
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK AGREEMENT WITH CSCECL
FOR HONG KONG PUBLIC CONSTRUCTION MAIN CONTRACTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 33 of this circular.

A notice convening the EGM to be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 9 August 2019 at 2:30 p.m. is set out on pages 38 to 39 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong), as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

Shareholders or proxies who attend the EGM in person will each receive ONE gift as a token of the Company's appreciation. If a shareholder is also appointed as proxy/proxies of other shareholder(s), or a proxy represents multiple shareholders, the number of gift each of the aforesaid shareholder or proxy will receive is limited to ONE.

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DEFINITIONS

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

“Annual Caps”	the maximum total contract sum of the Hong Kong Public Construction Main Contracts that may be awarded to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor for each financial year under the Framework Agreement;
“associate(s)”, “connected person”, “controlling shareholder” “percentage ratios”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested in approximately 64.66% of the issued share capital of the Company;
“Company”	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“CSCECL”	中國建築股份有限公司, a joint stock company incorporated in the PRC (the shares of which are listed on The Shanghai Stock Exchange), the intermediate holding company of the Company indirectly interested in more than 50% of the Company;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the Framework Agreement and the Transactions;
“Executive Board”	has the meaning as defined in the paragraph headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (d) Management” under the section headed “Letter from the Board” of this circular;

DEFINITIONS

“Framework Agreement”	the framework agreement dated 4 June 2019 entered into between the Company and CSCECL in respect of the cooperation of the Company and CSCECL (or their respective subsidiaries) to enter into and implement the Hong Kong Public Construction Main Contracts at the request of the Company;
“Group”	the Company and its subsidiaries from time to time (excluding subsidiary(ies) listed on any stock exchange);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Public Construction Main Contract(s)”	the main contractor contract(s) for the Hong Kong Public Construction Project(s);
“Hong Kong Public Construction Projects”	the construction projects of large-scale transport facilities, drainage pipelines, housing and other related public utilities structures/facilities in Hong Kong;
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive directors of the Company, namely Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps);
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement (together with the Annual Caps) and the Transactions;
“Independent Shareholders”	Shareholders other than CSCECL and its associates;
“JV Agreement”	has the meaning as defined in the paragraph headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements” under the section headed “Letter from the Board” of this circular;
“Latest Practicable Date”	5 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Procedures”	has the meaning as defined in the paragraph headed “FRAMEWORK AGREEMENT — Invitation to CSCECL for cooperation” under the section headed “Letter from the Board” of this circular;
“Respective Interest”	has the meaning as defined in the paragraph headed “FRAMEWORK AGREEMENT — Customary terms of joint venture agreements — (a) Proportion of interest” under the section headed “Letter from the Board” of this circular;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the entering into of the Framework Agreement and the transactions contemplated thereunder;
“2019 - 2020 Budget”	the 2019 - 2020 Budget Speech of the government of Hong Kong; and
“%”	per cent..

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Mr. Yan Jianguo (*Chairman*)

Executive Directors:

Mr. Zhang Haipeng (*Chief Executive Officer*)

Mr. Tian Shuchen (*Vice President*)

Mr. Zhou Hancheng (*Financial Controller*)

Mr. Hung Cheung Shew (*Vice President*)

Independent Non-executive Directors:

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

10 July 2019

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK AGREEMENT WITH CSCECL
FOR HONG KONG PUBLIC CONSTRUCTION MAIN CONTRACTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 4 June 2019 in respect of the Framework Agreement entered into between the Company and CSCECL on 4 June 2019.

The purpose of this circular is to provide you with, among other things, (i) the particulars of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps), (ii) the letter from the Independent Board Committee with their view on the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps); and (iii) the letter from

LETTER FROM THE BOARD

Red Sun with their advice on the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) 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 on the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

CONTINUING CONNECTED TRANSACTIONS

On 4 June 2019, the Company and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Hong Kong Public Construction Main Contracts as joint venture main contractor at the request of the Company. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Hong Kong Public Construction Main Contracts.

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

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

The Framework Agreement does not anticipate the formation of any joint venture company, nor acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint operations arrangement between the Company and CSCECL (or their respective subsidiaries) without the establishment of any separate legal entities to carry out the Hong Kong Public Construction Main Contracts, which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint operations” in the financial statements of the Company.

FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are as follows:

Date

4 June 2019

Parties

- (a) the Company; and
- (b) CSCECL, the intermediate holding company of the Company.

LETTER FROM THE BOARD

Term

The term of the Framework Agreement shall commence on 4 June 2019 until 31 December 2021 (i.e. covering 3 financial years ending on 31 December 2021).

Subject matter

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

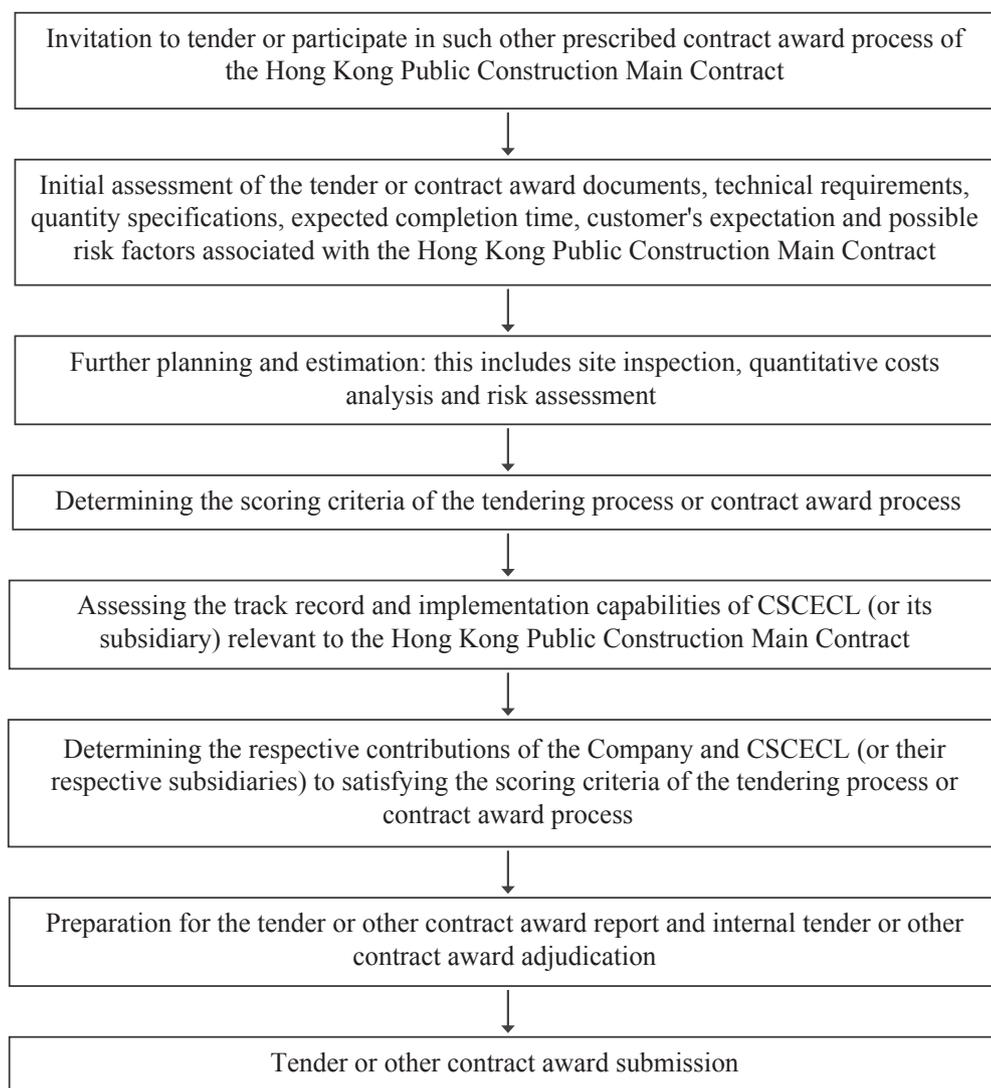
- (a) at the request of the Company, the parties (or their respective subsidiaries) may cooperate to enter into and implement the Hong Kong Public Construction Main Contracts as joint venture main contractor, provided that the maximum total contract sum that may be awarded jointly to the Company and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

Invitation to CSCECL for cooperation

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

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

LETTER FROM THE BOARD



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

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

LETTER FROM THE BOARD

Contract sum of the Hong Kong Public Construction Main Contracts

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

Annual Caps

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

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

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

Basis of determining the Annual Caps

The Annual Caps are determined with reference to the estimated annual contract sum for the Hong Kong Public Construction Main Contracts during the relevant financial year taking into consideration the following figures as published in the 2019-2020 Budget:

	2017-2018 Actual	2018-2019 Revised Estimate	2019-2020 Estimate
Total government expenditure on infrastructure HK\$ (billion)	86.088	76.708	79.039

In determining the Annual Caps, the Company has also considered the following:

- (a) a potential construction project for the Group in relation to a proposed new route in Kowloon with an estimated contract sum of HK\$10 billion; and
- (b) the potential construction projects which the Group expects to tender for in respect of the proposed expansion of the Hong Kong International Airport into a three-runway system, which includes, amongst others, expansion of airfield facilities, modification or expansion of terminal 2, and construction of third-runway passenger building and airport support facilities and utilities, with the estimated construction cost in aggregate of HK\$141.5

LETTER FROM THE BOARD

billion at money-of-the-day prices according to the Airport Authority Hong Kong, and the expected tender by the Group for the potential works with approximately contract sum of HK\$15 billion and HK\$20 billion for the financial years ending on 31 December 2020 and 2021, respectively, the estimation of which is based on the expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges.

Customary terms of joint venture agreements

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

(a) Proportion of interest

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

(b) Profit/loss sharing

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

(c) Financing and other support

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

LETTER FROM THE BOARD

(d) Management

A contractual joint venture under a JV Agreement shall be managed by an executive board (the “**Executive Board**”) to be set up by the Company and CSCECL (or their respective subsidiaries). The Executive Board shall comprise two members appointed by the Company (or its subsidiary) and two members appointed by CSCECL (or its subsidiary). A member appointed by the Company (or its subsidiary) and a member appointed by CSCECL (or its subsidiary) present at a meeting of the Executive Board shall form a quorum. Any decisions made in any meeting of the Executive Board shall require an unanimous consent of the members present at the meeting.

(e) Guarantee

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

(f) Restriction of transfers

Without the prior written consent from the other party, neither the Company (or its subsidiary) nor CSCECL (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of the parties under such JV Agreement; and (ii) change the nature or scope of business of the contractual joint venture.

Condition Precedent

The Transactions (together with the Annual Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the Transactions.

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

CSCECL is one of the most established engineering contractors in the world, and it represents one of the highest levels of technology and management in various fields of construction. The Company expects that the scope of the Hong Kong Public Construction Main Contracts will cover only the Hong Kong Public Construction Projects, which is a special construction segment. It is perceived that the substantial experience of CSCECL (or its subsidiary) as main contractor in landmark projects of skyscrapers, and large-scale infrastructure projects of key airports, rail transit, bridges, urban utilities, etc. in the PRC will enhance the chance of successful award of the Hong Kong Public Construction Main Contracts to the Company (or its subsidiary).

LETTER FROM THE BOARD

The Directors (including the independent non-executive directors of the Company whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the Framework Agreement (together with the Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Transactions (together with the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

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

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

LISTING RULES IMPLICATIONS

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

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

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

EXTRAORDINARY GENERAL MEETING

Set out on pages 38 to 39 of this circular is a notice convening the EGM to be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 9 August 2019 at 2:30 p.m., at which the ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong), as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM from Tuesday, 6 August 2019 to Friday, 9 August 2019, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) not later than 4:30 p.m. on Monday, 5 August 2019.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's Articles of Association. As at the Latest Practicable Date, CSCECL and its associates (including COHL), in aggregate holding 3,264,976,136 shares of the Company, representing approximately 64.66% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps). In addition, COHL is a wholly-owned subsidiary of CSCECL. COHL and its associates, in aggregate holding 3,264,976,136 shares of the Company, representing approximately 64.66% of the issued share capital of the Company as at the Latest Practicable Date will abstain from voting at the EGM on the resolution relating the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

None of the Directors has a material interest in the Transactions and thus no Director is required to abstain from voting on the board resolution(s) approving the Transactions. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

The Independent Board Committee (comprising all the independent non-executive directors of the Company) has been formed to advise and provide recommendation to the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps). Red Sun has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

LETTER FROM THE BOARD

RECOMMENDATION

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

Your attention is also drawn to the letter from Red Sun set out on pages 16 to 33 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

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

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

ADDITIONAL INFORMATION

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

Yours faithfully

By Order of the Board

China State Construction International Holdings Limited

Yan Jianguo

Chairman and Non-executive Director



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

10 July 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK AGREEMENT WITH CSCECL
FOR HONG KONG PUBLIC CONSTRUCTION MAIN CONTRACTS**

We refer to the circular dated 10 July 2019 (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 Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Red Sun has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular and the text of a letter of advice from Red Sun, as set out on pages 16 to 33 of the Circular, both of which provide details of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

Having considered the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps), the advice of Red Sun, and the relevant information contained in the letter from the Board, we are of the opinion that the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
For and on behalf of

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

Adrian David Li Man Kiu
Independent Non-executive Director

Raymond Leung Hai Ming
Independent Non-executive Director

Lee Shing See
Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in connection with the transactions contemplated under the Framework Agreement (together with the Annual Caps) for inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

10 July 2019

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK AGREEMENT WITH CSCECL FOR HONG KONG PUBLIC CONSTRUCTION MAIN CONTRACTS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) between the Company and CSCECL, which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 10 July 2019, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 4 June 2019, the Company, and CSCECL entered into the Framework Agreement whereby the parties agree that they (or their respective subsidiaries) may cooperate to enter into the Hong Kong Public Construction Main Contracts as joint venture main contractor at the request of the Company. It is expected that the award of these contracts will generally be subject to a tendering process or such other prescribed contract award process as may be implemented by the relevant third-party developer/owner client in order to determine the contract sum of the relevant Hong Kong Public Construction Main Contracts.

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

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Upon a successful tender (or such other contract award process), the relevant Hong Kong Public Construction Main Contract shall be awarded by the relevant third-party developer/owner client to the Company and CSCECL (or their respective subsidiaries) as joint venture main contractor. The term of the Framework Agreement shall commence on 4 June 2019 until 31 December 2021 (i.e. covering 3 financial years ending on 31 December 2021).

The Framework Agreement does not anticipate the formation of any joint venture company, nor acquisition or disposal of any entities. The contractual joint ventures as contemplated under the Framework Agreement are joint operations arrangement between the Company and CSCECL (or their respective subsidiaries) without the establishment of any separate legal entities to carry out the Hong Kong Public Construction Main Contracts, which are revenue nature transactions in the ordinary and usual course of business of the Company. These contractual joint ventures are expected to be categorized as “joint operations” in the financial statements of the Company.

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

II. THE INDEPENDENT BOARD COMMITTEE

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

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps), are on normal commercial terms and are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We, Red Sun, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the transactions contemplated under the Framework Agreement (together with the Annual Caps), for the Independent Board Committee’s consideration when making their recommendation to the Independent Shareholders.

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III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CSCECL and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps).

In addition to our appointment as the Independent Financial Adviser, in the previous two years, we have acted as the independent financial adviser for various transactions to the then independent board committee and the then independent shareholders of China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited), being a non-wholly owned listed subsidiary of the Company, details of which are set out in the relevant circulars dated (i) 22 February 2019 in relation to a discloseable and connected transaction; (ii) 18 July 2018 in relation to continuing connected transactions; (iii) 9 April 2018 in relation to a discloseable and connected transaction; and (iv) 1 November 2017 in relation to the renewal of continuing connected transactions, respectively.

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

IV. BASIS AND ASSUMPTIONS OF OUR ADVICE

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

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

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the transactions contemplated under the Framework Agreement (together with the Annual Caps), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. BACKGROUND INFORMATION OF THE TRANSACTIONS

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement (together with the Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and the CSCECL Group

1.1 Principal business and the financial information of the Group

As set out in the 2018 Annual Report (defined hereafter), the Group is principally engaged in the construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business. The Group's business activities are principally carried out in Hong Kong, Macau and the PRC.

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Set out below is a summary of the Group's operating results by segment and activities, extracted from the latest published annual report of the Company for the year ended 31 December 2018 (the "2018 Annual Report"):

Summary of the Group's operating results by segment:

	For the year ended 31 December	
	2018	2017
	HK\$ million (audited)	HK\$ million (audited)
Revenue	55,626.3	50,152.5
- the PRC	30,620.8	24,849.9
- Hong Kong	14,875.3	15,013.2
- Macau	7,024.5	8,058.2
- Far East Global Group Limited*	3,105.7	2,231.2

* *Far East Global Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its subsidiaries (together, the "FEG Group") is currently managed by a separate business team. The chief operating decision maker regards the FEG Group as a distinct reportable segment and assesses its performance based on its overall result. According to the announcement dated 11 April 2019 of Far East Global Group Limited, the name of Far East Global Group Limited has been changed to China State Construction Development Holding Limited.*

The Group recorded a revenue of approximately HK\$50.2 billion and HK\$55.6 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately HK\$5.4 billion or 10.8%.

Based on geographical segment analysis, revenue derived from the PRC amounted to approximately HK\$24.9 billion and HK\$30.6 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately HK\$5.7 billion or 22.9%.

Revenue derived from Hong Kong amounted to approximately HK\$15.0 billion and HK\$14.9 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year decrease of approximately HK\$0.1 billion or 0.7%.

Revenue derived from Macau amounted to approximately HK\$8.1 billion and HK\$7.0 billion for the years ended 31 December 2017 and 31 December 2018, respectively, representing a year-on-year decrease of approximately HK\$1.1 billion or 13.6%.

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

	For the year ended 31 December	
	2018	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	55,626.3	50,152.5
<i>Revenue from contracts with customers (Note a)</i>		
- Revenue from construction contracts	22,000.7	23,013.8
- Revenue from infrastructure investment projects	27,264.9	21,445.1
- Revenue from facade contracting business	2,909.6	2,231.2
- Revenue from infrastructure operation	849.4	792.5
- Others (note b)	395.4	499.7
	53,420.0	47,982.3
<i>Revenue from other sources</i>		
- Interest income generated from public-private-partnership projects	1,844.4	1,691.7
- Others (note c)	361.9	478.5
	2,206.3	2,170.2

Notes:

- (a) *The revenue recognised for the year ended 31 December 2018 and 2017 were recognised over time, except for toll road operation of approximately HK\$204,873,000 (2017: HK\$169,909,000).*
- (b) *Revenue from others mainly comprised of revenue from project consultancy services, sales of building materials and logistics services.*
- (c) *Revenue from others mainly comprised of revenue from interest income generated from infrastructure investment projects, machinery leasing and rental income from investment properties.*

The Group derived revenue from construction contracts of approximately HK\$23.0 billion and HK\$22.0 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year decrease of approximately HK\$1.0 billion or 4.4%. As set out above, revenue generated from construction contracts accounted for approximately 45.9% and 39.6% of the Group's total revenue for the years ended 31 December 2017 and 2018, respectively.

The Group derived revenue from infrastructure investment projects of approximately HK\$21.5 billion and HK\$27.3 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year increase of approximately HK\$5.8 billion or 27.1%. As set out above, revenue generated from infrastructure investment projects accounted for approximately 42.8% and 49.0% of the Group's total revenue for the years ended 31 December 2017 and 2018, respectively.

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The Group derived revenue from facade contracting business, infrastructure operation and others of approximately HK\$5.7 billion and HK\$6.4 billion for the years ended 31 December 2017 and 2018, respectively, representing a year-on-year decrease of approximately HK\$0.7 billion or 11.7%. As set out above, revenue generated from facade contracting business, infrastructure operation and others accounted for approximately 11.4% and 11.4% of the Group's total revenue for the years ended 31 December 2017 and 2018, respectively.

1.2 Principal activities of CSCECL

As set out in the Letter from the Board, CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

According to the annual report of CSCECL for the year ended 31 December 2018, its total revenue increased by approximately 13.8% from approximately RMB1,054.1 billion for the year ended 31 December 2017 to approximately RMB1,199.3 billion for the year ended 31 December 2018.

1.3 Overview of the economy and building construction activities in Hong Kong

The table below sets out a summary of Hong Kong's gross value of construction works performed by main contractors analysed by broad trade group (in nominal terms) (按行業大組別劃分的主要承建商所完成工程總值 (以名義計算)) from 2016 to 2018, extracted from the published information by the Census and Statistics Department of Hong Kong.

	2016	2017	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Private sector sites	77,666	74,945	75,613
Public sector sites	81,367	87,854	75,707
Locations other than sites	77,458	87,119	100,760
Total	236,491	249,918	252,080

Source: Census and Statistics Department of Hong Kong

As set out on the website of the Census and Statistics Department of Hong Kong (<http://www.censtatd.gov.hk/>), year-on-year growth in gross value of construction works performed by main contractors analysed by broad trade group (in nominal terms) in 2016 was approximately HK\$236.5 billion, representing an increase of approximately 5.7% to approximately HK\$250.0 billion in 2017 and further increased by approximately 0.9% to approximately HK\$252.1 billion in 2018.

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The table below shows the Hong Kong's Gross Domestic Product (the "GDP") (HK\$) from 2016 to 2018.

	2016	2017	2018
	HK\$ million	HK\$ million	HK\$ million
Gross Domestic Product	2,490,617	2,662,532	2,845,317

Source: Hong Kong Census and Statistics Department

The GDP increased from approximately HK\$2,490.6 billion in 2016 to approximately HK\$2,662.5 billion in 2017, representing a year-on-year increase of approximately 6.9%. For 2018, the GDP increased to approximately HK\$2,845.3 billion, representing a year-on-year increase of approximately 6.9%.

In addition, we also noted from the government publications that there are various plans in relation to large-scale public infrastructures and/or building projects launched in Hong Kong, such as the proposed expansion of Hong Kong International Airport into a three-runway system under the Hong Kong International Airport Master Plan 2030 launched in 2011, as well as the proposed routes/highways in Hong Kong Island, Kowloon and New Territories of Highways Department of Hong Kong. According to The Chief Executive's 2018 Policy Address, following the launch of the ten major infrastructure projects in 2007-2008 Policy Address, infrastructure spending more than tripled from approximately HK\$26.4 billion in 2007-2008 to approximately HK\$87.1 billion in 2017-2018, and its share in total government expenditure increased from approximately 11.2% to 18.3% over the period. Following the strong growth over the past decade, infrastructure spending is forecast to show a moderate decline of approximately 1.6% to approximately HK\$85.6 billion in 2018-2019, albeit with its share in total government expenditure remaining substantial at approximately 15.4%. These potential projects are expected to drive the Hong Kong public infrastructure construction industry.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

Framework Agreement

1. Principal terms of the Framework Agreement

Subject to the fulfilment of the condition precedent to the Framework Agreement, the terms of the Framework Agreement shall commence on 4 June 2019 until 31 December 2021 (i.e. cover three financial years ending on 31 December 2021).

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

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

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

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

The Company is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

CSCECL is one of the most established engineering contractors in the world, and it represents one of the highest levels of technology and management in various fields of construction. The Company expects that the scope of the Hong Kong Public Construction Main Contracts will cover only Hong Kong Public Construction Projects, which is a special construction segment. It is perceived that the substantial experience of CSCECL (or its subsidiary) as main contractor in landmark projects of skyscrapers, and large-scale infrastructure projects of key airports, rail transit, bridges, urban utilities, etc. in the PRC will enhance the chance of a successful award of a Hong Kong Public Construction Main Contract to the Company (or its subsidiary).

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

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

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3. Customary terms of joint venture agreements

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

(a) Proportion of interest

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

(b) Profit/loss sharing

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

(c) Financing and other support

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

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(d) Management

A contractual joint venture under a JV Agreement shall be managed by an executive board (the “**Executive Board**”) to be set up by the Company and CSCECL (or their respective subsidiaries). The Executive Board shall comprise two members appointed by the Company (or its subsidiary) and two members appointed by CSCECL (or its subsidiary). A member appointed by the Company (or its subsidiary) and a member appointed by CSCECL (or its subsidiary) present at a meeting of the Executive Board shall form a quorum. Any decisions made in any meeting of the Executive Board shall require an unanimous consent of the members present at the meeting.

(e) Guarantee

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

(f) Restriction of transfers

Without the prior written consent from the other party, neither the Company (or its subsidiary) nor CSCECL (or its subsidiary) may: (i) transfer, assign, pledge or encumber a JV Agreement and/or any interest of the parties under such JV Agreement; and (ii) change the nature or scope of business of the contractual joint venture.

Condition Precedent

The Transactions (together with the Annual Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreement and the Transactions.

4. Our analysis

With a view to assess the fairness and reasonableness of the Framework Agreement and the transactions contemplated thereunder, on a best effort basis, we have obtained and reviewed a total of five samples of framework agreements and a schedule setting out the relevant contract value for each framework agreements for a period from 1 January 2012 and up to 4 June 2019 (being the date of the Framework Agreement), on a non-exhaustive basis, in relation to the formation of joint venture entered into by the Company and independent third parties for Hong Kong Construction Projects with the relevant contract value of approximately or exceeding HK\$1 billion (the “**Company JV Agreements**”).

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In addition to the above, we also conducted research based on published information on the website of the Stock Exchange (www.hkex.com.hk), on a non-exhaustive basis, into joint ventures arrangements with listed companies in Hong Kong in the construction or property related industry (the “**Reviewed Listed Companies**”). The samples were selected, with the following criteria, namely, (i) the announcements or circular were made by Reviewed Listed Companies which are listed on the Main Board of the Stock Exchange; (ii) the related activity of the joint venture involved in construction or property related services; and (iii) the announcements or circular were made during the period from 1 December 2016 up to and including 4 June 2019 (being the date of the Framework Agreement). On a best effort basis, we have identified five samples of joint venture agreements entered into by the Reviewed Listed Companies with independent third parties and/or connected parties (the “**Market JV Agreements**”). Based on the above criteria and notwithstanding that the background and the scale of operations of the Market JV Agreements may be differed from that of the Hong Kong Construction Main Contracts as contemplated under the Framework Agreement, we are of the view that the Market JV Agreements can serve as meaningful references and provide some insight into the prevailing market practice for joint ventures arrangements for our research purposes.

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

Name of Company	Stock code	Date of announcement/ circular	Proportion of interest attributable to the company <i>Approximately %</i>	Description of the Market JV Agreements
SRE Group Limited	1207	29/12/2016	81%	For acquiring the right of return of the property projects and responsible for the development, operation, management and disposal of the property projects.
C&D International Investment Group Limited	1908	10/1/2018	51%	Construction property, development of the land as a residential and commercial project.
Pacific Century Premium Developments Limited	432	16/3/2018	9.99%	For investment in and development of the project site for building and development residential properties for sale and associated infrastructure and facilities.
Shui On Land Limited	272	5/7/2018	25%	Development of the land, which is for office and commercial use.
Wing Tai Properties Limited	369	26/9/2018	65%	Property redevelopment project

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

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

- (i) the proportion of interest attributable to the Company or the Reviewed Listed Companies, where applicable, as joint venture partners pursuant to the respective Sampled JV Agreements varied, which ranged from 49% to 60% per joint venture partner for the Company JV Agreements and ranged from 9.99% to 81% attributable to the company listed on the Stock Exchange for the Market JV Agreements;
- (ii) the liabilities, interests, profit and losses arising out of the joint ventures under the respective Sampled JV Agreements shall be shared or borne in accordance with the respective interest of the joint venture partners;
- (iii) working capital shall be contributed in accordance with the respective interest of the joint venture partners under the respective Sampled JV Agreements;
- (iv) pursuant to a majority of the Sampled JV Agreements, where specified, various operational matters can be decided by a majority of the executive board set up by the joint venture partners and certain specified matters required unanimous consent of the executive board/shareholder;
- (v) based on information reviewed, a majority of the Sampled JV Agreements sets out the terms governing circumstances whereby the parent company of the joint venture partners is required to provide guarantee on the party’s performance, the joint venture partners shall indemnify its parent company for any liabilities arising from such guarantee; and
- (vi) in relation to transfer, assign or pledge interest of the parties, a majority of the Sampled JV Agreements contained similar clauses.

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

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

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5. Contract sum of Hong Kong Public Construction Main Contracts

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

6. Invitation to CSCECL for cooperation

Internal approval process

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

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

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

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

Our analysis

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

Furthermore, on a best effort basis, we have obtained and reviewed a total of five samples of the Assessment on Joint Venture Partner for Project Tender* (工程投標聯營夥伴確定表) for tenders for contractual joint venture with independent third parties and a schedule setting out the relevant contract value or intended contract value for each tender assessment for a period from 1 January 2018 and up to 31 October 2018, on a non-exhaustive basis, in relation to the formation of joint venture entered into or intended to be entered into by the Company and independent third parties for Hong Kong Construction Projects with the relevant contract value or intended contract value of approximately or exceeding HK\$500 million. Based on our discussions with the Management and reviewed the Assessment on Joint Venture Partner for Project Tender, we understand that the contractual joint venture with connected persons will be reviewed against the same prescribed procedures which were applied to contractual joint venture with independent third parties.

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

* For identification purposes only

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Having considered that (i) the internal control guidance regarding a proper tender procedure (i.e. the Procedure) which also applies to the tenders with either connected persons or independent third party; and (ii) the basis to determine the respective interest of the Company and potential joint venture partners in each contractual joint venture, we concur with the Directors' view that the Company has sufficient internal control procedures to govern the terms of the Framework Agreement.

7. Annual Caps

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

For the financial year ending on 31 December 2019 (Note)	For the financial year ending on 31 December 2020	For the financial year ending on 31 December 2021
HK\$10 billion	HK\$15 billion	HK\$20 billion

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

Basis of determining the Annual Caps

The Annual Caps are determined with reference to the estimated annual contract sum for the Hong Kong Public Construction Main Contracts during the relevant financial year taking into consideration the following figures as published in 2019-2020 Budget:

	2017-2018 Actual	2018-2019 Revised Estimate	2019-2020 Estimate
Total government expenditure on infrastructure HK\$ (billion)	86.088	76.708	79.039

In determining the Annual Caps, the Company has also considered the following:

- (a) a potential construction project for the Group in relation to a proposed new route in Kowloon with an estimated contract sum of HK\$10 billion; and

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- (b) the potential construction projects which the Group expects to tender for in respect of the proposed expansion of the Hong Kong International Airport into a three-runway system, which includes, amongst others, expansion of airfield facilities, modification or expansion of terminal 2, and construction of third-runway passenger building and airport support facilities and utilities, with the estimated construction cost in aggregate of HK\$141.5 billion at money-of-the-day prices according to the Airport Authority Hong Kong, and the expected tender by the Group for the potential works with approximately contract sum of HK\$15 billion and HK\$20 billion for the financial years ending on 31 December 2020 and 2021, respectively, the estimation of which is based on the expected scope and scale of works as well as the prevailing market prices of the relevant construction materials and subcontracting charges.

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed and discussed with the Management, among others, (i) a potential construction project for the Group in relation to proposed new route in Kowloon with an estimated contract sum of HK\$10 billion; and (ii) the potential construction projects in relation to the provision of Hong Kong Public Construction Main Contract which the Group expects to tender for the proposed expansion of Hong Kong International Airport into a three-runway system, which, in aggregate, the estimated construction cost of the three-runway system is approximately HK\$141.5 billion at money-of-the-day prices according to Airport Authority Hong Kong, which include, amongst others, expansion of airfield facilities, modification or expansion of terminal 2, construction of third-runway passenger building and airport support facilities and utilities, and the Group expects to tender the potential works with approximately contract sum of HK\$15 billion and HK\$20 billion for the year ending 31 December 2020 and 2021, respectively, the estimation of which is based on the expected scope and scale of works as well as the prevailing market prices of relevant construction materials and subcontracting charges. We understand from the Management that aforesaid potential construction projects are currently subject to successful tenders or negotiation, accordingly, CSCECL may or may not be awarded with any of the contracts. As such, the utilisation of the Annual Caps shall depend on, among others, the relevant contracts being awarded and undertaken by the Group during the relevant period.

Having considered that (i) the overview of the Hong Kong economy and its large-scale infrastructure and/or building construction activities which have been set out under the paragraph headed “1.3 Overview of the economy and building construction activities in Hong Kong” in this letter above; (ii) the potential projects which might engage the Group and/or CSCECL by the relevant third-party client; (iii) the potential growth of total construction contracts and infrastructure investment projects in Hong Kong; and (iv) the basis and assumption for the calculation of the Annual Caps, we consider the basis for determining the Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the Annual Caps represent the best estimates by the Group based on the information available at the time. In addition, the Annual Caps would provide the Group or the joint venture main contractor under the JV Agreement with the flexibility but not the obligation to submit tender for the Hong Kong Public Construction Main Contracts.

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VII. RECOMMENDATION

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

- (i) the basis and reasons for entering into the Framework Agreement;
- (ii) the implementation of the relevant Hong Kong Public Construction Main Contracts as joint venture main contractor that may be awarded jointly to the Group and CSCECL contemplated under the Framework Agreement is a furtherance and continuance of the Group's businesses;
- (iii) the findings from our analysis as set out under paragraph headed "4. Our analysis" in this letter;
- (iv) the implementation of the relevant Hong Kong Public Construction Main Contracts as joint venture main contractor that may be awarded jointly to the Group and CSCECL under the Framework Agreement will be conducted in the ordinary and usual course of business of the Group; and
- (v) the basis for determining the Annual Caps includes, amongst other things, the estimated annual contract sum for the potential Hong Kong Public Construction Main Contracts, details of which are set out under the section headed "7. Annual Caps" in this letter above,

we are of the view that the transactions contemplated under the Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the resolution to approve the Framework Agreement and the transactions contemplated thereunder (together with the Annual Caps) at the EGM.

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

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

1. RESPONSIBILITY STATEMENT

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

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

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

As at the Latest Practicable Date:

- (i) Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Hung Cheung Shew, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See respectively held 4,000,000; 2,930,780; 591,584; 1,027,765; 813,569; and 1,027,765 shares of the Company, representing 0.079%; 0.058%; 0.012%; 0.020%; 0.016%; and 0.020% of shares in issue of the Company. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (ii) Mr. Yan Jianguo held share options to subscribe 700,000 shares (representing 0.006% shares in issue) of China Overseas Land & Investment Limited ("COLI", an associated corporation of the Company). All the share options held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;
- (iii) Mr. Hung Cheung Shew held 7,095 shares (representing 0.000% shares in issue) in COLI; 30,000 shares (representing 0.001% shares in issue) in China State Construction Development Holdings Limited (formerly known as Far East Global Group Limited) ("CSC Development", a non-wholly owned subsidiary of the Company); and 2,365 shares (representing 0.000% in issue) in China Overseas Property Holdings Limited (an associated corporation of the Company). All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner;

- (iv) Mr. Zhang Haipeng held 3,078,000 shares (representing 0.143% shares in issue) in CSC Development. All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner; and
- (v) Mr. Zhang Haipeng, Mr. Tian Shuchen and Mr. Zhou Hancheng respectively held 774,000; 284,000; and 684,000 shares in China State Construction Engineering Corporation Limited (“CSCECL”, an intermediate holding company of the Company), representing 0.002%; 0.001%; and 0.002% of shares in issue in CSCECL. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL’s shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan.

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

3. COMPETING INTERESTS

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

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

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

5. SERVICE CONTRACTS

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

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date of this circular which is significant in relation to the businesses of the Group;
- (ii) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2018 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (iii) save as disclosed in the paragraph headed “Competing Interests” above, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

7. QUALIFICATION AND CONSENT OF EXPERT

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

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

The letter of Red Sun is given as of the date of this circular for incorporation herein.

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

As at the Latest Practicable Date, Red Sun had no interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, the date to which the latest published audited accounts of the Group were made up.

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the Framework Agreement;
- (ii) 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;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Red Sun” of this circular; and
- (iv) the letter of consent from the expert referred to under the paragraph headed “Qualification and Consent of Expert” in this appendix.

9. GENERAL

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 9 August 2019 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (A) (i) the Framework Agreement (as defined in the circular of the Company dated 10 July 2019 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the Annual Caps (as defined in the Circular) for the respective financial years ending on 31 December 2019, 31 December 2020 and 31 December 2021 are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Framework Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

By Order of the Board
**China State Construction International
Holdings Limited**
Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 10 July 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

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

Notes

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong), as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the Meeting from Tuesday, 6 August 2019 to Friday, 9 August 2019, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019, the address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) not later than 4:30 p.m. on Monday, 5 August 2019.
- (8) **Shareholders or proxies who attend the EGM in person will each receive ONE gift as a token of the Company's appreciation. If a shareholder is also appointed as proxy/proxies of other shareholder(s), or a proxy represents multiple shareholders, the number of gift each of the aforesaid shareholder or proxy will receive is limited to ONE.**