the financial year ending on 31 December 2022 respectively, such potential construction projects of which are located in the PRC and/or Hong Kong; and (iii) a buffer of HK\$1,000 million and HK\$1,000 million for the financial years ending on 31 December 2021 and 31 December 2022 respectively to accommodate other potential construction works of the COLI Associated Companies and/or possible deviation arising from the actual development plans of the COLI Associated Companies which may be different from that currently estimated by the Management when formulating the Proposed Revised Construction Work Caps. According to the Management, the Proposed Revised Construction Work Caps were determined according to the Management's understanding and best estimation based on the information currently available, including (i) the announcements of land acquisition updates of COLI, (ii) the land reserves of the COLI Associated Companies as disclosed in the announcements, annual reports and interim reports of COLI and (iii) the public information of land transactions in the PRC and Hong Kong. As advised by the Management, the Group would like to tender for the potential projects of the COLI Associated Companies in Hong Kong and in the first-tier and second-tier cities in Mainland China, such as Jinan, Fuzhou, Xiamen and Suzhou.

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Having considered that (i) the existing land reserves of the COLI Associated Companies as at 30 June 2021, in particular, the abovementioned land reserves which would be available for development for the two financial years ending on 31 December 2022; (ii) the future growth and expansion in the land reserves of the COLI Associated Companies according to the Management's understanding and best estimation based on the information currently available; (iii) the potential construction projects originated from the COLI Associated Companies, in view of both the existing land reserves and the continuous expansion in the land reserves of the COLI Associated Companies, would increase during the financial years ending on 31 December 2021 and 31 December 2022; and (vi) the Group's construction works capacity in the PRC, Hong Kong and Macau, the Management expects that the COLI Associated Companies' demand for and contract sum of construction works offered to the Group or other independent construction contractors will continue to increase during the two 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 this respect, we notice that the contract sums per square metre which applied for the calculation of the Proposed Revised Construction Work Caps (ranging from approximately RMB1,500 to RMB8,000 for PRC projects and over HK\$20,000 for Hong Kong projects) 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 2020.

According to the Management, it was recommended to increase the Proposed Revised Construction Work Caps to HK\$20 billion for the year ending on 31 December 2021 and HK\$21 billion for the financial year ending on 31 December 2022 in order to provide the flexibility for the Company to continue the transactions under the Existing Master Engagement Agreement (as amended and supplemented by the First Supplemental Agreement) without adversely affecting the business operations of the Company. Such Proposed Revised Construction Work Caps were arrived after taking into accounts of several factors, including (i) the existing land reserve of the COLI Associated Companies; (ii) the COLI Associated Companies have continued to expand their land reserve in the PRC, Hong Kong and Macau, including the land parcels in the Kai Tak district acquired in 2019; and (iii) the COLI Associated Companies have actively expanded its property development business in the PRC, Hong Kong and Macau in recent years.

The Management further explained that, in view of the land reserve of the COLI Associated Companies as at 30 June 2021, the Proposed Revised Construction Work Caps of HK\$20 billion for the financial year ending on 31 December 2021 and HK\$21 billion for the financial year ending on 31 December 2022 should avoid limiting the Group from accepting any new tender invitations to be offered by the COLI Associated Companies 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

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contractors over the next two 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 construction works of both the COLI Group and the COLI Associated Companies in accordance with the tendering procedures of the Group from time to time over the next two years.

In view of (i) the land parcels available for development in the PRC and in Hong Kong of the COLI Associated Companies as set out in the respective announcements, annual reports and interim report of COLI as mentioned above, (ii) the potential schedule for construction works of the COLI Associated Companies for the two financial years ending on 31 December 2022 as discussed with the Management, (iii) the contract sums per square metre which applied for the calculation of the Proposed Revised Construction Work Caps being basically within the range of the historical contract sums per square metre for projects awarded to the Group for the three financial years ended 31 December 2020, we consider that the possible contract sum of approximately HK\$10 billion and HK\$11 billion with the COLI Associated Companies for the financial years ending on 31 December 2021 and 31 December 2022 respectively is fairly estimated by the Management. As such, together taking into consideration of the flexibility necessary for the Group to work along with the actual development schedule of the COLI Associated Companies, we are of the view that the Proposed Revised Construction Work Caps are fair and reasonable.

Given the abovementioned, we are of the view that the Proposed Revised Construction Work Caps under the Second Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Shareholders should note that the Proposed Revised Construction Work Caps under the Second Supplemental 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 and the COLI Associated Companies 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 Proposed Revised Construction Work 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 Revision Transactions and safeguard the interests of the Independent Shareholders.

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RECOMMENDATION

Having taken into account the factors and reasons as stated above, we consider that the terms of the Second Supplemental Agreement, including the Proposed Revised Construction Work 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 resolution to be proposed at the EGM for approving the Revision Transactions.

Yours faithfully,
For and on behalf of
Honestum International Limited

Michael Chum
Chairman

Annette Tsang
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.

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 enquires, 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.

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 the chief executive of the Company in the shares, underlying shares and debentures of the Company and 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); or (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 Shares; 591,584 Shares; 1,027,765 Shares; 813,569 Shares; and 1,027,765 Shares, representing 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of Shares in issue. 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 2,500,000 share options (including (1) 700,000 share options with an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive) at an exercise price of HK\$25.850 per share and (2) 1,800,000 share options with an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive) at an exercise price of HK\$18.724 per share) of COLI (an associated corporation of the Company), representing 0.023% of shares in issue of COLI. Mr. Hung Cheung Shew held 7,095 shares of COLI, representing 0.0001% of shares in issue of COLI. All the share options / shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (iii) Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Hung Cheung Shew respectively held 3,750,000 shares, 10,000,000 shares and 30,000 shares of China State Construction Development Holdings Limited ("CSCD", a non-wholly owned subsidiary of the Company), representing 0.174%, 0.464% and 0.001% of shares in issue of CSCD. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;

- (iv) Mr. Hung Cheung Shew held 2,365 shares of China Overseas Property Holdings Limited (“COPHL”, an associated corporation of the Company), representing 0.0001% of shares in issue of COPHL. All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner; and

- (vi) Mr. Zhang Haipeng, Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Chen Xiaofeng respectively held 1,169,000 shares; 570,000 shares; 1,254,000 shares and 320,000 shares of CSCECL (an intermediate holding company of the Company), representing 0.003%; 0.001%; 0.003% and 0.0008% of shares in issue of 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 (Phases II and IV).

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, or any interest or short position in the shares, underlying shares and 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); or (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.

COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Yan Jianguo, the chairman and non-executive director of the Company, is the chairman and executive director of COLI and the chairman and president of COHL, Mr. Zhang Haipeng, the chief executive officer and executive director of the Company, is a director of COHL, and Mr. Chen Xiaofeng, the non-executive director of the Company, is the managing director and chief financial officer of COHL. 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, representing approximately 64.81% 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, proposed 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.

MATERIAL ADVERSE CHANGE

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 2020, being the date to which the latest published audited accounts of the Company were made up.

SERVICE CONTRACTS

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

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 which is significant in relation to the businesses of the Group;
- (ii) none of the Directors nor proposed Directors had any interest, direct or indirect, in any asset which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up; and
- (iii) save as disclosed in the paragraph headed “COMPETING INTERESTS” above, so far as was known to the Directors, none of the Directors nor proposed 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.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualifications of the experts who have given their opinions, letters or advices included in this circular:

Name	Qualification
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Honestum International Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The letter from Red Sun and the letter from Honestum International are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, each of Red Sun and 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, each of Red Sun and Honestum International had no interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up.

Each of Red Sun and 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 names, in the form and context in which it appears.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the Company (<https://www.csci.com.hk>) respectively from the date of this circular up to and including 11 November 2021:-

- (a) the Framework Agreement;
- (b) the Existing Master Engagement Agreement;
- (c) the First Supplemental Agreement; and
- (d) the Second Supplemental Agreement.

GENERAL

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

NOTICE OF EGM



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 China State Construction International Holdings Limited (the “**Company**”) will be held on Thursday, 11 November 2021 at 11:00 a.m. (or any adjournment thereof) via the e-Meeting System for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the Framework Agreement (as defined in the circular of the Company dated 22 October 2021 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 Main Contract Caps (as defined in the Circular) for the respective financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 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 or such other person, in the case of execution of documents under seal) be and is hereby authorised 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/her to be incidental to, ancillary to or in connection with the matters contemplated in the Framework Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

2. “**THAT:**

- (A) (i) the Second Supplemental Agreement (as defined in the circular of the Company dated 22 October 2021 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “**B**” 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 Proposed Revised Construction Work Caps (as defined in the Circular) for the respective financial years ending 31 December 2021 and 31 December 2022 be and are hereby approved; and

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(B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company or such other person, in the case of execution of documents under seal) be and is hereby authorised 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/her to be incidental to, ancillary to or in connection with the matters contemplated in the Second Supplemental 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, 22 October 2021

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

Notes:

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) All registered shareholders will be able to join the Meeting or any adjourned meeting thereof via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the Meeting or any adjourned meeting thereof if they wish.
- (3) A registered shareholder entitled to attend and vote at the Meeting or any adjourned meeting thereof is entitled to appoint one or more proxies to attend and, on a poll, vote via the e-Meeting System instead of him/her. A proxy need not be a member of the Company.
- (4) 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.

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- (5) 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 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. Forms of proxy sent electronically or by any other data transmission process will not be accepted.
- (6) In the case of joint holders of any share(s), only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto.
- (7) Completion and return of the form of proxy will not preclude members from attending and voting via the e-Meeting System 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.
- (8) 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 via the e-Meeting System at the Meeting from Monday, 8 November 2021 to Thursday, 11 November 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend and vote via the e-Meeting System at the Meeting or any adjourned 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 Friday, 5 November 2021.
- (9) As at the date of this notice, the Board comprises Mr. Yan Jianguo as Chairman and Non-executive Director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Tian Shuchen, Mr. Zhou Hancheng and Mr. Hung Cheung Shew as Executive Directors; Mr. Chen Xiaofeng as Non-executive Director; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.