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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF CHINA OVERSEAS PUBLIC UTILITY INVESTMENT LIMITED  
AND**

**(2) DISCLOSEABLE AND CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES  
IN A COMPANY HOLDING  
THE PROPERTY DEVELOPMENT IN CHONGQING AND ZHUHAI  
AND**

**(3) CONTINUING CONNECTED TRANSACTION  
AND  
CONNECTED TRANSACTION  
PERMISSION FOR THE CSCEC GROUP  
TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI  
AND**

**(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 6 to 24 of this circular and a letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Access Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 45 of this circular.

A notice convening the Extraordinary General Meeting to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Thursday, 27 December 2007 at 3:00 p.m. is set out on pages 54 to 56 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, 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 branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

30 November 2007

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## DEFINITIONS

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

<b><i>Expressions</i></b>	<b><i>Meanings</i></b>
“Acquisition”	the acquisition of the entire issued share capital in and shareholders’ loan to the Target Company by the Company from COIHL pursuant to the Sale and Purchase Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cap”	the annual cap for the Master Dubai Construction Agreement set out in this circular
“Chongqing Feng Ying”	重慶豐盈房地產開發有限公司 (translated as *Chongqing Feng Ying Real Estates Development Co. Ltd.), a company established under the laws of the PRC on 11 September 2007, is wholly owned by Speedy Champ and its principal business is property development
“Chongqing Property”	a piece of land in the central business district of Chongqing, the PRC with a site area of approximately 1,002,400 square feet located at Jiangbei City (江北城) of Jiangbei District (江北區) B02-1, B03-1, B03-2, B04-1, B04-3, B05-1, B05-3號, owned by Chongqing Feng Ying
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company and COLI
“COIHL”	China Overseas Infrastructure Holdings Limited (中國海外基建控股有限公司), a company incorporated in the Cayman Islands and is an indirect wholly owned subsidiary of COLI
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 688)
“COLI Directors”	the directors of COLI
“COLI Independent Shareholders”	the shareholders of COLI, other than COHL and its associates
“Company”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3311)

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## DEFINITIONS

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“Completion”	completion of the Shareholders’ Agreement or the Sale and Purchase Agreement, as the case may be
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the transactions contemplated under the Master Dubai Construction Agreement (together with the Cap)
“CSCEC”	China State Construction Engineering Corporation, a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company
“CSCEC Group”	CSCEC and its subsidiaries (including COLI but excluding the Group)
“Directors”	the directors of the Company
“Dubai Agreements”	the Master Dubai Construction Agreement and the Supplemental Agreement to the Non-Competition Undertaking
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Shareholders’ Agreement, the Sale and Purchase Agreement, the Dubai Agreements and the transactions contemplated thereunder
“Eton”	Eton Investments Limited (裕濠投資有限公司), a company incorporated in Hong Kong on 15 September 1992, is wholly owned by COLI and its principal business is investment holding
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, consisting of Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See, all being Independent Non-executive Directors of the Company

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## DEFINITIONS

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“Independent Financial Adviser” or “Access Capital”	Access Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Sale and Purchase Agreement, the Shareholders’ Agreement and the Dubai Agreements and a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than COHL, CSCEC and its associates
“JV Co”	Proud Sea International Limited (驕洋國際有限公司), a company incorporated in the British Virgin Islands, wholly owned by COLI at the date of the Shareholders’ Agreement and will be owned by COLI and the Company in the proportion of 90% and 10% respectively on Completion
“JV Co Board”	the board of directors of JV Co
“JV Share(s)”	shares of JV Co
“JV Shareholders”	the Company and COLI, shareholders of JV Co on Completion
“Latest Practicable Date”	28 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Dubai Construction Agreement”	the agreement dated 19 November 2007 entered into by the Company and CSCEC in relation to the permission by the Company for the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai
“Non-Competition Undertaking”	the non-competition undertaking given by CSCEC in favour of the Company dated 29 April 2005
“PRC”	The Peoples’ Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between COIHL and the Company on 7 November 2007
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share” or “Shares”	ordinary share(s) of the Company of HK\$0.10 each
“Shareholders”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement relating to JV Co made between the Company, COLI and JV Co on 7 November 2007
“Shareholders’ Loan(s)”	shareholders’ loan(s) to be provided by COLI and/or the Company to JV Co from time to time, which as at 9 November 2007 was approximately RMB413.33 million (equal to approximately HK\$427.30 million), all attributable to COLI
“Shenyang Huanggu Coal”	瀋陽皇姑粉煤灰建材有限公司 (translated as *Shenyang Huanggu Coal Ash Construction Material Co. Ltd), a limited liability company registered in the PRC and its principal business is manufacturing and sales of coal products
“Shenyang Huanggu Company”	瀋陽皇姑熱電有限公司 (translated as *Shenyang Huanggu Thermal Power Co. Ltd.), a limited liability company registered in the PRC and its principal business is production and supply of heat, electricity and steam and the provision of installing service heat distribution network
“Shenzhen Rong Xiang”	深圳市融翔投資有限公司 (translated as *Shenzhen Rong Xiang Investment Co. Ltd), a company limited by shares established in the PRC and its principal business is investment holding
“Speedy Champ”	Speedy Champ Investments Limited (揚越投資有限公司), a company incorporated in Hong Kong on 1 August 2007 and engaged in property development, is owned as to 45% by Eton and 55% by Harbour Centre Development Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 51)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement to the Non-Competition Undertaking”	the supplement agreement to be entered into by the Company and CSCEC to amend the Non-Competition Undertaking
“Target Company”	China Overseas Public Utility Investment Limited (中國海外公用設施投資有限公司), a company incorporated in the British Virgin Islands and is a direct wholly owned subsidiary of COIHL
“US\$”	US Dollar, the lawful currency of United States

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## DEFINITIONS

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“Widenews”	Widenews Company Limited (廣逸有限公司), a company incorporated in Hong Kong on 1 August 1996, is wholly owned by COLI and its principal business is investment holding and property development
“Zhuhai Property”	a piece of land lot located in Zhuhai, East of Yan He Road, south of San Tai Shi Road, Qian Shan, Zhuhai, the Land Registration Code: No. Zhu Guo Tu Chu 2007-2 (珠海市前山三台石路南沿河路東側, 宗地編號為珠國土儲 2007-02號), owned by Zhuhai Widenews
“Zhuhai Widenews”	廣逸房地產開發(珠海)有限公司, (translated as *Guang Yi Real Estate Development (Zhuhai) Limited Company), a company established under the laws of the PRC on 7 August 2007, is wholly owned by Widenews and its principal business is property development and investment
“%”	per cent.

*Unless otherwise specified in this circular, amounts denominated in Reminbi have been converted, for the purpose of illustrations only, into Hong Kong dollar at the rate of RMB0.9673 = HK\$1.00. The exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate of any other rates.*

*\* The English names are only limitations of the official Chinese names, in case of inconsistency, the Chinese names prevail.*

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LETTER FROM THE BOARD

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

*Non-executive Director:*

Mr. Kong Qingping (*Chairman*)

*Executive Directors:*

Mr. Zhou Yong (*Vice-chairman and Chief Executive Officer*)

Mr. Yip Chung Nam

Mr. Fu He

Mr. Zhou Hancheng

Mr. Cheong Chit Sun

*Independent Non-executive Directors:*

Dr. Raymond Ho Chung Tai

Mr. Adrian David Li Man Kiu

Mr. Raymond Leung Hai Ming

Mr. Lee Shing See

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business*

*in Hong Kong:*

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

30 November 2007

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF CHINA OVERSEAS PUBLIC UTILITY INVESTMENT LIMITED  
AND**

**(2) DISCLOSEABLE AND CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES  
IN A COMPANY HOLDING**

**THE PROPERTY DEVELOPMENT IN CHONGQING AND ZHUHAI  
AND**

**(3) CONTINUING CONNECTED TRANSACTION  
AND**

**CONNECTED TRANSACTION  
PERMISSION FOR THE CSCEC GROUP  
TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI  
AND**

**(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

The Directors announced that after the trading hours on 7 November 2007:

- (1) COIHL (a wholly owned subsidiary of COLI) and the Company entered into the Sale and Purchase Agreement whereby COIHL agreed to sell and the Company agreed to purchase the entire issued share capital in and shareholders' loan of the Target Company for a cash consideration of HK\$400,000,000; and
- (2) the Company, COLI and JV Co entered into the Shareholders' Agreement whereby the Company will pay HK\$7.8 to subscribe for one (1) JV Share in JV Co so that upon Completion, COLI and the Company will own JV Co in the proportion of 90% and 10%. COLI has extended a Shareholders' Loan (standing at approximately RMB 413.33 million (equivalent to approximately HK\$427.3 million) as at 9 November 2007) to JV Co. In order to align the contribution of COLI and the Company to the Shareholders' Loan of JV Co to the proportion of 90% and 10% respectively, the Company will extend a Shareholder's Loan to JV Co on Completion so that JV Co may repay 10% of the Shareholders' Loan due from COLI on Completion. Future Shareholders' Loan, if any, will be extended by COLI and the Company in the proportion of 90% and 10%. JV Co is a wholly owned subsidiary established by COLI for developing the Chongqing Property and the Zhuhai Property.

COIHL is an indirect wholly owned subsidiary of COLI. COHL is interested as to approximately 51.72% of the issued share capital of COLI and as to approximately 62.08% of the issued share capital of the Company. Accordingly, transactions between COIHL and the Company (and/or its subsidiaries) constitute connected transactions for each of the Company and COLI.

As the applicable percentage ratios calculated with reference to the Sale and Purchase Agreement exceeds 5% but is less than 25% pursuant to Rule 14.04(9) of the Listing Rules, the entering into the Sale and Purchase Agreement constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval.

Also, the applicable percentage ratios computed pursuant to Rule 14.04(9) of the Listing Rules for the Company and COLI in respect of the entering into the Shareholders' Agreement exceeds 5% but is less than 25%, the entering into the Shareholders' Agreement constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval.

The Directors also announced that after the close of trading hours on 19 November 2007, the Company entered into the Master Dubai Construction Agreement with CSCEC, whereby the CSCEC Group may tender for and/or enter into contracts in construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works for an initial term of three (3) years.

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## LETTER FROM THE BOARD

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As stated in the Company's listing document dated 14 June 2005, CSCEC has in anticipation of the Group's intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group will, be engaged in the construction market in, among others, Dubai except, among other things, in joint venture with the Group. In this respect, the Company will also enter into the Supplemental Agreement to amend the Non-Competition Undertaking so that the CSCEC Group may participate in construction works in Dubai pursuant to the Master Dubai Construction Agreement.

CSCEC is the ultimate holding company of COHL, which in turn holds approximately 62.08% interest in the issued share capital of the Company and is a connected person of the Company. The granting of permission to the CSCEC Group to tender for and/or enter into contracts in construction works in Dubai under the Master Dubai Construction Agreement constitute continuing connected transaction of the Company. The amendment of the Non-Competition Undertaking under the Supplemental Agreement to the Non-Competition Undertaking will also constitute a connected transaction of the Company.

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company for the fee receivable under the Master Dubai Construction Agreement in respect of the maximum value of contract awarded in each of the three years ending 31 December 2010, i.e. the Cap, would exceed 0.1% but will be less than 2.5%. As such, the Company is required to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction. However, as the Master Dubai Construction Agreement will lead to a change to CSCEC's obligations under the Non-Competition Undertaking, the Directors will submit the Dubai Agreements to the Independent Shareholders for approval.

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

- the particulars of (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements and (iv) all the transactions contemplated in (i), (ii) and (iii);
- the letter from the Independent Board Committee with their view on (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements and (iv) all the transactions contemplated in (i), (ii) and (iii);
- the letter from Access Capital with their advice on (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements and (iv) all the transactions contemplated in (i), (ii) and (iii) to the Independent Board Committee and the Independent Shareholders;

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements and (iv) all the transactions contemplated in (i), (ii) and (iii).

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## LETTER FROM THE BOARD

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### (1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANY

#### THE SALE AND PURCHASE AGREEMENT

**Date:**

7 November 2007

**Parties:**

- (a) COIHL, as vendor; and
- (b) the Company, as purchaser.

**Assets to be acquired:**

One ordinary share of US\$1.00 in the share capital of the Target Company, being its entire issued share capital, and all related shareholders' loan in the amount of HK\$328,488,370. On Completion, the Target Company will cease to be a subsidiary of COLI.

**Consideration:**

The consideration for the Acquisition in the amount of HK\$400,000,000. This consideration will be paid in cash and was determined after arm's length negotiation at 11.8 times of the average audited consolidated profit after tax and minority interest of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC for the past two years ended 31 December 2005 and 2006 respectively, a report prepared by independent third party accountant in the PRC provided by COIHL. Shenyang Huanggu Coal owns an income generating asset invested mainly for its income stream. The Directors considered that consideration determined with reference to the profit generated by Shenyang Huanggu Company to be fair and reasonable. All payments will be financed out of the internal resources of the Company. The price earning ratio of 11.8 was set with reference to the pricing of similar infrastructure projects, which the Directors considered to be fair and reasonable.

**Payment terms:**

The consideration will be paid in full in cash upon Completion which is within 14 days from the fulfilment of all the conditions precedent.

**Conditions precedent:**

Completion of the Sale and Purchase Agreement is conditional upon, among others, the following conditions being satisfied (or with condition 2 below being waived by COIHL or the Company):

1. The Independent Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder as may be required by the Listing Rules; and

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## LETTER FROM THE BOARD

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2. All the warranties as stated in the Sale and Purchase Agreement remain true and correct at the completion of the Sale and Purchase Agreement.

### INFORMATION ABOUT THE TARGET COMPANY

COIHL is an investment holding company which directly wholly owns the Target Company. The Target Company is the holding company of Shenyang Huanggu Company. The principal business of Shenyang Huanggu Company is production and supply of heat, electricity and steam and the provision of installing service heat distribution network in Shenyang, the capital city of the Liaoning Province, PRC.

Shenyang Huanggu Company owns 100% equity interest in Shenyang Huanggu Coal. The principal business of Shenyang Huanggu Coal is manufacturing and sales of coal products.

The Target Company is a company incorporated in the British Virgin Islands on 9 May 2006 and is an investment holding company directly holding 99% of the registered capital of Shenyang Huanggu Company. The remaining 1% of the registered capital of Shenyang Huanggu Company is held by Shenzhen Rong Xiang, an entity which to the best of knowledge, information and belief of the Directors after making all reasonable enquiries is independent of the Company, COLI and their respective connected persons. On 6 August 2006, the Target Company entered into an agreement with Shenzhen Rong Xiang vesting the voting rights and full economic interests in the 1% registered capital it holds in Shenyang Huanggu Company (“**Vesting Agreement**”). The purpose of the Vesting Agreement is to transfer all the rights and obligations in the 1% registered capital in Shenyang Huanggu Company to the Target Company while maintaining a registered PRC interest to ensure the collective management and smooth-running of Shenyang Huanggu Company’s operations. Pursuant to the Vesting Agreement, Shenzhen Rong Xiang agreed, in relation to the 1% registered capital it holds in Shenyang Huanggu Company, to assign to the Target Company all its rights to profits and dividend and to appoint the Target Company to attend and vote on its behalf at all general meetings of Shenyang Huanggu Company, or to vote in accordance with the Target Company’s instructions. The Target Company assumes all the liabilities as it is the registered owner of the 1% registered capital in Shenyang Huanggu Company. The rights in the 1% registered capital in Shenyang Huanggu Company vested in Shenzhen Rong Xiang are fully transferable and the Target Company (or its designated transferee) has an exclusive right to acquire the 1% registered capital in Shenyang Huanggu Company from Shenzhen Rong Xiang for RMB1 upon a change in PRC laws so that it is no longer a requirement to have a PRC partner in business relating to construction and management of urban electro-heating in PRC. Shenzhen Rong Xiang is further restricted from disposing the 1% registered capital in Shenyang Huanggu Company other than in accordance with the Target Company’s instructions. The Target Company has obtained the opinion of PRC legal counsel that the Vesting Agreement complies with the applicable laws and regulations in PRC and are legally enforceable. Accordingly, Shenyang Huanggu Company will be treated as a wholly owned subsidiary of the Company upon completion of the Acquisition by reason of Shenzhen Rong Xiang having vested in the Target Company its economic interests in the 1% registered capital in Shenyang Huanggu Company under the Vesting Agreement.

As at 31 December 2006, the audited consolidated net asset value of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC was approximately HK\$299,910,000.

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## LETTER FROM THE BOARD

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As at 31 December 2005, the audited consolidated net asset value of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC was approximately HK\$255,712,000.

For the year ended 31 December 2006, the audited consolidated net profits before and after taxation and minority interest of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC were approximately HK\$41,940,000 and HK\$36,235,000 respectively.

For the year ended 31 December 2005, the audited consolidated net profits before and after taxation and minority interest of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC was approximately HK\$31,637,000 and HK\$31,590,000 respectively.

### **EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY IN RELATION TO THE ACQUISITION**

The Board does not expect any material impact on the earnings and the net assets value following completion of the acquisition but anticipates that the operating results of Shenyang Huanggu Company, after consolidating with the financial statements of the Group, can broaden the Group's income base and enhance the net assets value of the Group in long run.

For the net assets value, owing to the Group having adopted Accounting Guidelines No.5 "Merger Accounting for Common Control Business Combinations ("AG 5") issued by Hong Kong Institute of Certified Public Accountants, the accounting treatment for the combination of the assets acquired from COIHL will be stated at book value while the consolidation for the Acquisition is determined on a fair value basis. According to the AG 5, the assets and liabilities will be consolidated in the consolidated financial statements at the book value and no goodwill will be resulted. The difference between the consideration for the Acquisition and the book value of the net assets acquired will be directly charged to reserve of the Group.

The comparative figures in the consolidated financial statements will be retroactively restated as if the combination was taken place before 1 January 2006. If the Group did not apply AG 5, the assets and liabilities acquired will be stated at fair value and then there will be no financial impact to the net assets of the Group.

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## LETTER FROM THE BOARD

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### REASONS AND BENEFITS FOR THE ACQUISITION

The Directors consider that Shenyang Huanggu Company provides a good investment opportunity for the Company taking into account the cash flow status of the Company and they believe the investment will generate stable and longer term income to the Company.

The Directors further consider that involvement in the Shenyang Huanggu Company can further explore business opportunities for the Company since construction works are required for such kind of infrastructure project.

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular to be despatched to the Shareholders by together with the advice of the Independent Financial Adviser who have been appointed in advising them) believe that the Sale and Purchase Agreement and the Acquisition are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to enter into the Sale and Purchase Agreement and the Acquisition.

### (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF JV SHARES BY THE COMPANY

#### THE SHAREHOLDERS' AGREEMENT

**Date:**

7 November 2007

**Parties:**

- (a) The Company;
- (b) COLI; and
- (c) JV Co.

**Purpose of JV Co:**

JV Co is formed for the purpose of investment holding with investment in the Chongqing Property and the Zhuhai Property.

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## LETTER FROM THE BOARD

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### Conditions precedent:

Completion of the Shareholders' Agreement is conditional upon, among others, the following conditions being satisfied (or waived by the Company or COLI (excluding conditions 1 and 2 as stated below)):

1. The Independent Shareholders approving the Shareholders' Agreement and the transactions contemplated therein as may be required by the Listing Rules;
2. The COLI Independent Shareholders approving the Shareholders' Agreement and the transactions contemplated therein as may be required by the Listing Rules; and
3. All the warranties as stated in the Shareholders' Agreement remain true and correct on Completion.

### Consideration:

The Company will pay HK\$7.8 to subscribe for one (1) JV Share so that upon Completion, COLI and the Company will own JV Co in the proportion of 90% and 10%. COLI has extended a Shareholders' Loan (standing at approximately RMB 413.33 million (equivalent to approximately HK\$427.3 million) as at 9 November 2007) to JV Co. In order to align the contribution of COLI and the Company to the Shareholders' Loan of JV Co to the proportion of 90% and 10% respectively, the Company will extend a Shareholders' Loan to JV Co on Completion such that JV Co can repay 10% of the Shareholders' Loan advanced by COLI. Future Shareholders' Loan, if any, will be extended by COLI and the Company in the proportion of 90% and 10%.

The Company and COLI expect that the estimated total investment in the Zhuhai Property and the Chongqing Property that is attributable to JV Co is approximately RMB2,912 million (for the Zhuhai Property) and approximately RMB1,593 million (for the Chongqing Property). Accordingly, the total capital commitment for JV Co will be in the amount of approximately RMB4,505 million (equal to approximately HK\$4,657 million). No definite plan has been fixed for the funding of the outstanding capital commitment for JV Co but both the Company and COLI expect that it would be funded by internal resources and bank borrowings of JV Co. Further announcement will be made as required by the Listing Rules relating to the further funding of JV Co.

### Terms and conditions:

Certain salient terms and conditions of the Shareholders' Agreement are as follows:

1. COLI and the Company hold 90% and 10% shareholding in JV Co respectively.
2. JV Co shall raise capital and obtain financing to meet its financial requirements by such means and amounts as the JV Co Board determines from time to time.
3. COLI and the Company shall be responsible severally to contribute to JV Co's financing requirements in the proportion of 90% and 10%.

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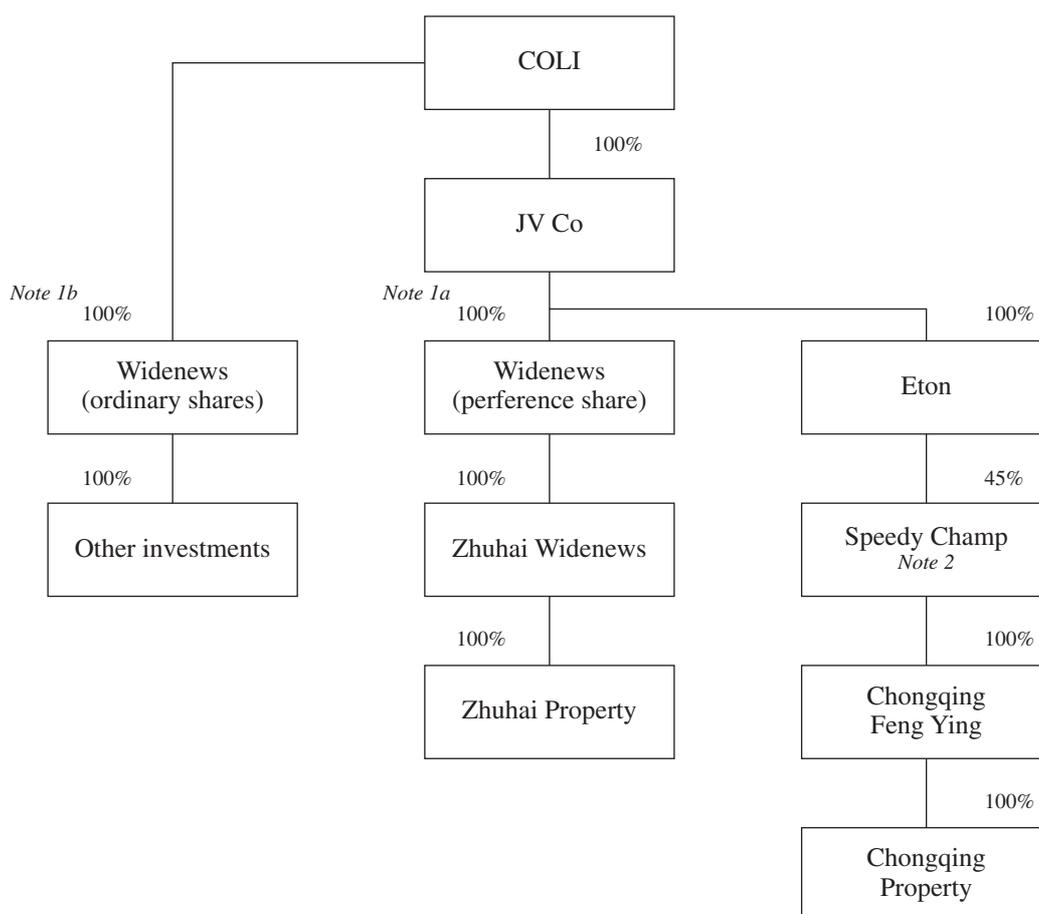
## LETTER FROM THE BOARD

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4. If the JV Shareholders are required to extend guarantees or to provide securities in respect of JV Co's borrowing from banks, financial institutions or other third parties, the liability of COLI and the Company under such guarantees or other securities shall be several and in the proportion of 90% and 10%.
5. The JV Co Board shall consist of not less than two (2) directors and all of them (including the chairman of JV Co) will be appointed by COLI.
6. The quorum for a general meeting of JV Co shall be constituted by two (2) JV Shareholders representing the COLI and Company respectively.
7. The JV Shareholders shall not dispose of the JV Shares respectively held by them without the consent of the other.

### INFORMATION ABOUT JV CO

On 9 November 2007, the corporate structure of JV Co is shown as follows:-

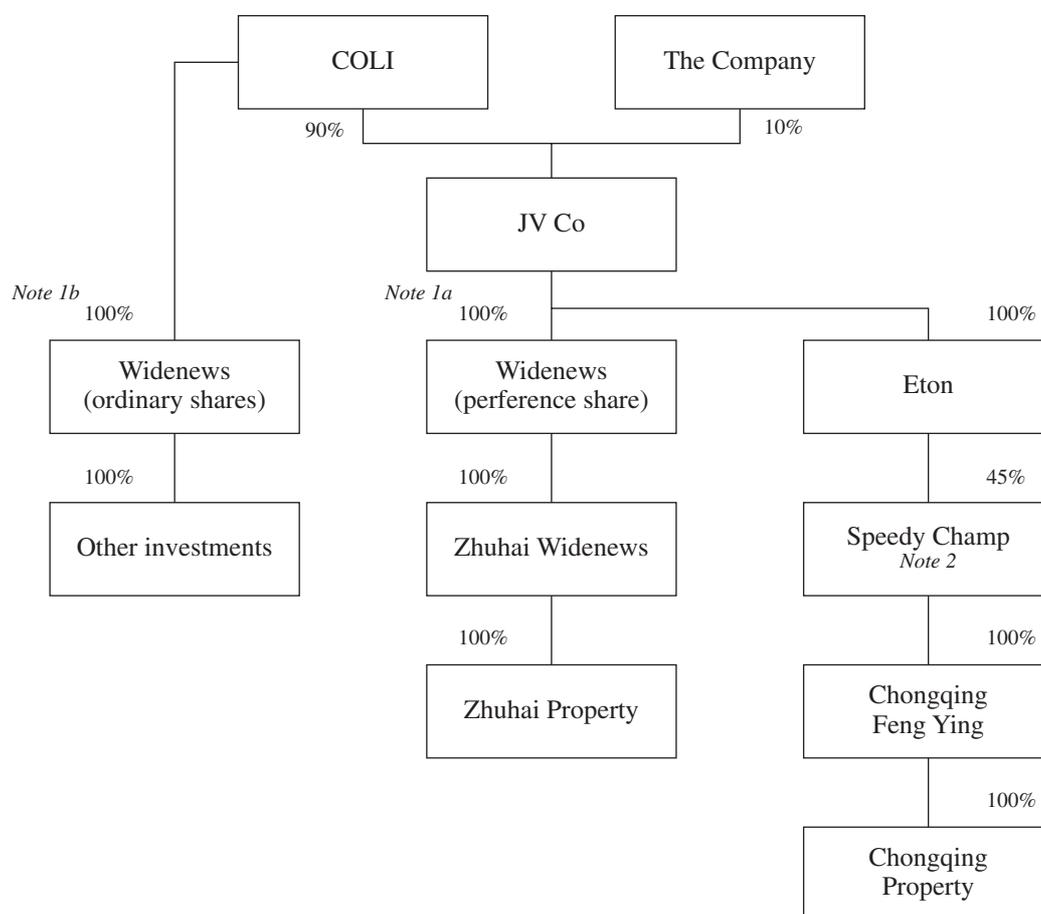


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## LETTER FROM THE BOARD

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Immediately after the Completion, the corporate structure of JV Co is shown as follows:-



*Note 1(a):* JV Co holds all the preference share in Widenews. All interest in Zhuhai Widenews is attributed to the holder of the preference share.

*Note 1(b):* COLI also holds indirectly the ordinary shares in Widenews. All other investment interests held by Widenews (excluding Zhuhai Widenews) are attributed to the holder of the ordinary shares.

*Note 2:* Harbour Centre Development Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange, owns 55% shareholding in Speedy Champ.

JV Co was incorporated on 15 August 2007 as a wholly owned subsidiary of COLI. It has not commenced any business and no financial statements has been prepared. As at 9 November 2007, total investment of COLI in JV Co is RMB413.33 million (equal to approximately HK\$427.30 million). Upon Completion, JV Co will be owned by COLI and the Company in the proportion of 90% to 10%. It will be recorded as an investment for the Company on cost basis respectively.

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## LETTER FROM THE BOARD

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### **Information about Eton:**

As at the Latest Practicable Date, Eton is directly wholly owned by JV Co with an issued share capital of HK\$2.00 divided into two (2) shares of HK\$1.00 each. It is an investment holding company directly holding 45% shareholding in Speedy Champ, which in turn directly owns the entire equity interests in Chongqing Feng Ying, which directly owns the entire interest in the Chongqing Property.

According to the management accounts of Eton prepared in accordance with general acceptable accounting standards in Hong Kong, as at 29 October 2007, the unaudited net liabilities of Eton was HK\$91,910.

For the year ended 31 December 2006, the unaudited net loss before and after taxation and extraordinary items were HK\$5,550 and HK\$5,550 respectively.

For the year ended 31 December 2005, the audited net loss before and after taxation and extraordinary items were HK\$5,800 and HK\$5,800 respectively.

### **Information about Widenews:**

Widenews is an investment holding company holding various investment interests including the entire equity interest in Zhuhai Widenews. As at the Latest Practicable Date, Widenews is a wholly owned subsidiary of COLI which COLI indirectly holds all the ordinary shares (through its wholly owned subsidiary) and one (1) preference share (through JV Co.) The entire interest in Zhuhai Widenews will be attributed to the holder of the preference share and the remaining assets and undertakings held by Widenews will be attributed to the holder of the ordinary shares.

According to the management accounts of Widenews prepared according to general acceptable accounting standards in Hong Kong, as at 29 October 2007, the unaudited net asset value of Widenews attributable to its interest in the Zhuhai Property was approximately HK\$120,000.

Since the Zhuhai Property was only acquired by Zhuhai Widenews in 2007, there was no profit or loss attributed to JV Co or Widenews from the Zhuhai Property for the two financial years ended 31 December 2005 and 2006 respectively.

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## LETTER FROM THE BOARD

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### Information about Chongqing Property:

By way of public bidding on 24 September 2007, Chongqing Feng Ying acquired the land use rights of the Chongqing Property from Chongqing Municipal Bureau of Land Resources and Housing Management at a total land premium of RMB2,540 million (equal to approximately HK\$2,626 million). The land premium is payable in stages with the final balance of the land premium payable on 20 December 2008. Details of the Chongqing Property are set out as follows:

Location of the site:	a piece of land in the central business district of Chongqing, the PRC located at Jiangbei City (江北城) of Jiangbei District (江北區) B02-1, B03-1, B03-2, B04-1, B04-3, B05-1, B05-3號
Area of the site:	approximately 1,002,400 square feet
Total gross floor area can be built:	approximately 4,588,000 square feet
Purpose:	development for residential properties for sale
Term of land use right:	40 years for commercial use and 50 years for residential use commencing from the date of signing a formal contract
Land premium payment terms:	

<b>Date of payment</b>	<b>Amount paid/payable (RMB)</b>
19 September 2007	310.01 million (being deposit for the bidding) (paid on schedule)
22 October 2007	155.03 million (paid on schedule)
20 November 2007	310.00 million (paid on schedule)
20 March 2008	465.00 million
20 June 2008	310.00 million
20 September 2008	494.98 million
20 December 2008	494.98 million
Total	2,540 million (equal to approximately HK\$2,626 million)

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## LETTER FROM THE BOARD

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The estimated total investment for the development of Chongqing Property (including land premium) is approximately RMB3,540 million (equal to approximately HK\$3,660 million).

### Information about Zhuhai Property:

By way of public auction held on 28 September 2007, Zhuhai Widenews acquired the land use rights of the Zhuhai Property from The Bureau of Land Resources Zhuhai at a total land premium of approximately RMB677.80 million (equal to approximately HK\$700.71 million). The land premium is payable in stages with the final balance of the land premium payable on ninety (90) days after signing of the land use rights contract relating to the Zhuhai Property on 30 September 2007. Details of the Zhuhai Property are set out as follows:

Location of the site:	East of Yan He Road, South of San Tai Shi Road, Qian Shan, Zhuhai, the Land Registration Code: No. Zhu Guo Tu Chu 2007-2 珠海市前山三台石路南沿河路東側珠國土儲 2007-02號 )
Area of the plot:	approximately 927,430 square feet divided into three land lots  S1 = approximately 256,520 square feet; S2 = approximately 464,660 square feet; and S3 = approximately 206,250 square feet.
Total gross floor area can be built:	approximately 4,169,000 square feet
Approved purposes:	office, hotel, service apartment, commercial for S1; office, commercial, transportation associate facilities for S2; and residential for S3.
Term of land use right:	50 years for office, 50 years for hotel, 70 years for service apartment, 40 years for commercial, 70 years for residential, all commencing 30 days from the date when all the final balance of land premium payable under the land use rights contract has been paid.

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## LETTER FROM THE BOARD

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Land premium payment terms:

<b>Date of payment</b>	<b>Amount paid/payable (RMB) (approximately)</b>
30 September 2007 (date of signing the land use rights contract)	67.78 million (paid on schedule)
Thirty (30) days after the date of signing the land use rights contract	135.56 million (paid on schedule)
Sixty (60) days after the date of signing the land use rights contract	203.34 million
Ninety (90) days after the date of signing the land use rights contract	271.12 million
Total	677.80 million (equal to approximately HK\$700.71 million)

The estimated total investment for the development of Zhuhai Property (including land premium) is approximately RMB2,912 million (equal to approximately HK\$3,010 million).

### **EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY IN RELATION TO THE SUBSCRIPTION OF JV SHARES BY THE COMPANY**

The Board does not expect any material impact on the earnings and the net assets value following completion of the subscription of JV Shares by the Company. The subscription of JV Shares will be stated at cost in the consolidated financial statements of the Group.

### **REASONS AND BENEFITS FOR THE SUBSCRIPTION OF JV SHARES BY THE COMPANY**

The Directors consider that the PRC property market provides a good investment opportunity for the Company taking into account of the current cash position of the Company and the general property market environment in the PRC.

The Directors further consider that involvement in the Chongqing Property and the Zhuhai Property development can further explore business opportunities for the Company since construction works are required in the Chongqing Property and the Zhuhai Property development.

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## LETTER FROM THE BOARD

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The Directors (including the Independent Non-executive Directors whose views have been set out in this circular to be despatched to the Shareholders together with the advice of the Independent Financial Adviser who has been appointed in advising them) believe that the Shareholders' Agreement are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to enter into the Shareholders' Agreement.

### **(3) CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO PERMISSION FOR THE CSCEC GROUP TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI**

#### **MASTER DUBAI CONSTRUCTION AGREEMENT**

**Date:**

19 November 2007

**Parties:**

- (a) CSCEC, the ultimate holding company of the Company; and
- (b) the Company.

**Subject:**

For so long as the Non-Competition Undertaking remains in force and pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company, tender for and/or enter into contracts in construction works in Dubai, provided that the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2010 shall not exceed HK\$5,000 million (the relevant fee thereon calculated on a 2.5% basis (i.e. the "Cap"), would be HK\$125 million).

The estimation of the Cap at HK\$5,000 million per annum of the total contracts may be awarded is based on the construction capacity of CSCEC Group, experience of the Company in the Dubai market over the past years and the contract sum on hand of approximately HK\$5,700 million. The Directors considered the basis is fair and reasonable.

Other than the giving of the consent and the execution of the Supplemental Agreement to Non-Competition Undertaking, no other services will need to be provided nor obligations will be undertaken by the Group incidental to the Master Dubai Construction Agreement (save and except to give prior written consent to CSCEC Group).

Subject to the Master Dubai Construction Agreement becoming unconditional, the Company has also agreed to execute the Supplemental Agreement to Non-Competition Undertaking effective from 1 January 2008.

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## LETTER FROM THE BOARD

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**Condition:**

Independent Shareholders approving the Master Dubai Construction Agreement and the Supplemental Agreement to the Non-Competition Undertaking at the EGM.

**Term:**

Three (3) years commencing from 1 January 2008 with an option for the Company to renew for a further three (3) years on the same terms by written notice.

**Consideration:**

A fee of 2.5% of the final contract sum received by the CSCEC Group in respect of each construction works awarded and undertaken by the CSCEC Group in Dubai calculated on a quarterly basis with reference to the value of the contract work certified as completed in that quarter and payable within one month from the end of each relevant quarter shall be paid to the Company or its designated companies. Other than the giving of the consent and the execution of the Supplemental Agreement to Non-Competition Undertaking, no other services will need to be provided nor obligations will be undertaken by the Group incidental to the Master Dubai Construction Agreement.

Consideration receivable by the Group under the Master Dubai Construction Agreement will be used as general working capital.

### SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION UNDERTAKING

**Parties:**

- (a) CSCEC, the ultimate holding company of the Company; and
- (b) the Company.

**Subject:**

Any engagement or involvement of the CSCEC Group in construction works in Dubai in respect of contracts awarded in accordance with the Master Dubai Construction Agreement will be taken as an exception to the general undertakings of CSCEC that it will not, and will procure that no member of the CSCEC Group will be engaged in the construction market in Dubai.

The Supplemental Agreement to the Non-Competition Undertaking is not conditional on the Master Dubai Construction Agreement, but as a term of the Master Dubai Construction Agreement, the Company has agreed to sign the Supplemental Agreement effective from 1 January 2008 as mentioned above.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION ON AND REASONS FOR THE DUBAI AGREEMENTS

As mentioned above, the operation of the Group in Dubai is still in an early development stage. The total contract sum of construction projects undertaken by the Group in Dubai in the past three financial years were approximately HK\$2,126 million, HK\$1,561 million and HK\$1,916 million respectively, representing approximately 23%, 11% and 20% of the contract sum of the construction contracts undertaken by the Group for the relevant period. The Directors believe that there are still many business opportunities in Dubai that the Group has not or the Group is not yet ready to pursue. Under the Non-Competition Undertaking, CSCEC Group may also participate in the construction in Dubai through joint venture with the Group. In order to capitalise fully on the business opportunities that the Group may not otherwise pursue in Dubai, the Directors believe it to be in the interest of the Group to permit the CSCEC Group to participate in the Dubai market on its own otherwise than in joint venture with the Group.

The Directors believe that the construction market in Dubai in the coming three years may exceed HK\$100,000 million in terms of contract value each year. The Cap and the fee were set with the view of maximising the Group's ability to capitalise on the business opportunities in Dubai through the CSCEC Group.

It is the intention of the Director's that the Group will continue to explore its business opportunities to develop the construction market in Dubai. As the Group will maintain a first right of refusal over the CSCEC Group to participate in the construction market in Dubai, the Directors believe that the Dubai Agreements will not have any negative impact on the Group's business prospects in Dubai.

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 who has been appointed in advising them) consider the Dubai Agreements and are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to enter into the Dubai Agreements.

### GENERAL

The Company is principally engaged in building construction and civil engineering.

COIHL is an indirect wholly owned subsidiary of COLI. COHL is interested as to approximately 51.72% of the issued share capital of COLI and as to approximately 62.08% of the issued share capital of the Company. Accordingly, transactions between COIHL and the Company (and/or its subsidiaries) constitute connected transactions for each of the Company and COLI.

CSCEC is the ultimate holding company of COHL which in turn holds approximately 62.08% of the issued share capital of the Company. The granting of permission to the CSCEC Group to tender for and/or enter into contracts in construction projects in Dubai under the Master Dubai Construction Agreement constitute continuing connected transaction of the Company. The amendment of the Non-Competition Undertaking under the Supplemental Agreement to the Non-Competition Undertaking will also constitute a connected transaction of the Company.

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## LETTER FROM THE BOARD

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The Sale and Purchase Agreement was entered into by COIHL and the Company after trading hours on 7 November 2007. There were no prior transactions between COLI and the Company or their respective associates which the Directors believe would require aggregation under Rule 14.22 and 14A.25 of the Listing Rules. As the applicable percentage ratios calculated with reference to the Sale and Purchase Agreement exceeds 5% but is less than 25% pursuant to Rule 14.04(9) of the Listing Rules, the entering into the Sale and Purchase Agreement constitutes a discloseable transaction and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval.

The Shareholders' Agreement was entered into by the Company, COLI and JV Co after trading hours on 7 November 2007. There were no prior transactions between COLI and the Company or their respective associates which the Directors believe would require aggregation under Rule 14.22 and 14A.25 of the Listing Rules. As the applicable percentage ratios computed pursuant to rule 14.04(9) of the Listing Rules for the Company and COLI in respect of the entering into the Shareholders' Agreement exceeds 5% but is less than 25%, the entering into the Shareholders' Agreement constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval.

The Master Dubai Construction Agreement was entered into after close of trading hours on 19 November 2007. There were no prior transactions between CSCEC Group and the Group which the Directors believe would require aggregation under Rule 14A.25 of the Listing Rules. The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company for the fee receivable under the Master Dubai Construction Agreement in respect of the maximum value of contract awarded in each of the three years ending 31 December 2010, i.e. the Cap, would exceed 0.1% but will be less than 2.5%. As such, the Company is required to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction. However, as the Master Dubai Construction Agreement will lead to a change to CSCEC's obligations under the Non-Competition Undertaking, the Dubai Agreements are also subject to the Independent Shareholders' approval.

An Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii). The votes of the Independent Shareholders to be taken at the EGM to approve (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii) will be taken by poll where COHL, CSCEC and its associates will abstain from voting.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

Set out on pages 54 and 56 of this circular is a notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Thursday, 27 December 2007 at 3:00 p.m. at which all ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the Acquisition and the transactions contemplated thereunder, the Shareholders' Agreement and the transactions contemplated thereunder, and the Dubai Agreements and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

The procedures for voting by poll by the Shareholders are set out in Appendix II to this circular.

### RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from Access Capital as set out on pages 25 to 26 and 27 to 45 respectively of this circular.

Your attention is also 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**

**Zhou Yong**

*Vice-chairman and Chief Executive Officer*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

30 November 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF CHINA OVERSEAS PUBLIC UTILITY INVESTMENT LIMITED  
AND  
(2) DISCLOSEABLE AND CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES  
IN A COMPANY HOLDING  
THE PROPERTY DEVELOPMENT IN CHONGQING AND ZHUHAI  
AND  
(3) CONTINUING CONNECTED TRANSACTION  
AND  
CONNECTED TRANSACTION  
PERMISSION FOR THE CSCEC GROUP  
TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 30 November 2007 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders’ Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii) are no normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders’ Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii).

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board, as set out on pages 6 to 24 of this Circular and the text of a letter of advice from Access Capital, as set out on pages 27 to 45 of this Circular, both of which provide details of the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii).

Having considered (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii), the advice of Access Capital and the relevant information contained in the letter from the Board, we are of the opinion that the transactions contemplated under (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement, (iii) the Dubai Agreements, and (iv) all the transactions contemplated in (i), (ii) and (iii) are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of which to be held on 27 December 2007.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of  
China State Construction International Holdings Limited**

**Raymond Ho Chung Tai**

*Independent Non-executive Director*

**Adrian David Li Man Kiu**

*Independent Non-executive Director*

**Raymond Leung Hai Ming**

*Independent Non-executive Director*

**Lee Shing See**

*Independent Non-executive Director*

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## LETTER FROM ACCESS CAPITAL

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*The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in relation to the Transactions prepared for the purpose of incorporation in this circular.*



**Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong**

30 November 2007

To:

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

Dear Sirs,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF CHINA OVERSEAS PUBLIC UTILITY INVESTMENT LIMITED  
AND  
(II) DISCLOSEABLE AND CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES  
IN A COMPANY HOLDING  
THE PROPERTY DEVELOPMENT IN CHONGQING AND ZHUHAI  
AND  
(III) CONTINUING CONNECTED TRANSACTION  
AND  
CONNECTED TRANSACTION  
PERMISSION FOR THE CSCEC GROUP  
TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and Independent Shareholders with regard to the terms of the above connected transactions.

**(I) Acquisition of the Target Company**

The Company agreed to purchase from COIHL the entire issued share capital in and the Shareholders' Loan of the Target Company for a cash consideration of HK\$400 million. The Target

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## LETTER FROM ACCESS CAPITAL

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Company is the holding company of Shenyang Huanggu Company whose principal business is the production and supply of heat, electricity and steam, the provision of installing service heat distribution network in Shenyang and the manufacturing and sale of coal products.

COIHL is an indirect wholly owned subsidiary of COLI. Accordingly, transactions between the Company (and/or its subsidiaries) and COIHL constitute connected transactions for each of COLI and the Company. As the applicable percentage ratios calculated with reference to the Sale and Purchase Agreement exceeds 5% but is less than 25% pursuant to Rule 14.04(9) of the Listing Rules, the entering into the Sale and Purchase Agreement constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval.

### **(II) Subscription of Shares in a company holding the property development in Chongqing and Zhuhai**

The subscription of shares in the property development projects in Chongqing and Zhuhai involves the Company paying HK\$7.8 to subscribe for one (1) JV Share in the JV Co so that upon completion, COLI and the Company will own the JV Co in the proportion of 90% and 10%. COLI has extended a Shareholder's Loan (standing at approximately RMB413.33 million (equivalent to approximately HK\$427.3 million) as at 9 November 2007) to the JV Co. The Company will extend a Shareholders' Loan to the JV Co on completion so that the JV Co may repay 10% of the Shareholders' Loan of HK\$42.73 million from COLI on completion. Future Shareholders' Loan, if any, will be extended by COLI and the Company in the proportion 90% to 10%. The JV Co is a wholly owned subsidiary established by COLI for developing the Chongqing Property and the Zhuhai Property with estimated investment totalling HK\$4,657 million.

COHL is interested as to approximately 51.72% of the issued share capital of COLI and as to approximately 62.08% of the issued share of the Company. Accordingly, transactions between the Company (and/or its subsidiaries) and COHL (and/or its subsidiaries including COLI) constitute connected transactions for the Company.

As the applicable percentage ratios calculated with reference to the subscription of shares in the development projects exceeds 5% but is less than 25% pursuant to Rule 14.04(9) of the Listing Rules, the entering into the subscription of shares in the development projects also constitute a discloseable and connected transaction of the Company.

### **(III) Permission for the CSCEC Group to participate in construction market in Dubai**

On 19 November 2007, the Company entered into the Master Dubai Construction Agreement with CSCEC, whereby the CSCEC Group may tender for and/or enter into contracts in construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works for an initial term of three (3) years.

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## LETTER FROM ACCESS CAPITAL

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As stated in the Company's listing document dated 14 June 2005, CSCEC has in anticipation of the Group's intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group will, be engaged in the construction market in, among others, Dubai except, among other things, in joint venture with the Group. In this respect, the Company will also enter into the Supplemental Agreement to the Non-Competition Undertaking so that the CSCEC Group may participate in construction works in Dubai pursuant to the Master Dubai Construction Agreement.

CSCEC is the ultimate holding company of COHL, which in turn holds approximately 62.08% interest in the issued share capital of the Company and is a connected person of the Company. The granting of permission to the CSCEC Group to tender for and/or enter into contracts in construction works in Dubai under the Master Dubai Construction Agreement constitute "Continuing Connected Transaction" of the Company. The amendment of the Non-Competition Undertaking under the Supplemental Agreement to the Non-Competition Undertaking will also constitute a connected transaction of the Company.

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company for the fee receivable under the Master Dubai Construction Agreement in respect of the maximum value of contract awarded in each of the three (3) years ending 31 December 2010, i.e. the Cap, would exceed 0.1% but will be less than 2.5%. As such, the Company is required to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction. However, as the Master Dubai Construction Agreement will lead to a change to CSCEC's obligations under the Non-Competition Undertaking, the Directors will submit the Dubai Agreements to the Independent Shareholders for approval.

Details of the Sale and Purchase Agreement in relation to the Target Company, the subscription and the Shareholders' Agreement of in relation to the property development projects in Chongqing and Zhuhai, Master Dubai Construction Agreement and the Supplemental Agreement to the Non-Competition Undertaking contemplated are contained in the "Letter from the Board" of the circular to the shareholders dated 30 November 2007 (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this circular unless the context otherwise specifies.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement and (iii) the Dubai Agreements were agreed on normal commercial terms, in the ordinary course of business and are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to give our opinion in relation to the terms of (i) the Sale and Purchase Agreement and the Acquisition, (ii) the Shareholders' Agreement and (iii) the Dubai Agreements for their consideration when making their recommendation to the Independent Shareholders.

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## LETTER FROM ACCESS CAPITAL

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### I. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of Chairman and Non-executive Director, Mr. Kong Qingping; five (5) Executive Directors, namely, Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam, Mr. Fu He, Mr. Zhou Hancheng and Mr. Cheong Chit Sun; and four (4) Independent Non-executive Directors, namely, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See.

The Independent Board Committee comprising the Independent Non-executive Directors, namely Dr. Raymond Ho Chung Tai, Mr. Adrian Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See has been established to consider the terms of the Sale and Purchase Agreement and the Acquisition, the Shareholders Agreement, and the Dubai Agreements.

### II. BASIS AND THE ASSUMPTION OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in this circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of this circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in this circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in this circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff 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 an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Group or any of its subsidiaries.

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### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Background to the Group

##### 1.1 *Principal activities of the Group*

The Group is principally engaged in building construction and civil engineering. As disclosed in the interim report of the Group for the half year ended 30 June 2007, the Group had numerous projects in progress which were mainly situated in Hong Kong and Macau. Other projects in progress were in Dubai, India and Mainland China. According to the Company annual report 2006, the segment revenue derived in Hong Kong and Macau accounted for approximately 88.0% of the total revenue of the Group.

##### 1.2 *Financial performance and prospects of the Group*

Certain financial results of the Group were summarized below:

<i>HK\$'000</i>	<b>Six months ended</b>		<b>Year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Turnover	5,202,037	4,867,069	10,294,826	7,664,252
Gross profit	245,935	169,255	459,050	364,454
Profit attributable to Shareholders	115,673	86,608	222,182	152,021

*Year ended 31 December 2006 compared with year ended 31 December 2005*

The Group had projects in progress in Hong Kong, Macau, Dubai, India and Mainland China. These markets are currently amid high-growth period, in particular, Macau. Driven by the grant of gambling licenses by the Macau SAR government and visitors from Mainland China, the Macau market experienced robust economic growth during a relatively short period of the last two to three years with considerable foreign investments inflow which in turn boosted the vigorous development of Macau construction market. In June 2006, the Group entered into the Macau construction market. On the other hand, not much turnover could be accounted for in 2005 for the overseas projects because several overseas projects were awarded in the second half of the year 2005 and only insignificant turnover could be recognized based on actual work done in 2005. Substantial works were done in the year 2006 for these projects and also taking into account that two new projects in Dubai were awarded in January 2006, the turnover from overseas projects has been increased tremendously in the year.

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The Group's gross profit margin slightly decreased from 4.8% for the year ended 31 December 2005 to 4.5% for the year ended 31 December 2006. The Group continued to adopt prudent profit recognition policy, thus because the outcome of the Dubai Mall Hotel project cannot be estimated reliably during the year, only the turnover on the Dubai Mall Hotel project was recognized.

The audited profit attributable to shareholders was approximately HK\$222,182,000 for the year ended 31 December 2006, representing an increase of 46.2% as compared with HK\$152,021,000 for the year ended 31 December 2005 because the Group benefited from the robust market conditions in Macau, but as the Dubai Mall Hotel project cannot be estimated reliably during the year, no profit on it was recognised.

*Six months ended 30 June 2007 compared with six months ended 30 June 2006*

The Group has recorded a consolidated revenue of approximately HK\$5,202 million (the corresponding period in 2006: HK\$4,867 million), representing an increase of 6.88% compared with the corresponding period of 2006.

Revenue from Hong Kong dropped because most of the large-scale Hong Kong projects which contributed significant revenue had substantially completed in the second half of 2006. New projects awarded during the second half of 2006 till period ended 30 June 2007 were only in their preliminary stage and thus no significant revenue was generated in the period. For overseas markets, the Group recorded a significant increase of revenue compared with the corresponding period of 2006. The proportion of the revenue arising in the overseas markets has reached 50% of the aggregated revenue. This indicated the success of the strategy of developing overseas market especially in Macau and Dubai. The Group is continuing benefited from the rapid development in the Macau construction market.

The Group's overall profit margin was 4.73% for the six months under review (corresponding period in 2006: 3.48%). The reasons for the increase of gross profit margin were (i) the gross profit margin in the market of Macau and Dubai were comparatively higher than Hong Kong. The increase in the gross profit and gross profit margin was mainly attributable to the increase in the progress from the projects in Macau and Dubai; (ii) the revenue arising from the Project Management Contract in Macau increased compared with last period which contributed higher gross profit margin; and (iii) in accordance with the profit recognition policy of the Group, no profit will be recognized unless the outcome of a construction contract can be estimated reliably. Under that policy, no profit was recognized for Dubai Mall Hotel project in 2006 while that portion of profit will be recognised in 2007 together with the profit contributed from the work done in 2007.

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### 1.3 *Prospects*

As disclosed in the interim report of the Company for the half year ended 30 June 2007, in the first half of 2007, the global economy remained steady and healthy and the emerging economies such as the Mainland China and India continued to achieve a rapid growth.

#### *The Hong Kong Market*

The Directors considered that the robust economy of the Mainland China will continue to give impetus to the economic growth in Hong Kong. However, the construction industry still lagged behind the overall economic development amid the intense competition. In long-run, the Directors believe that the growth of Hong Kong economy will boost the activities of the construction industry, and following launch of some large-scale infrastructure projects, the construction industry in Hong Kong bound to recover. Adhered to its sound operations strategy of “Competing by Low Cost and High Quality of Management”, the Group has remained competitive in the Hong Kong market and has still achieved satisfactory results of operation.

#### *The Macau Market*

In 2006, the revenue from the gambling industry in Macau outpaced the Las Vegas, ranking Macau the number one in the world and its GDP per capita also surpassed Hong Kong for the first time. The prospect for development is promising which also lured the investors around the world to enter Macau market. Furthermore, the Macau government has done a lot to maintain the attractiveness of Macau to the investors by increasing investment in infrastructure and by improving and optimizing the local business environment and infrastructure. As such, the Directors consider that the Macau market remains optimistic in future.

The Group will leverage its competitive edges in Hong Kong and Macau, reinforcing the synergies in both territories and increasing its market share in Macau.

#### *The Market of the United Arab Emirates*

The Dubai market of the United Arab Emirates remains vibrant with a lot of large-scale projects in both public and private sectors in the pipeline. It is estimated that the value of contracts in the Dubai market over the next five years will amount to HK\$700 billion. The inflow of capital from the Middle East to the Abu Dhabi market rejuvenates the construction industry. The increasing population, increased level of urbanisation and developing tourism will pose a strong growth for the construction market and the outlook is unlimited.

As the investment sentiments of the United Arab Emirates favor business development, the Group has the strategies in place to seize opportunities on the timing while adhering to its prudent operation strategy and new progress had been made.

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### *The Indian Market*

The economy of India continued to grow rapidly, whereby its government further increased the investment in infrastructure and residential developments, and allowed private investments to take up the construction of the related projects, becoming a new driving force in the construction market in India. With expected substantial volume of contract works of India in the future, the room for development is ample.

With its prudent and sound operation strategies, the Group has smoothly implemented its construction-in-progress and selectively participated in targeted tenders, so as to ensure its steady development in the Indian market.

#### **1.4 *Liquidity Position of the Group***

As at 30 June 2007, the Group recorded a cash balance of approximately HK\$1,431.9 million and bank overdraft of approximately HK\$0.6 million.

The Group raised a total of HK\$ 988.8 million (net of expenses) for the Group by way of the open offer which was closed in September 2007. Of this amount, approximately HK\$510 million was utilized to acquire certain construction-related business.

The total investment outlay of the acquisition of the interest in Target Company of HK\$400 million and the Group's share of estimate of total investment in the development of the Chongqing Property and the Zhuhai Property is approximately HK\$465.7 million. Given that the commitments over the above-mentioned property projects will be made in stages over a period and having regard to the Group's liquidity position, the Board is of the view that the investment outlay requirements as mentioned above would not have any adverse impact on the Group's core construction business.

## **2. Acquisition of Target Company**

### **2.1 *Assets to be acquired***

One ordinary share of US\$1.00 in the share capital of Target Company, being its entire issued share capital, and all the shareholders' loan in the amount of HK\$328,488,370. On Completion, Target Company will cease to be a subsidiary of COLI.

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### 2.2 *Financial information relating to Shenyang Huanggu Company*

Set out below is the financial summary of Shenyang Huanggu Company based on its financial statements prepared in accordance with the PRC accounting standards:

	For the year ended	
	31 December 2006 (Audited) HK\$'000	31 December 2005 (Audited) HK\$'000
Consolidated net profits before taxation and minority interest	41,940	31,637
Consolidated net profits after taxation and minority interest	36,235	31,590
Consolidated net asset value	299,910	255,712

### 2.3 *Consideration*

The consideration for the Acquisition in the amount of HK\$400 million. This consideration will be paid in cash and was determined after arm's length negotiation and represents approximately 11.8 times of the average audited consolidated profit after taxation and minority interest of Shenyang Huanggu Company prepared in accordance with accounting standards in the PRC for the past two years ended 31 December 2005 and 2006 respectively, a report prepared by independent third party accountant in the PRC provided by COIHL.

The Directors considered that consideration determined with reference to the profit generated by Shenyang Huanggu Company to be fair and reasonable. All payments will be financed out of the internal resources of the Company. The price earnings ratio of 11.8 was set with reference to the pricing of similar infrastructure projects, which the Directors considered to be fair and reasonable.

To assess the fairness and reasonableness of the consideration, we note that a company listed in Hong Kong ("Hong Kong Comparable") and 4 PRC companies listed on Shanghai Stock Exchanges ("PRC Comparables") which are carrying out businesses similar to Shenyang Huanggu Company:

Stock Code	Name	Price at date of entering into the Sale and Purchase Agreement	Price earnings ratio	Price book ratio
<b>Hong Kong</b>				
3800	GCL-Poly Energy Holdings Limited	4.1	27.33	5.09

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Stock Code	Name	Price at date of entering into the Sale and Purchase Agreement	Price earnings ratio	Price book ratio
<b>Shanghai</b>				
600719	Dalian Thermal Power Co	7.64	76.40	2.16
600982	Ningbo Thermal Power Co. Ltd.	9.30	52.90	4.30
600864	Harbin Shirble Electric	27.27	5,454.00	17.67
600578	Beijing Jingneng Thermal	14.75	39.48	5.38
	Average		1,130.02	6.92
	Average exclude Harbin Shirble Electric		49.03	4.23
	The Acquisition		11.80	0.79

We note that the price earnings ratio and price book ratio of the Acquisition are substantially lower than the Hong Kong Comparable. We also note that the price earnings ratio and the price book ratio of the Acquisition are substantially lower than the range and the average of the price earnings ratio and price book ratio of the PRC Comparables respectively. Even taken out the unexceptionally high ratios of Harbin Shirble Electric, the position remains.

Based on the above findings, we are of the opinion that the consideration is in the interests of the Shareholders as a whole.

## **2.5 Expected financial impact on the Group as a result of the Acquisition**

### *2.5.1 Total assets, total liabilities and net asset value*

Since the consideration will be satisfied by internal resources of the Group, the Board expects that there will be no material effect on the consolidated total assets and net asset value of the Group upon completion of the Acquisition although the Group's cash and cash equivalent balances will be decreased to the extent of the consideration of HK\$400 million. Furthermore, the total liabilities will increase as the liabilities of Target Company will be aggregated with the Group.

For the net assets value, owing to the Group having adopted Accounting Guidelines No.5 "Merger Accounting for Common Control Business Combinations ("AG 5") issued by Hong Kong Institute of Certified Public Accountants, the accounting treatment for the combination of the assets acquired from COIHL will be stated at book value while the consolidation for the Acquisition is determined on a fair value basis. According to the AG

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5, the assets and liabilities will be consolidated in the consolidated financial statements at the book value and no goodwill will be resulted. The difference between the consideration for the Acquisition and the book value of the net assets acquired will be directly charged to reserve of the Group.

The comparative figures in the consolidated financial statements will be retroactively restated as if the combination was taken place before 1 January 2006. If the Group did not apply AG 5, the assets and liabilities acquired will be stated at fair value and then there will be no financial impact to the net assets of the Group.

### *2.5.2 Earnings*

Shenyang Huanggu Company's audited consolidated net profit after taxation and minority interest for the year ended 31 December 2006 amounted to approximately HK\$36.2 million. Upon completion of the Acquisition, Target Company will be consolidated as subsidiary of the Company. Assuming the Acquisition is approved by the Independent Shareholders, the Target Company's profit and loss will be incorporated into the consolidated financial statements of the Company.

### *2.5.3 Effects on the cash position/gearing of the Group*

As stated in the "Letter of the Board", the consideration for the Acquisition will be satisfied by internal resources of the Group. Hence, the "Cash and cash equivalent" classified under current assets of the consolidated balance sheet of the Group will decrease to extent of the consideration of HK\$400 million.

As the consideration will be settled by internal resources of the Group and having regard to the Group's liquidity position after the closing of the open offer in September 2007 and the increase in total liabilities, it is expected that the gearing ratio will increase as result of the Acquisition.

## **3. Subscription of Shares in a company holding the property development in Chongqing and Zhuhai**

### *3.1 Reasons for the JV Agreement*

As stated in the Letter from the Board, the Directors consider that the PRC property market provides a good investment opportunity for the Company taking into account of the liquidity position of the Group and the general property market environment in the PRC. The Directors further consider that involvement in the Chongqing Property and the Zhuhai Property development can further explore business opportunities for the Group since construction works are required in the Chongqing Property and the Zhuhai Property development.

#### *(i) Ample cash position of the Group*

According to the Company's annual report 2006 and interim report 2007, the Group had total bank balances and cash of approximately HK\$1,701 million and HK\$1,432 million

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respectively. The bank balances carry interest at market rates ranging from 2% to 7% per annum. Investment income for the Group, comprising mainly of interest on bank deposits was recorded at HK\$64.5 million for the year ended 31 December 2006. In light of the thin interest rate of bank deposits, we consider that it is justifiable and reasonable for the Group to seek various investment opportunities such as investment in property to enhance the Shareholders' value.

(ii) *Corporate strategy of the Company*

As stated in the Company's annual report 2006, while construction business remains as its core business, the Group will further expand into other construction-related businesses in order to balance market risk and increase its profitability. The Board believes that following years of rapid growth in the economy of the Mainland China, it is a vital for the Group to enter the Mainland China market for its business development and operations and to select construction contracting and strategic investment businesses.

(iii) *Property market in Chongqing and Zhuhai*

The JV Co currently has two property investments in Chongqing and Zhuhai, the PRC respectively. According to the Letter from the Board, the Chongqing Property will be developed into residential properties for sale whereas the Zhuhai Property will be developed into office, hotel, services apartment, commercial and residential properties. Details of the Chongqing Property and the Zhuhai Property are set out in the Letter from the Board.

According to the 2006 重慶市國民經濟和社會發展統計公報 published by 重慶市統計局 in March 2007, the GDP of Chongqing in 2006 increased by 12.2% over 2005 to approximately RMB34.8 billion, representing a per capita GDP of approximately RMB12,437, an increase of 11.9% over that of previous year. During the year, total area of commodity properties under construction was 88.6 million square meters, an increase of 18.4% over that of 2005. Saleable area of commodity properties was 22.3 million square meters. Total sales of commodity properties amounted to RMB50.6 billion (increase of 17.4% over that of 2005) of which 22.9% was sales of residential properties (increase of 82.8% over that of 2005).

According to the 2006 珠海市國民經濟和社會發展統計公報 published by the Zhuhai Government in March 2007, the GDP of Zhuhai city in 2006 increased by 16.1% over 2005 to RMB7.4 billion, representing a per capita GDP of RMB52,317. During the year, total area of commodity properties under construction was 1.92 million square meters, an increase of 18.5% over that of 2005. Saleable area of commodity properties reduced by 6.2% as compares to 2005 to 1.78 million square metres. Sales of commodity properties amounted to RMB8.4 billion representing an increase of 9.9% over that of 2005.

The Directors consider that the PRC property market provides a good investment opportunity for the Company taking into account of the current cash position of the Company and the general property market environment in the PRC.

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The Directors further consider that involvement in the Chongqing Property and the Zhuhai Property development can further explore business opportunities for the Company since construction works are required in the Chongqing Property and the Zhuhai Property development.

(iv) *Joint venture with COLI*

COLI principally engages in property development and investment project management, infrastructure project investments, investment holding, real estate agency and management and treasury operations. In 2006, the COLI Group received a number of awards because of its quality products and customer services. The COLI Group is one of the leading property developers and property management in Mainland China. Its property development and property investment activities are carried out in Hong Kong and regions in the PRC other than Hong Kong. All infrastructure project investments are located in the PRC. According to COLI's annual report, the consolidated turnover and profit for the year ended 31 December 2006 increased by approximately 38% and 38% respectively over those of 2005 to approximately HK\$10,910 million and HK\$2,312 million respectively.

Furthermore, the Chongqing Property was held as to 55% by Harbour Centre Development Limited ("Harbour Centre") through its investment in Speedy Champ which is indirectly owned as to 45% by the JV Co. Harbour Centre is a 67%-owned subsidiary of The Wharf (Holdings) Limited ("Wharf") and its principal activities are ownership of hotels and restaurants, properties investments and development and other investments. Both the shares of Harbour Centre and Wharf are listed on the Main Board of the Stock Exchange.

In view of (i) the positive outlook of the property market in Chongqing and Zhuhai as mentioned above, (ii) COLI's expertise and reputation in the property market in the Mainland China and (iii) Harbour Centre's expertise in property development and investment, we consider that it is reasonable for the Company to enter into the Shareholders' Agreement to explore business opportunities relating to the construction activities .

(v) *Possible construction works in PRC*

The Directors consider that the entering into of the Shareholders' Agreement not only represents a property investment in the PRC, it also provides the Company an opportunity to involve in property development in the PRC despite there is no concrete plan to engage the Company in the construction works of the Chongqing Property and the Zhuhai Property development.

In view of the above, we concur with the Board's view that the entering into the subscription and Shareholders' Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

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### 3.2 *Terms of the Shareholders' Agreement*

Details terms and conditions of the Shareholders' Agreement are set out in the Letter from the Board.

#### (i) *Consideration*

The Company will pay HK\$7.8 to subscribe for one (1) Share representing 10% of the shareholding in the JV Co. The JV Co is an investment holding company. As at the Latest Practicable Date, the JV Co through its subsidiaries namely Widenews and Eton, holds 100% investment in the Zhuhai Property and 45% investment in the Chongqing Property. Details of the corporate structure of the JV Co and information of Widenews and Eton are set out in the Letter from the Board. COLI's investment in the JV Co, representing the partial payments of land premium on the Chongqing Property and Zhuhai Property, are financed by its shareholders' loan amounted to approximately RMB413.33 million (approximately HK\$427.3 million) as at the Latest Practicable Date. Upon Completion, the Company will extend a shareholders' loan to the JV Co such that JV Co can repay 10% of the shareholders' loan advanced by COLI.

In this respect, the shareholder's loan to be extended by the Company will be approximately RMB41.33 million (approximately HK\$42.73 million). The shareholder's loan to be extended by the Company basically represents the share of the Company's investment in the Chongqing Property and the Zhuhai Property. As stated in the Letter from the Board, both the Chongqing Property and the Zhuhai Property were acquired by public auction.

#### (ii) *Other terms and conditions*

Future financing requirements including capital injection, the extension of guarantees, provision of securities in respect of JV Co's borrowing from banks, financial institutions or other third parties, the contribution or liability of COLI and the Company under such guarantees or other securities shall be in the proportion of their respective shareholdings in the JV Co.

The JV Co Board shall consist of directors and all of whom (including the chairman of the JV Co) will be appointed by COLI. In this regard, the Company will not have a seat in the JV Co Board. Despite this, we concur with the Board's view that it is acceptable in view of the fact that the Company will be a minority shareholder in the JV Co holding only 10% of the shareholding.

Based on the above, we concur with the Board's view that the terms of the Shareholders' Agreement are in normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

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### 3.3 *Possible financial effects of the Shareholders' Agreement*

Upon Completion, the Company's 10% shareholdings in the JV Co will be recorded as an investment in its balance sheet on cost basis. According to the Letter from the Board, the estimated total investment for the development of the Chongqing Property, including land premium of approximately RMB2,540 million (approximately HK\$2,626 million), is approximately RMB3,540 million (approximately HK\$3,660 million). As the JV Co only holds 45% of the Chongqing Property, the Company's contribution to the investment (in proportion to its 10% shareholding in JV Co) will be RMB159.3 million (approximately HK\$164.7 million). The estimated total investment for the development of the Zhuhai Property, including land premium of approximately RMB677.8 million (approximately HK\$700.71 million), is approximately RMB2,912 million (approximately HK\$3,010 million). In this regard, the Company's estimated total investment in JV Co will be approximately HK\$465.7 million.

Pursuant to the Shareholders' Agreement, a shareholder loan of approximately HK\$42.73 million forming part of its investment in the JV Co will be extended by the Company to the JV Co upon Completion. Apart from the balance of the land premium payments which will be paid by installments in accordance with the terms of the land use rights contracts of the respective properties, the remaining investment contribution will be paid in accordance with the progress of the development of the property projects. As at the Latest Practicable Date, there is no confirmed schedule of the development of the Chongqing Property and Zhuhai Property.

According to the Company's annual report 2006, the Company has a total bank balances and cash of approximately HK\$1,742 million of which HK\$1,701 million was unencumbered. As at 31 December 2006, the Group has bank borrowings of approximately HK\$14.3 million and the gearing ratio (being the ratio of total bank borrowings to total equity) was approximately 0.01. After taking into account the consideration payment of the Acquisition of HK\$400 million and the subscription of Shares in JV Company, the Company still has ample cash or cash equivalents on hand. In light of the Company's ample cash position as reflected in the Company's annual report and the available banking facilities, we concur with the Board's view that the Company has sufficient financial resources to meet the above investment and the obligations under the subscription and the Shareholders' Agreement.

#### **4. Reasons and benefits of the Acquisition and the investment in the property development projects in Chongqing and Zhuhai**

The Directors consider that Target Company provides a good investment opportunity for the Company, and the investment will generate stable and longer term income to the Company. The Directors further consider that the involvement in the Target Company can allow the Company to explore business opportunities for the Company as it expects that construction works are required for as the Target Company will expand its operation capabilities and construct new buildings in future. The Directors believe that the terms of the Sale and Purchase Agreement and the Acquisition are on normal commercial terms and are fair and reasonable and it is in the interests of the Company as a whole to enter into the Sale and Purchase Agreement.

The Directors are conscious of the fact that the construction business of the Group is a competitive and cyclical business, although in recent years, the Group has been achieving increasing

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revenue from these activities since 2005. Overall, the operating profit margin of the Group has remained at the level of approximately 2.6% since 2005. Accordingly, the Board consider it to be prudent to look into ways to reduce the Group's susceptibility to the cyclical movements of the construction industry, which in a down turn, would typically hampers the margin of its core business.

Accordingly, the Board has been pursuing a policy of business diversification, both in term of geographical diversification of the Group's construction activities in expanding into other markets such as the Middle East and India, as well as into other businesses.

As stated in the letter from the Board in Company's prospectus on its open offer dated 14 August 2007, the Group intends to expand into other construction-related businesses, with a view to balancing market risks and increasing its profitability. The Group is also seeking investment opportunities which would generate sustainable profit for the Group.

Having regard to the Board's strategy to enhance the Group's long-term profitability and to mitigate the risks inherent in the construction industry in general, we concur with the Board view's that the proposed Acquisition and the proposed investment in the Chongqing Property and the Zhuhai Property is consistent with the Board's strategy.

### **5. Permission for the CSCEC Group to participate in the construction market in Dubai**

#### **5.1 Reason for entering into the Dubai Agreements**

As stated in the "Letter of the Board" of this circular, the operation of the Group in Dubai is still in an early development stage. The total contract sum of construction projects undertaken by the Group in Dubai in the past three financial years were approximately HK\$2,126 million, HK\$1,561 million and HK\$1,916 million respectively, representing approximately 23%, 11% and 20% of the contract sum of the construction contracts undertaken by the Group for the relevant period. The Directors believe that there are still many business opportunities in Dubai that the Group has not or the Group is not yet ready to pursue. Under the Non-Competition Undertaking, CSCEC Group may only participate in the construction in Dubai through joint venture with the Group. In order to capitalise fully on the business opportunities that the Group may not otherwise pursue in Dubai, the Directors believe it to be in the interest of the Group to permit the CSCEC Group to participate in the Dubai market on its own otherwise than in joint venture with the Group. The Directors believe that the construction market in Dubai in the coming three years may exceed HK\$100,000 million in terms of contract value each year.

Based on the information as published by the Ministry of Economy of Dubai Government, the construction factor of Dubai contributed approximately HK\$45,596 million to the GDP of Dubai in 2006. Given that an average duration of the construction project of approximately 2 to 3 years, the total construction value of Dubai would be estimated to be approximately HK\$113,990 million. Therefore, we are of the opinion that Company's estimate of approximately HK\$100 billion market size is not unreasonable. Based on this market size, the Company contributed approximately 5.7% of the total construction market in Dubai. We agree that based

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on this small market share, it is of the interests for the Group to co-operate with other contractors to capture more market share in the district. Therefore, we are of the opinion that the entering into Master Dubai Construction Agreement and the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole.

### 5.2 *Consideration*

A fee of 2.5% of the final contract sum received by the Company in respect of each construction works awarded and undertaken by the CSCEC Group in Dubai calculated on a quarterly basis with reference to the value of the contract work certified as completed in that quarter and payable within one month from the end of each relevant quarter. Other than the giving of the consent and the execution of the Supplemental Agreement to Non-Competition Undertaking, no other services will need to be provided nor obligations will be undertaken by the Group incidental to the Master Dubai Construction Agreement.

Based on the interim report of the Group for the six months ended 30 June 2007, the net profit margin of the Group was approximately 2.2%. Based on the annual report of the Group for the year ended 31 December 2006, the net profit margin of the Group was approximately 2.15%. Therefore, we are of the opinion that the fee to be provided by the CSCEC Group is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

### 5.3 *The Cap and the First Right of Refusal*

For so long as the Non-Competition Undertaking remains in force and pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company, tender for and/or enter into contracts in construction works in Dubai, provided that the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2010 shall not exceed HK\$5,000 million (the relevant fee thereon calculated on a 2.5% basis (i.e. the “Cap”) would be HK\$125 million).

The total contract sum of construction projects undertaken by the Group in Dubai in the past three financial years were approximately HK\$2,126 million, HK\$1,561 million and HK\$1,916 million respectively, representing approximately 23%, 11% and 20% of the contract sum of the construction contracts undertaken by the Group for the relevant period. The total contract sum on hand of the Group in Dubai as at the Latest Practicable Date is estimated to be approximately HK\$5,700 million. As stated in the “Letter from the Board” of this circular, the estimation of the maximum cap at HK\$5,000 million per annum is based on the construction capacity of CSCEC Group, experience of the Company in the Dubai market over the past years and the contract sum on hand of approximately HK\$5,700 million. The Directors considered the basis is fair and reasonable. We concur with this estimate of the Group.

Moreover, we also note that under the Master Dubai Construction Agreement, prior written consent of the Company is needed for CSCEC Group to tender for and/or enter into contracts in construction works in Dubai. We consider this term provides flexibility and further protection of the Company since the Company could at any time terminate the arrangement if the Group consider that the CSCEC Group erodes the market share of the Group in Dubai.

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## LETTER FROM ACCESS CAPITAL

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In view of the foregoing, we are of the opinion that the amount of the Cap is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### IV. RECOMMENDATIONS

#### 1. The Acquisition of China Overseas Public Utility Investment Limited

After having considered the terms of, the reasons for and the benefits of the Acquisition and based on the information provided and the representations made to us, we consider that the terms of the acquisition of the Target Company are on normal commercial terms, entered into in the ordinary course of business and fair and reasonable so far as the Independent Shareholders are concerned; and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the EGM to approve the Sale and Purchase Agreement.

#### 2. Subscription of Shares in a company holding the property development in Chongqing and Zhuhai

In considering the terms of the subscription and the Shareholders Agreement, we have taken into account the following factors:

- The terms of and the reasons for subscription and the Shareholders Agreement as described above and
- the expected financial and non pecuniary benefits to the Group as a result of the subscription and the Shareholders Agreement.

After having considered the above principal factors and based on the information provided and the representations made to us, we consider that the terms of the subscription and the Shareholders Agreement are entered into on normal commercial terms, in the ordinary course of business and fair and reasonable so far as the Independent Shareholders are concerned; and is in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the EGM to approve the subscription and the Shareholders Agreement.

#### 3. Permission for the CSCEC Group to participate in the construction market in Dubai

In considering the terms of the Master Dubai Construction Agreement and the Supplemental Agreement to Non-competition Undertaking, we have taken into account the following factors:

- The terms of and the reasons for Master Dubai Construction Agreement as described above and
- reasonableness of the consideration, caps and other terms.

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## LETTER FROM ACCESS CAPITAL

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After having considered the above principal factors and based on the information provided and the representations made to us, we consider that the terms of the Master Dubai Construction Agreement and the Supplemental Agreement are entered into on normal commercial terms, in the ordinary course of business and fair and reasonable so far as the Independent Shareholders are concerned; and is in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the EGM to approve Master Dubai Construction Agreement and the Supplemental Agreement.

Yours faithfully  
For and on behalf of  
**Access Capital Limited**

**Alexander Tai**  
*Executive Director*

**Jimmy Chung**  
*Executive Director*

**RESPONSIBILITY STATEMENT**

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

**DISCLOSURE OF DIRECTORS' INTERESTS FOR THE COMPANY**

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 corporation (within the meaning of Part XV of the SFO) which (a) were 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 which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

**(a) Long positions in shares and underlying shares of the Company**

Name of Directors	Number of ordinary shares held	Number of underlying shares held	Total	% of shares in issue <sup>3</sup>
	Personal interests <sup>1</sup>	Share options <sup>2</sup>		
Kong Qingping	739,200	748,800	1,488,000	0.245%
Zhou Yong	470,400	655,200	1,125,600	0.185%
Yip Chung Nam	482,666	468,000	950,666	0.156%
Fu He	330,000	474,000	804,000	0.132%
Zhou Hancheng	320,000	442,400	762,400	0.125%
Cheong Chit Sun	108,000	374,400	482,400	0.079%
Raymond Ho Chung Tai	—	208,000	208,000	0.034%
Adrian David Li Man Kiu	—	208,000	208,000	0.034%
Raymond Leung Hai Ming	—	208,000	208,000	0.034%
Lee Shing See	—	208,000	208,000	0.034%

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.

2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the Company's Share Option Scheme. The exercise price for the share options is HK\$0.99 per share and the exercise period is from 14 September 2006 to 13 September 2015.
3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 607,566,842 ordinary shares).

(b) **Long positions in shares and underlying shares of Associated Corporation**

**China Overseas Land & Investment Ltd. ("COLI")**

Name of Directors	Number of ordinary shares held	Number of underlying shares held		Total
	Personal interests <sup>1</sup>	Share options <sup>2</sup>	Warrants <sup>3</sup>	
Kong Qingping	7,156,000	1,344,000	726,333	9,226,333
Zhou Yong	1,643,750	768,000	136,979	2,548,729
Yip Chung Nam	3,400,000	800,000	283,333	4,483,333
Fu He	200,000	800,000	33,333	1,033,333
Zhou Hancheng	—	256,000	—	256,000
Cheong Chit Sun	240,000	160,000	13,333	413,333

*Notes :*

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by COLI. The exercise price for the share options is HK\$1.13 per share and the exercise period is from 18 June 2005 to 17 June 2014.
3. This represents interests in warrants held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the warrants issued by COLI. The exercise price for the warrants is HK\$12.50 per share and the exercise period is from 28 August 2007 to 27 August 2008.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were 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 which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

None of the Directors has had any direct or indirect interest in any assets which have since 31 December 2006 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

- (a) As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies were interested in 5% or more in the Shares or underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

##### Long positions in Shares of the Company

Name of Shareholder	Number of Shares held	Percentage of interest (Note 1)
COHL (Note 2)	377,198,612	62.08%
CSCEC (Note 3)	377,198,612	62.08%

##### Notes :

- The percentage has been adjusted based on the total number of Share in issue as at the Latest Practicable Date (i.e. 607,566,842 Shares).
- Amongst the total number of 377,198,612 Shares held by COHL, 361,028,346 Shares were held as beneficial owner while the balance of 16,170,266 was interests of controlled corporations.
- COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 377,198,612 Shares owned by COHL.

Save as disclosed in this circular, so far as was known to the Director, none of the Directors is a director or employee of a company which has an interest in the Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following persons and companies (other than the Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name of Subsidiaries</b>	<b>Name of Substantial Shareholders</b>	<b>Percentage of Shareholdings</b>
China Overseas Installation Works Limited (中國海外安裝工程有限公司)	Shanghai Industrial Equipment Installation Corp. (上海市工業設備安裝公司)	35%

Save as disclosed above, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

#### **LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### **SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

#### **MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited consolidated financial statements of the Company have been made up.

## COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

<b>Name of Director</b>	<b>Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of interest of the Director in the entity</b>	<b>Note</b>
Mr. Kong Qingping	COHL/CSCEC/ COLI ( <i>Note1</i> )	Construction, property development and investment	Director	2

*Note:*

1. Including the subsidiaries of CSCEC.
2. CSCEC is the ultimate holding company of the Company and the immediate holding company of COHL.

Save as disclosed above, the Company had not been notified of any other relationship among the directors, senior management or substantial or controlling shareholders 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 and their respective associates had any interest in a business apart from the Group's business, which competes or is likely to compete directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

**EXPERT**

- (a) The following is the qualification of the expert who had given its opinion and advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Access Capital	A licensed corporation under the SFO, and engaged in types 1, 4, 6 and 9 regulated activities

- (b) Access Capital has confirmed that it has 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.
- (c) Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which they are included.
- (d) Access Capital has confirmed that it does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of Group since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Company were made up.
- (e) The letter of Access Capital is given as of the date of this circular for incorporation herein.

**GENERAL**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The qualified accountant of the Company is Mr. Chan Sim Wang, a member of The Hong Kong Institute of Certified Public Accountants and fellow of The Association of Chartered Certified Accountants.
- (d) The company secretary of the Company is Ms. Connie Chiang Yuet Wah, a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

- (e) The principal place of business of the Company in Hong Kong is at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- (f) The English texts of this circular and the accompanying form of proxy shall prevail over the Chinese texts.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours at the office of the Company at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 27 December 2007 (Saturdays and Sundays excepted) and will be available for inspection at EGM:-

- (a) the Sale and Purchase Agreement;
- (b) the Shareholders' Agreement;
- (c) the Dubai Agreements;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular; and
- (e) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from Access Capital" of this circular.

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## APPENDIX II PROCEDURES FOR VOTING BY POLL AT GENERAL MEETING

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Pursuant to Article 66 of the Articles of Association of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person, but a poll may be demanded (before or on the declaration of the result of the show of hands or on withdrawal of any other demand for a poll) by the chairman of each meeting or by:

- (a) at least three (3) Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (b) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

In accordance with the requirement under Chapter 13 of the Listing Rules, the Company will publish an announcement in newspapers of the results of any voting by poll at the general meeting on the business day following the meeting.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# 中國建築國際集團有限公司

## CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

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

**(Stock Code: 3311)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Thursday, 27 December 2007 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (A) the Sale and Purchase Agreement and the Acquisition (as defined in the circular of the Company dated 30 November 2007 of which this notice forms part), (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;
- (B) any one director of the Company 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 to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the Acquisition and the transactions contemplated thereunder and the implementation thereof including the affixing of Common Seal thereon.”

2. **“THAT:**

- (A) the Shareholders’ Agreement (as defined in the circular of the Company dated 30 November 2007 of which this notice forms part), (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;
- (B) any one director of the Company 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 to be incidental to, ancillary to or in connection with the matters contemplated in the Shareholders’ Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of Common Seal thereon.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. **“THAT:**

- (A) the Dubai Agreements (as defined in the circular of the Company dated 30 November 2007 of which this notice forms part), (a copy of the Master Dubai Construction Agreement which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose and a copy of the Supplemental Agreement to the Non-Competition Undertaking which is tabled at the meeting and marked “D” 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;
- (B) any one director of the Company 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 to be incidental to, ancillary to or in connection with the matters contemplated in the Dubai Agreements 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**  
**Zhou Yong**  
*Vice-chairman and Chief Executive Officer*

Hong Kong, 30 November 2007

*Registered office:*

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

**Notes:**

- (1) A form of proxy for use at the meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 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).
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from 24 December 2007 to 27 December 2007, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 21 December 2007.