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

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

CONTINUING CONNECTED TRANSACTIONS WITH

- (i) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED) IN RELATION TO CONSTRUCTION WORKS;
- (ii) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED) IN RELATION TO THE CSCECL WORKS;
- (iii) CHINA OVERSEAS GRAND OCEANS GROUP LIMITED IN RELATION TO CONSTRUCTION WORKS;

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



紅日資本有限公司
RED SUN CAPITAL LIMITED



A letter from the Board is set out on pages 8 to 34 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the CCT Transactions is set out on pages 35 to 36 of this circular. A letter from Red Sun containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions and CSCECL Works Transactions is set out on pages IFA I-1 to IFA I-32 of this circular. A letter from Honestum International containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the COGO Works Transactions is set out on pages IFA II-1 to IFA II-13 of this circular.

A notice convening the EGM via the e-Meeting System to be held on Wednesday, 3 January 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM via the e-Meeting System, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting via the e-Meeting System at the meeting or any adjourned meeting (as the case may be) should you so wish.

14 December 2023

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DEFINITIONS

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

“associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder”, “holding company”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“CCT Agreements”	New CSCECL Construction Engagement Agreement, New CSCD-CSCECL Sub-construction Engagement Agreement and New Master Engagement Agreement;
“CCT Annual Caps”	the CSCECL Construction Engagement Cap, CSC Construction Engagement Cap, CSCECL Works Caps and New COGO Works Caps;
“CCT Transactions”	CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions, CSCECL Works Transactions and COGO Works Transactions;
“COGO”	China Overseas Grand Oceans Group Limited (中國海外宏洋集團有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 81);
“COGO EGM”	an extraordinary general meeting of COGO to be convened and held for the COGO Independent Shareholders to consider and, if thought fit, approve the New Master Engagement Agreement and the COGO Works Transactions (together with the New COGO Works Caps);
“COGO Group”	COGO and its subsidiaries from time to time;
“COGO Independent Shareholders”	shareholder(s) of COGO other than COHL and its associates;
“COGO Works Transactions”	the engagement by the COGO Group of the Group as Contractors for the COGO Group’s construction works as described under the section headed “THE NEW MASTER ENGAGEMENT AGREEMENT — COGO Works Transactions” in this circular;

DEFINITIONS

“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of CSCECL and the controlling shareholder of 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);
“Contractors”	collectively, construction contractor (main contractor and sub-contractor), project management contractor, project consultant and/or construction material supplier under the New CSCECL Construction Engagement Agreement;
“CSC Construction Engagement Cap”	the maximum total contract sum of the construction contracts, project management contracts, project consultancy contracts, project design contracts and construction material supplying contracts that may be awarded by the CSCECL Group to the Group for each year under the New CSCECL Construction Engagement Agreement;
“CSC Construction Engagement Transactions”	the engagement by the CSCECL Group of the Group as Contractors for the CSCECL Group’s construction works as described under the section headed “THE NEW CSCECL CONSTRUCTION ENGAGEMENT AGREEMENT — CSC Construction Engagement Transactions” in this circular;
“CSCD”	China State Construction Development Holdings Limited (中國建築興業集團有限公司), 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: 830);
“CSCD EGM”	an extraordinary general meeting of CSCD to be convened and held for the CSCD Independent Shareholders to consider and, if thought fit, approve the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions (together with the CSCECL Works Caps);
“CSCD Group”	CSCD and its subsidiaries from time to time;
“CSCD Independent Shareholder(s)”	shareholder(s) of CSCD other than COHL and its associates;

DEFINITIONS

“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a limited liability company organised and existing under the laws of the PRC, being the ultimate holding company of each of CSCECL, COHL, the Company and CSCD;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is a non-wholly owned subsidiary of CSCEC and the holding company of COHL;
“CSCECL Construction Engagement Cap”	the maximum total contract sum of the construction contracts, project management contracts, project consultancy contracts, project design contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group for each year under the New CSCECL Construction Engagement Agreement;
“CSCECL Construction Engagement Transactions”	the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works as described under the section headed “THE NEW CSCECL CONSTRUCTION ENGAGEMENT AGREEMENT — CSCECL Construction Engagement Transactions” in this circular;
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange and their respective subsidiary(ies)) from time to time;
“CSCECL Works”	contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works under the New CSCD-CSCECL Sub-construction Engagement Agreement;
“CSCECL Works Caps”	the maximum total contract sum of the construction sub-contracts, project consultancy contracts and project management contracts that may be awarded by the CSCECL Group to the CSCD Group as subcontractor or service provider (as the case may be) of the CSCECL Group for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement;

DEFINITIONS

“CSCECL Works Transactions”	the engagement of the CSCD Group by the CSCECL Group as subcontractor or service provider (as the case may be) for provision of the CSCECL Works as described under the section headed “New CSCD-CSCECL Sub-construction Engagement Agreement — CSCECL Works Transactions” in this circular;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve each of the CCT Agreements and CCT Transactions (including each of the CCT Annual Caps);
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“Historical CSC Construction Engagement Cap”	the maximum total contract sum that might be awarded by the CSCECL Group to the Group in respect of the CSCECL Group’s construction works for each of the three financial years ending 31 December 2023 under the Previous CSCECL Construction Engagement Agreement;
“Historical CSCECL Construction Engagement Cap”	the maximum total contract sum that might be awarded by the Group to the CSCECL Group in respect of the Group’s construction works for each of the three financial years ending 31 December 2023 under the Previous CSCECL Construction Engagement Agreement;
“Historical CSCECL Works Caps”	the maximum total contract sum of the construction sub-contracts, project consultancy contracts and project management contracts that may be awarded by the CSCECL Group to the CSCD Group as subcontractor or service provider (as the case may be) of the CSCECL Group for each of the three financial years ending 31 December 2023 under the Previous CSCD-CSCECL Sub-construction Engagement Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Honestum International”	Honestum International Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the COGO Works Transactions (together with the New COGO Works Caps);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders in respect of each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps);
“Independent Shareholder(s)”	Shareholder(s) other than COHL and its associates;
“Latest Practicable Date”	8 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“New COGO Works Caps”	the maximum total contract sums of the construction contracts that may be awarded by the COGO Group to the Group (as construction contractor of the COGO Group) for each year under the New Master Engagement Agreement;
“New CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and CSCD on 20 October 2023 in respect of the CSCECL Works Transactions;
“New CSCECL Construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 20 October 2023 in respect of the CSCECL Construction Engagement Transactions and the CSC Construction Engagement Transactions;
“New Master Engagement Agreement”	the engagement agreement entered into between the Company and COGO on 20 October 2023 in respect of the COGO Works Transactions;
“PRC”	People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Previous COGO Works Caps”	the maximum total contract sums of the construction contracts that may be awarded by the COGO Group to the Group (as construction contractor of the COGO Group) for each of the three financial years ending 31 December 2023 under the Previous Master Engagement Agreement;

DEFINITIONS

“Previous CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and CSCD on 19 October 2020 in respect of continuing connected transactions involving the engagement of the CSCD Group by the CSCECL Group as subcontractor or service provider (as the case may be) for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works;
“Previous CSCECL Construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 19 October 2020 in respect of continuing connected transactions of the Company involving (i) the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works; and (ii) the engagement by the CSCECL Group of the Group as Contractors for the CSCECL Group’s construction works;
“Previous Master Engagement Agreement”	the engagement agreement entered into between the Company and COGO on 19 November 2020 in respect of continuing connected transactions involving the engagement of any members of the Group by any members of the COGO Group as construction contractor for the COGO Group’s construction works in the PRC;
“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 CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions and CSCECL Works Transactions (together with the CSCECL Construction Engagement Cap, the CSC Construction Engagement Cap and the CSCECL Works Caps);
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

* *English translation for identification purpose only.*

SPECIAL ARRANGEMENTS FOR THE EGM

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

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

HOW TO ATTEND AND VOTE

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

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

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

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

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

In order to be entitled to attend and vote via the e-Meeting System at the EGM or any adjourned meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 27 December 2023.

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

Address : 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email : emeeting@hk.tricorglobal.com
Telephone : (852) 2975 0928
Fax : (852) 2861 1465

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)

Chairman and Executive Director:

Mr. Zhang Haipeng

Non-executive Directors:

Mr. Yan Jianguo

Mr. Chen Xiaofeng

Executive Directors:

Mr. Wang Xiaoguang (*Chief Executive Officer*)

Mr. Hung Cheung Shew (*Vice President*)

Independent Non-executive Directors:

Dr. Raymond Leung Hai Ming

Ms. Wong Wai Ching

Mr. Chan Tze Ching Ignatius

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

14 December 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS WITH
(i) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING
CORPORATION LIMITED) IN RELATION TO CONSTRUCTION WORKS;
(ii) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION
ENGINEERING CORPORATION LIMITED) IN RELATION TO
THE CSCECL WORKS;
(iii) CHINA OVERSEAS GRAND OCEANS GROUP LIMITED IN
RELATION TO CONSTRUCTION WORKS;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to announcements issued by the Company dated 20 October 2023 and 31 October 2023 in relation to, among other things, each of the CCT Agreements and the aggregation of each of the CCT Transactions.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) the particulars of the CCT Agreements and the CCT Transactions (together with the CCT Annual Caps); (ii) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the CCT Agreements and the CCT Transactions (together with the CCT Annual Caps); (iii) the letter from Red Sun with its advice on the New CSCECL Construction Engagement Agreement and New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Construction Engagement Cap, CSC Construction Engagement Cap and CSCECL Works Caps) to the Independent Board Committee and the Independent Shareholders; and (iv) the letter from Honestum International with its advice on the New Master Engagement Agreement (together with the New COGO Works 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 the CCT Agreements and the CCT Transactions (together with the CCT Annual Caps).

BACKGROUND

References are made to (i) the announcement issued by the Company dated 19 October 2020, and the circular of the Company dated 24 November 2020, in relation to, among other things, the Previous CSCECL Construction Engagement Agreement entered into between the Company and CSCECL which will expire on 31 December 2023; (ii) the announcement jointly issued by CSC and CSCD dated 19 October 2020, and the circular of CSCD dated 20 November 2020 in relation to, among other things, the Previous CSCD-CSCECL Sub-construction Engagement Agreement entered into between CSCECL and CSCD which will expire on 31 December 2023; and (iii) the announcement issued by the Company dated 19 November 2020, and the circular of the Company dated 17 December 2020, in relation to, among other things, the Previous Master Engagement Agreement entered into between the Company and COGO which will expire on 31 December 2023.

It is contemplated that:

- (a) the Group will continue to invite the CSCECL Group to participate in competitive tender as Contractors for the Group's construction works from time to time and that the CSCECL Group will continue to invite the Group to participate in competitive tender as Contractors for the CSCECL Group's construction works from time to time. As the Previous CSCECL Construction Engagement Agreement is due to expire on 31 December 2023, on 20 October 2023, the Company and CSCECL entered into the New CSCECL Construction Engagement Agreement to renew the Previous CSCECL Construction Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026;
- (b) the CSCECL Group will continue to invite the CSCD Group to tender for the CSCECL Group's construction works after the expiration of the Previous CSCD-CSCECL Sub-construction Engagement Agreement. In this connection, on 20 October 2023, CSCECL and CSCD entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026; and

LETTER FROM THE BOARD

- (c) the COGO Group will continue to invite the Group to participate in competitive tender as contractor for the COGO Group's construction works from time to time. As the Previous Master Engagement Agreement is due to expire on 31 December 2023, on 20 October 2023, the Company and COGO entered into the New Master Engagement Agreement to renew the Previous Master Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

THE CCT AGREEMENTS

(A) THE NEW CSCECL CONSTRUCTION ENGAGEMENT AGREEMENT

Date

20 October 2023

Parties

- (1) the Company; and
- (2) CSCECL.

On 20 October 2023, the Company and CSCECL entered into the New CSCECL Construction Engagement Agreement to renew the Previous CSCECL Construction Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026.

Pursuant to the New CSCECL Construction Engagement Agreement, the Group and the CSCECL Group will participate in competitive tender as Contractors for the construction works of each other from time to time. When the Group acts as the main contractors of construction projects, it will invite suitable candidates, including the CSCECL Group, to participate in competitive tenders for construction works from time to time; and vice versa, the CSCECL Group will invite suitable candidates, including the Group, to participate in competitive tenders for construction projects which it acts as the main contractors from time to time. The Group has extensive experience in acting as main contractor of construction works for residential buildings, prefabricated buildings and industrial parks while the CSCECL Group has extensive experience in acting as main contractor of construction works for infrastructure projects such as highways and bridges. Given the expertise of the Group and the CSCECL Group in different areas of the construction industry and the mutual business need for construction contractors, such arrangement is of a mutual-benefit nature as it provides both parties with the opportunity and flexibility (but not an obligation) to engage each other as Contractors.

LETTER FROM THE BOARD

CSCECL Construction Engagement Transactions

The Directors expect that the Group will continue to invite the CSCECL Group to participate in competitive tender as Contractors for the Group's construction works (including infrastructure projects such as highways and bridges) from time to time. Accordingly, under the New CSCECL Construction Engagement Agreement, the Company and CSCECL agreed, among other things, that for a term of three years commencing from 1 January 2024 and ending on 31 December 2026:

- (a) any member of the CSCECL Group may tender for the Group's construction works as Contractors in accordance with the tendering procedures of the Group from time to time and on the same and normal terms as offered to other independent third parties;
- (b) if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2026 shall not exceed the CSCECL Construction Engagement Cap as set out below:

	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
CSCECL Construction Engagement Cap	10,000	11,000	12,000

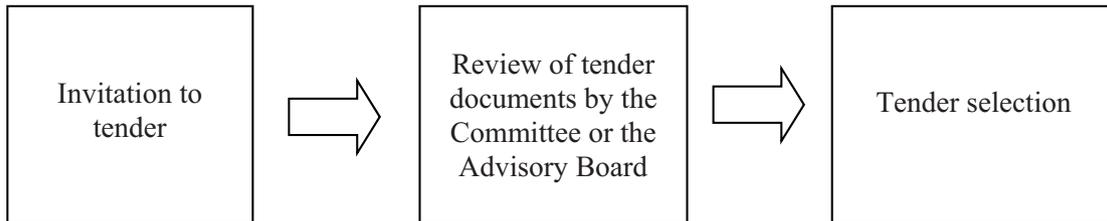
- (c) the construction fees payable by the Group to the CSCECL Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction, project management, project consultancy, project design and/or construction material supplying contracts. Subject to the terms and conditions of the aforementioned specific contracts, the fees payable will generally be settled by way of progress payments based on the construction progress.

Pricing basis of the contract sum awarded by the Group to the CSCECL Group

The contract sum and the terms awarded by the Group to the CSCECL Group for the Group's construction works will be negotiated on an arm's length basis and determined between the Group and the CSCECL Group subject to standard and systematic tender review procedures maintained by the Group, which apply to tenders obtained from both connected persons and independent third parties, in order to ensure that the contract sum and terms of the tender granted by the Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the Group, than those granted to independent third parties.

LETTER FROM THE BOARD

The procedures generally involve three stages: (i) invitation to tender; (ii) review of tender documents; and (iii) tender selection. For contracts with an amount of less than RMB5,000,000, the Company's regional management team will form a committee (the "**Committee**") in reviewing the tender documents. For contracts with an amount of RMB5,000,000 or more, the review of the tender documents will be conducted by the Group's construction contracting advisory board (the "**Advisory Board**"), comprising not less than five members, which include Directors who are not employees and/or directors of the CSCECL Group, the directors, management staff and supervisor of the relevant member of the Group and the finance personnel of the Group. In both cases, the members of the Committee or the Advisory Board shall not be employees or directors of the CSCECL Group and shall have no relationship with the CSCECL Group.



The Group will invite submission of tender from at least three contractors, including contractors with or without prior working history with the Group. They are subject to qualification and evaluation from time to time based on selection criteria which are consistent with the selection criteria of Contractors by the Committee or the Advisory Board as detailed in the paragraph below.

The Committee or the Advisory Board will shortlist at least three tenders and make the final decision with reference to the following selection criteria:

- (1) quality of work;
- (2) measures on environmental protection, safety and workers' health undertaken;
- (3) time management and project management plan;
- (4) financial arrangement and financial ability;
- (5) material and supply management; and
- (6) past cooperation record with the Group, if any.

In determining the pricing terms, the Committee or the Advisory Board will also review the cost information for materials and pricing information of previous tenders submitted to the Group in assessment of the pricing terms.

LETTER FROM THE BOARD

The Committee or the Advisory Board will also review and compare previous tender prices granted to both connected persons and independent third parties, so as to ensure that the contract sum and terms of the tender to be granted by the Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the Group, than those granted to independent third parties.

Having reviewed the above factors and information, the Committee or the Advisory Board will select the Contractor with the lowest tender amount on the condition that it also satisfies the selection criteria and principles as set out above and as set out in the tender invitation.

The relevant letter of award or contract will be issued once the final decision is made in the meeting of the Committee or the Advisory Board.

Historical transaction amounts and the Historical CSCECL Construction Engagement Cap

	Historical Transaction Amounts			Historical
	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023	CSCECL Construction Engagement Cap
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>	
CSCECL Construction				
Engagement Transactions	9,803	2,081	720	55,000

The utilisation rate of the Historical CSCECL Construction Engagement Cap for the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 is approximately 17.8%, 3.8% and 1.3% (annualised amount, calculated using the transaction amount for the six months ended 30 June 2023 is for illustration purposes only), respectively. The relatively unstable utilisation rates were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic. Please refer to the sub-paragraph (d) of the paragraph headed “Calculation of the CSCECL Construction Engagement Cap” below for further details.

Calculation of the CSCECL Construction Engagement Cap

The CSCECL Construction Engagement Cap is calculated with reference to the following factors:

- (a) the Historical CSCECL Construction Engagement Cap in the amount of RMB55,000 million;

LETTER FROM THE BOARD

- (b) the average contract sum per year taken over the three years ending 31 December 2023, based on the historical total contract sum of the CSCECL Construction Engagement Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively and the expected total contract sum possibly reaching approximately RMB6,318 million by the end of 2023, after considering certain adjustment, such as material cost;
- (c) the Company expects its PRC construction business will be in a stable and improving trend for the next three years ending 31 December 2026, given that (i) total contract sum of the CSCECL Construction Engagement Transactions reached to approximately RMB9,803 million for the year ended 31 December 2021, which is just below the CSCECL Construction Engagement Cap for the year ending 31 December 2024; and (ii) it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole (details of which are set out under the paragraph headed “1.4 Overview of the PRC economy and building construction activities” of the letter from Red Sun as set out on page IFA I-8 of this circular); and
- (d) the relatively unstable utilisation rates of the Historical CSCECL Construction Engagement Cap were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the CSCECL Group by the Group. Moreover, the number of construction projects for which the CSCECL Group is interested in tendering could fluctuate at times upon considering such projects’ suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the CSCECL Group by the Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the Group which the CSCECL Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) the estimated total contract sum of new construction projects that may be awarded by the Group to the CSCECL Group for the three years ending 31 December 2026, with reference to the sum of the historical construction projects of the Group that were suitable and/or eligible for the CSCECL Group to tender for ranged from RMB34,000 million to RMB37,000 million for the years ended 31 December 2021 and 2022;
- (f) despite the relatively unstable utilisation rates of the Historical CSCECL Construction Engagement Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; and (ii) that the CSCECL Construction Engagement Cap is significantly lower than the Historical CSCECL Construction Engagement Cap, considers that in order to maintain flexibility for the Group in the event that the CSCECL Group is able to successfully bid a substantial amount of the Group’s potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSCECL Construction Engagement Cap with reference to their best estimation based on the construction projects which may be secured by the CSCECL Group; and

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- (g) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the CSCECL Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

In light of the above factors with the flexibility necessary for the CSCECL Group to work along with the actual development of the Group's construction works, the Board considers that the CSCECL Construction Engagement Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The CSCECL Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement (together with the CSCECL Construction Engagement Cap) will take effect conditional upon the Independent Shareholders' approval having been obtained at the EGM.

CSC Construction Engagement Transactions

The Directors also expect that the CSCECL Group will continue to invite the Group to participate in competitive tender as Contractors for the CSCECL Group's construction works (infrastructure projects such as highways and bridges) from time to time. Accordingly, under the New CSCECL Construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 January 2024 and ending on 31 December 2026:

- (a) any member of the Group may tender for the CSCECL Group's construction works as Contractors in accordance with the tendering procedures of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third parties;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2026 shall not exceed the CSC Construction Engagement Cap as set out below:

	For the financial year ending 31 December 2024 <i>(RMB million)</i>	For the financial year ending 31 December 2025 <i>(RMB million)</i>	For the financial year ending 31 December 2026 <i>(RMB million)</i>
CSC Construction Engagement Cap	2,000	2,500	3,000

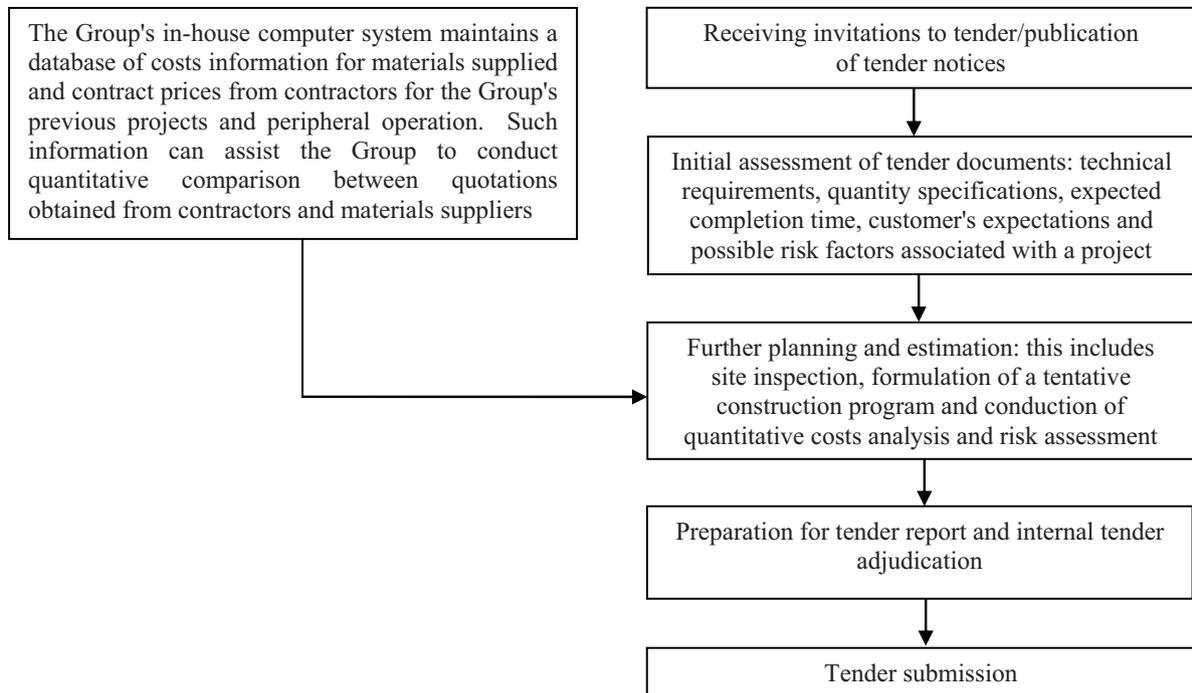
LETTER FROM THE BOARD

- (c) the construction fees payable by the CSCECL Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction, project management, project consultancy, project design and/or construction material supplying contracts. Subject to the terms and conditions of the aforementioned specific contracts, the fees payable will generally be settled by way of progress payments based on the construction progress.

Pricing basis of the Group's tenders submitted to the CSCECL Group

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

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



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

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. This information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers. The Group will review details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons and independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the tender to be submitted to the CSCECL Group are not more favourable to the CSCECL Group, and no less favourable to the Group, than those submitted to independent third parties.

The review committee of the CSCECL Group which are independent of the Group (the "**Review Committee**") may approve or reject the tender submitted by the Group based on the analysis result of its tender review process. In addition, the Review Committee is also responsible for deciding the contents and pricing terms of the proposed tenders. If any contract is granted in favour of the Group as a result of the competitive tender, the relevant project owner of the CSCECL Group will issue a letter of award to the Group and the Group will act as the Contractor for the relevant construction works of the CSCECL Group based on the terms of the successful tender.

Historical transaction amounts and the Historical CSC Construction Engagement Cap

	Historical Transaction Amounts			Historical CSC Construction Engagement Cap
	For the year ended 31 December 2021 <i>(RMB million)</i> <i>Approximately</i>	For the year ended 31 December 2022 <i>(RMB million)</i>	For the six months ended 30 June 2023 <i>(RMB million)</i>	
CSC Construction Engagement Transactions	811	0	0	18,000

The utilisation rate of the Historical CSC Construction Engagement Cap for the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 is approximately 4.5%, 0% and 0% respectively. The relatively unstable utilisation rates were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic. Please refer to the sub-paragraph (d) of the paragraph headed "Calculation of the CSC Construction Engagement Cap" below for further details.

LETTER FROM THE BOARD

Calculation of the CSC Construction Engagement Cap

The CSC Construction Engagement Cap is calculated with reference to the following factors:

- (a) the Historical CSC Construction Engagement Cap in the amount of RMB18,000 million;
- (b) the historical total contract sum of the CSC Construction Engagement Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively, and that the Company expects its PRC construction business will be in a stable and improving trend and expects more tenders which are suitable for the Company for the next three years ending 31 December 2026 given that the expected increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole (details of which are set out under the paragraph headed “1.4 Overview of the PRC economy and building construction activities” of the letter from Red Sun as set out on page IFA I-8 of this circular);
- (c) the expected total contract sum within the range of RMB2,000 million to RMB3,000 million of the CSCECL Group’s construction works in the PRC for which the CSCECL Group will invite the Group to participate in competitive tenders from time to time for each of the three financial years ending on 31 December 2026, which is estimated based on the number and size of the construction projects of the CSCECL Group in the PRC available for tender and suitable for the Group during the two financial years ended 31 December 2022 and the six months ended 30 June 2023, as well as the historical contract sum awarded by the CSCECL Group to the Group during the past five years period commencing from 1 January 2018 and ended on 31 December 2022, where the average is approximately RMB2,700 million;
- (d) the relatively unstable utilisation rates of the Historical CSC Construction Engagement Cap were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the Group by the CSCECL Group. Moreover, the number of construction projects for which the Group is interested in tendering could fluctuate at times upon considering such projects’ suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the Group by the CSCECL Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the CSCECL Group which the Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) despite the relatively unstable utilisation rates of the Historical CSC Construction Engagement Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; and (ii) that the CSC Construction Engagement Cap is significantly lower than the Historical CSC Construction Engagement

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Cap, considers that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSC Construction Engagement Cap with reference to their best estimation based on the construction projects which may be secured by the Group; and

- (f) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

In light of the above factors with the flexibility necessary for the Group to work along with the actual development of the CSCECL Group's construction works, the Board considers that the CSC Construction Engagement Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The CSC Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement (together with the CSC Construction Engagement Cap) will take effect conditional upon, among others, the Independent Shareholders' approval having been obtained at the EGM.

(B) NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

Date

20 October 2023

Parties

- (1) CSCECL; and
- (2) CSCD.

CSCECL Works Transactions

Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, CSCECL and CSCD agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026:

- (a) any member of the CSCD Group may act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of the CSCECL Works in accordance with the tendering procedures of the CSCECL Group from time to time;

LETTER FROM THE BOARD

- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the CSCD Group to act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of the CSCECL Works, provided that the total contract sum that may be awarded by the CSCECL Group to the CSCD Group under the New CSCD-CSCECL Sub-construction Engagement Agreement for the three financial years ending 31 December 2026 shall not exceed the CSCECL Works Caps as set out below:

	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
CSCECL Works Caps	1,200	1,500	1,500

The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and

- (c) the fees payable by the CSCECL Group to the CSCD Group will be settled pursuant to the payment terms set out in the specific contracts. Subject to the terms and conditions of the aforementioned specific contracts, the fees payable will generally be settled by way of progress payments based on the construction progress.

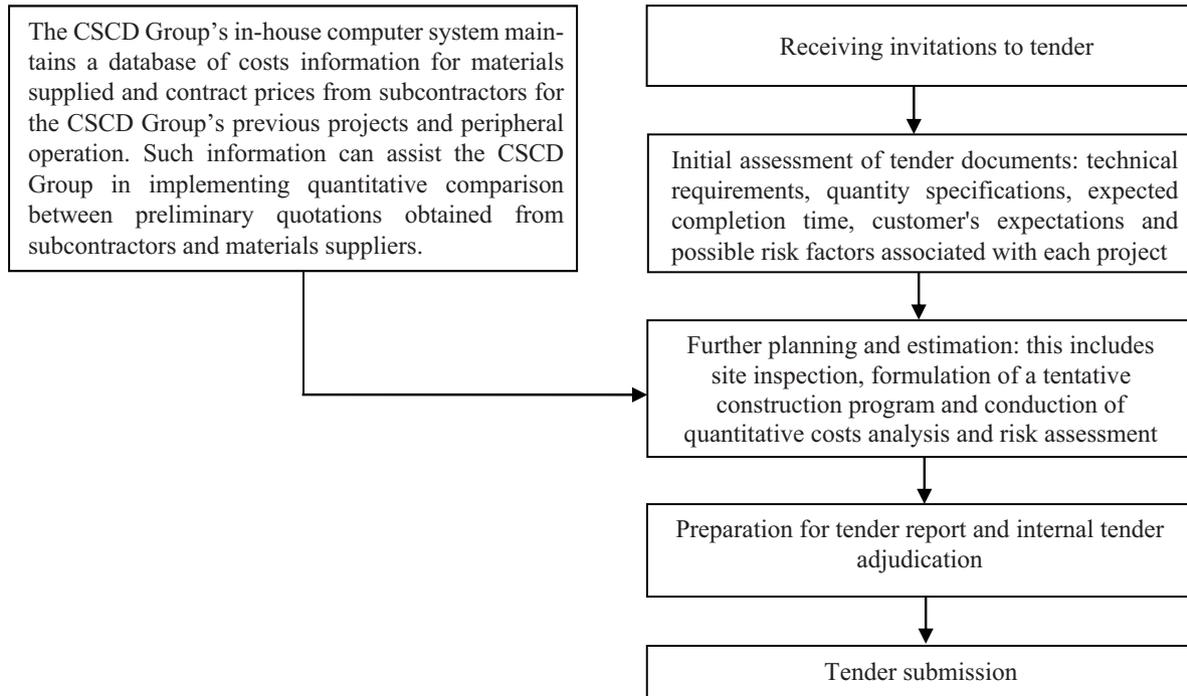
Pricing basis of the CSCD Group's tenders submitted to the CSCECL Group

As a general principle, the prices and terms of the contracts shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable to the CSCECL Group than those provided to independent third parties.

The CSCD Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor or service provider (as the case may be) of the CSCECL Group. The prices and terms of the tenders submitted by the CSCD Group to the CSCECL Group for the CSCECL Works are subject to the standard and systematic tender submission procedures of the CSCD Group, which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the CSCD Group to the CSCECL Group are no more favourable to the CSCECL Group than those submitted to independent third parties.

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



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

In determining the pricing terms, the CSCD Group will review the costs information maintained in its in-house database for materials supplied and contract prices from subcontractors for the CSCD Group's previous projects and peripheral operation. Such information will assist the CSCD Group in implementing quantitative comparison between preliminary quotations obtained from sub-contractors and materials suppliers.

The CSCD Group will also review and compare previous tender prices submitted to both connected persons and independent third parties, so as to ensure that the tender price to be submitted is no more favourable to the CSCECL Group than those submitted to independent third parties.

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Where the CSCD Group participates in a tender with all bidders (including independent third parties in the market), the CSCD Group will follow its standard and systematic tender submission procedures and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedures of the CSCECL Group on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the bid invitation.

Where the CSCD Group submits tender directly to the ultimate employer, the CSCD Group will follow the standard and systematic tender submission procedures in determining the terms and price of the tender, and if the CSCD Group is nominated as subcontractor or service provider of the CSCECL Group (as the case may be) by the ultimate employer, consideration to the CSCD Group will be ascertained by the ultimate employer or its independent professional quantity surveyor.

Historical transaction amounts and the Historical CSCECL Works Caps

	For the year ended		For the six	Historical
	31 December		months ended	CSCECL
	2021	2022	30 June	Works Caps
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>	
The CSCECL Works				
Transactions	450	680	129	1,000

The utilisation rate of the Historical CSCECL Works Cap for the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 is approximately 45%, 68% and 12.9% (25.8% if based on annualised amount) respectively. The relatively unstable utilisation rates were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic. Please refer to the sub-paragraph (d) of the paragraph headed “Calculation of the CSCECL Works Cap” below for further details.

Calculation of the CSCECL Works Caps

The CSCECL Works Caps are calculated with reference to the following factors:

- (a) the Historical CSCECL Works Caps in the amount of HK\$1,000 million;
- (b) the historical total actual contract sum of the CSCECL Works Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively (especially the total contract sum for the year ended 31 December 2022 reached to approximately HK\$680 million), and it is expected that the PRC construction business of CSCD Group will be in a stable and improving trend and that there will be more tenders which are suitable for CSCD Group for the next three years ending 31 December 2026 given that the expected increase in urbanisation rate in the PRC and continuous

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development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole (details of which are set out under the paragraph headed “1.4 Overview of the PRC economy and building construction activities” of the letter from Red Sun as set out on page IFA I-8 of this circular);

- (c) for the year ending 31 December 2024, the estimated total contract sum of approximately HK\$1,200 million for new construction projects of the CSCECL Group is estimated based on (i) tenders in the total amount of approximately HK\$196 million already submitted to the CSCECL Group; (ii) tenders in the total amount of approximately HK\$676 million planned to be submitted to, or projects under negotiation with, the CSCECL Group and (iii) potential projects available from the CSCECL Group in the total amount of approximately HK\$883 million; for the year ending 31 December 2025, the estimated total contract sum of approximately HK\$1,500 million of new construction projects of the CSCECL Group is estimated based on potential projects available from the CSCECL Group in the amount of approximately HK\$1,537 million; for the year ending 31 December 2026, on the same basis as for the year ending 31 December 2025 while taking into account the abovementioned stable and improving trend of the CSCD Group’s construction business and assuming no material adverse impact on the overall economy and building construction activities in the PRC;
- (d) the relatively unstable utilisation rates of the Historical CSCECL Works Caps were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the CSCD Group by the CSCECL Group. Moreover, the number of construction projects for which the CSCD Group is interested in tendering could fluctuate at times upon considering such projects’ suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the CSCD Group by the CSCECL Group. As the tendering process and construction schedule for PRC construction projects resume normal, it is expected that the total contract sum of construction projects of the CSCECL Group which the CSCD Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums; and
- (e) despite the relatively unstable utilisation rates of the Historical CSCECL Works Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of the CSCD Group’s PRC construction business; and (ii) the abovementioned estimated total contract sums for the three years ending 31 December 2026, considers that in order to maintain flexibility for the CSCD Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSCECL Works Cap with reference to their best estimation based on the construction projects which may be secured by the CSCD Group.

In light of the above factors with the flexibility necessary for the CSCD Group to work along with the actual development of the CSCECL Group’s construction works, the Board considers that the CSCECL Works Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) will take effect conditional upon, among others, the Independent Shareholders' approval and the CSCD Independent Shareholders' approval having been obtained at the EGM and the CSCD EGM respectively.

(C) THE NEW MASTER ENGAGEMENT AGREEMENT

Date

20 October 2023

Parties

- (1) the Company; and
- (2) COGO.

COGO Works Transactions

On 20 October 2023, the Company and COGO entered into the New Master Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 whereby the parties agreed, among other things, that:

- (a) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time and on the same and normal terms as offered to other independent third-party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COGO Group's construction works in the PRC based on the terms of the successful tender provided that the maximum total contract sums of the construction contracts that may be awarded by the COGO Group to the Group shall not exceed the New COGO Works Caps as set out below:

	For the financial year ending 31 December 2024 <i>(RMB million)</i>	For the financial year ending 31 December 2025 <i>(RMB million)</i>	For the financial year ending 31 December 2026 <i>(RMB million)</i>
New COGO Works Caps	1,800	1,800	1,800

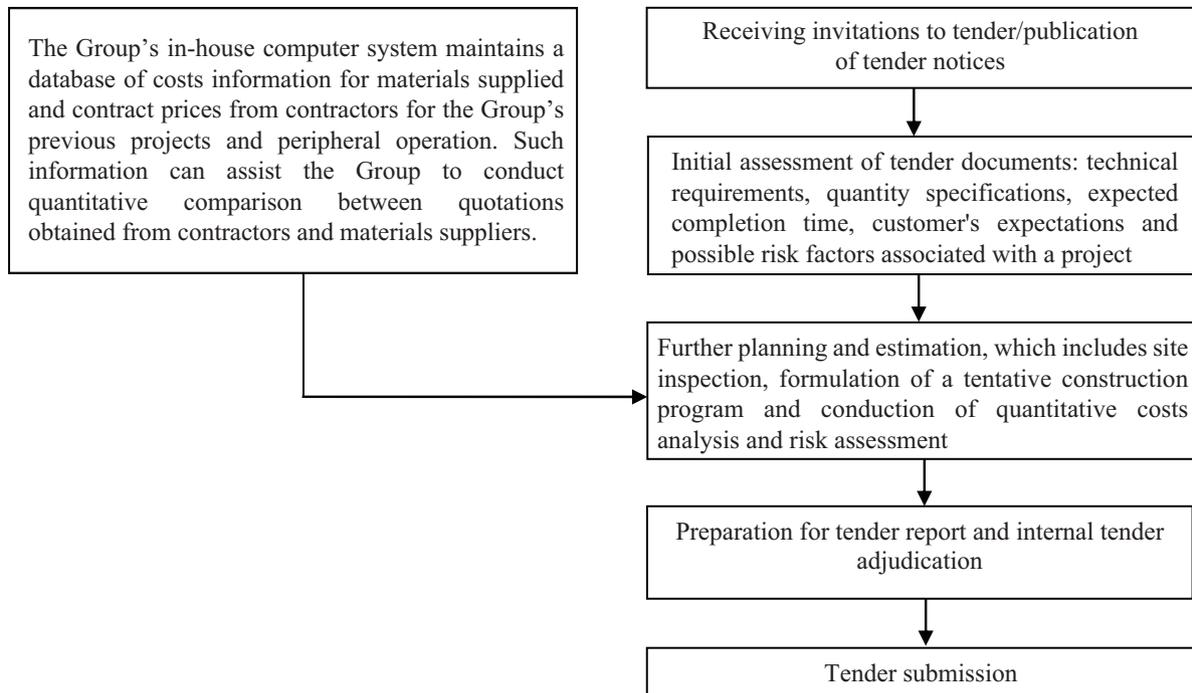
LETTER FROM THE BOARD

- (c) the fees in respect of the construction works payable by the COGO Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts. Subject to the terms and conditions of the aforementioned specific contracts, the fees payable will generally be settled by way of progress payments based on the construction progress.

Pricing basis of the tenders submitted by the Group

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

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



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

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects and peripheral operation. The information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and materials suppliers. The Group will review details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons and independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the tender to be submitted to the COGO Group (i) are not more favourable to the COGO Group, and (ii) are no less favourable to the Group than those submitted to independent third parties.

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

Historical transaction amounts and Previous COGO Works Caps

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>(approximately)</i>		
COGO Works Transactions	1,847	0	0

	For the year ended 31 December		
	2021	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Previous COGO Works Caps	2,000	2,500	3,000

The utilisation rate of the Previous COGO Works Caps for the financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 is approximately 92.4%, 0% and 0% respectively. The relatively unstable utilisation rates were primarily due to the unexpected delay in certain projects of which the COGO Group originally planned to invite the Group to tender. Please refer to the sub-paragraph (d) of the paragraph headed "Calculation of the New COGO Works Cap" below for further details.

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Calculation of the New COGO Works Caps

The New COGO Works Caps are calculated with reference to the following factors:

- (a) the Previous COGO Works Caps in the amount of RMB2,000 million, RMB2,500 million and RMB3,000 million respectively for the three financial years ending 31 December 2023;
- (b) the historical total contract sum of COGO Works Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively (especially the historical total contract sum for the year ended 31 December 2021 reached to approximately RMB1,847 million), and that the Company expects its PRC construction business will be in a stable and improving trend and expects more tenders which are suitable for the Company for the next three years ending 31 December 2026 given the recovery of the PRC real estate market (details of which are set out under the paragraph headed “i. Potential construction projects of the COGO Group in the PRC available for the Group’s tender submission” of the letter from Honestum International as set out on page IFA II-9 of this circular);
- (c) total contract sum of construction works of the COGO Group in the PRC for the financial year ended 31 December 2021 of approximately RMB36,699 million, for the financial year ended 31 December 2022 of approximately RMB19,465 million, and for the period from 1 January 2023 to 30 September 2023 of approximately RMB8,879 million;
- (d) the relatively unstable utilisation rates of the Previous COGO Works Caps were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the Group by the COGO Group. Moreover, the number of construction projects for which the Group is interested in tendering could fluctuate at times upon considering such projects’ suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the Group by the COGO Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the COGO Group which the Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) the estimated total contract sum within the range of RMB1,000 million to RMB2,000 million of the COGO Group’s construction works in the PRC which the Group will be invited by the COGO Group to participate in competitive tenders from time to time for each of the years ending on 31 December 2024, 2025 and 2026, taking into account of the number and size of the potential new construction projects of the COGO Group in the PRC;

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- (f) despite the relatively unstable utilisation rates of the Previous COGO Works Caps, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; (ii) the abovementioned estimated total contract sums for the three years ending 31 December 2026; and (iii) that the COGO Works Caps is significantly lower than the Previous COGO Works Caps, considers that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the COGO Works Caps with reference to their best estimation based on the construction projects which may be secured by the Group; and
- (g) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

In light of the above factors with the flexibility necessary for the Group to work along with the actual development of the COGO Group's construction works, the Board considers that the COGO Works Caps is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The COGO Works Transactions contemplated under the New Master Engagement Agreement (together with the New COGO Works Caps) will take effect conditional upon, among others, the Independent Shareholders' approval and the COGO Independent Shareholders' approval having been obtained at the EGM and the COGO EGM respectively.

REASONS FOR AND BENEFITS OF THE CCT TRANSACTIONS

In relation to the CSCECL Construction Engagement Agreement, as the Previous CSCECL Construction Engagement Agreement entered into between the Company and CSCECL will expire on 31 December 2023, the Company and CSCECL have entered into the New CSCECL Construction Engagement Agreement.

CSCECL has substantial experience in construction markets. In the cases where the Group considers that contracting its construction, project management and/or project consultancy works, and/or procuring project construction material from suppliers for its construction works would be more efficient and effective, the CSCECL Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as Contractors for its construction works. The Directors believe that such arrangement will continue to benefit the Group by leveraging the substantial experience and the specific construction qualifications of the CSCECL Group, and by better cost and time efficiency in managing its construction projects.

LETTER FROM THE BOARD

The CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC Construction Engagement Transactions will continue to provide opportunities for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in CSCECL Group's construction works in the PRC as Contractors. The Directors also believe that since the CSCECL Group and the Group have a long-term relationship of cooperation, the Group has a better understanding of the operations and development of the CSCECL Group. It is expected that the Group will be able to participate in the construction works of the CSCECL Group in an expedient, cost efficient and smooth manner, which will be beneficial to both the Group and the CSCECL Group.

In addition, the Directors consider that the CSCECL Construction Engagement Transactions and the CSC Construction Engagement Transactions will allow the Group to draw on the substantial construction experiences and resources of the CSCECL Group in the PRC whereby creating favourable conditions for the Group's business development in the PRC.

In relation to the New CSCD-CSCECL Sub-construction Engagement Agreement, the directors of CSCD consider that the CSCECL Works Transactions will allow CSCD to maximise profits and by being able to participate in the CSCECL Works upon successful tender, the CSCD Group can secure a more diverse base of customers, thereby expanding its market reach. As for the CSCECL Group, it can leverage on the CSCD Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSCECL and CSCD pursuant to the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSCECL and CSCD will bring synergy effect to both CSCECL and CSCD, thereby facilitating the expansion of the CSCD Group's businesses.

In relation to the New Master Engagement Agreement, the Directors consider that being able to participate in the construction works of the COGO Group in the PRC as construction contractor upon successful tender allows the Group to strengthen and further develop its construction business and qualifications in the PRC. The Directors also believe that since the COGO Group and the Group have a long-term relationship of cooperation, the Group has a better understanding of the operations and development of the COGO Group. It is expected that the Group will be able to participate in the construction works of the COGO Group in an expedient, cost efficient and smooth manner, which will be beneficial to both the Group and the COGO Group.

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

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES TO THE CCT AGREEMENTS

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

COGO is principally engaged in property investment and development, property leasing and investment holding.

CSCECL is the holding company of COHL which, in turn, is the controlling shareholder of the Company, and is interested in approximately 39.63% of the issued share capital of COGO. CSCECL is also an intermediate holding company of CSCD. CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

The CSCD Group is principally engaged in general contracting business, facade contracting business (including design, engineering, manufacture and installation of curtain wall systems) and operating management business.

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

INTERNAL CONTROL MEASURES

The Company has put in place a series of internal control measures to monitor each of the CCT Transactions, as well as to ensure that the agreed prices of these transactions are in compliance with the pricing policies mentioned above.

Apart from the Group's standard and systematic tender submission procedure described above, the Company's project tendering committee and procurement and sub-contracting committee are responsible for reviewing and approving the terms and prices of all transactions to ensure they are in compliance with the applicable policies and procedures of the Group and the transaction amounts are all within the relevant CCT Annual Cap.

In addition, the audit committee of the Board (the "**Audit Committee**") has been provided with details of the specific contracts in relation to the transactions entered into by the Group and confirmations from the management on a half-yearly basis to ensure such transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, their agreed prices are in compliance with the pricing policies or mechanisms as set out in each of the CCT Agreements (as the case may be) and the transaction amounts are all within the relevant CCT Annual Cap. Annual review has also been conducted by the finance department of the Company to review the processes and systems of internal control to ensure that the policies and procedures are being followed and that the systems are effective. Besides, the Audit Committee will regularly conduct assessment on the internal control system of the Group in order to ensure the effectiveness of the same. External auditors are also engaged to report on the continuing connected transactions entered into by the Group during the year, with their findings and conclusions being reported to the Audit Committee in accordance with the relevant standards and practice notes.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL which, in turn, is the controlling Shareholder by virtue of it being interested in approximately 64.81% of the issued share capital of the Company. CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. Each of the CSCECL Construction Engagement Transactions and the CSC Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, CSCECL is an intermediate holding company of the Company which, in turn, is indirectly interested in approximately 70.78% of the issued share capital of CSCD. Accordingly, members of the CSCECL Group are connected persons of both the Company and CSCD. The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement between members of the CSCECL Group on the one hand and members of the CSCD Group on the other hand, constitute continuing connected transactions for both the Company and CSCD under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL which, in turn, is interested in approximately 64.81% of the issued share capital of the Company and approximately 39.63% of the issued share capital of COGO. Accordingly, members of the COGO Group are connected persons of the Group and members of the Group are connected persons of the COGO Group. The COGO Works Transactions contemplated under the New Master Engagement Agreement between members of the COGO Group on one hand and members of the Group on the other hand, constitute continuing connected transactions for both the Company and COGO under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the CCT Transactions shall be aggregated, given that the CCT Transactions are entered into within a 12-month period, are of similar nature, and that CSCEC is the ultimate holding company of each of CSCECL, the Company and CSCD, and is indirectly interested in approximately 39.63% of the issued share capital of COGO.

On an aggregation basis, the applicable percentage ratios as defined under the Listing Rules in respect of the CCT Annual Caps under the CCT Transactions exceed 5% but are below 25%. As such, each of the CCT Transactions (including each of the CCT Annual Caps) are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in each of the CCT Agreements and CCT Transactions. However, Mr. Zhang Haipeng, being the chairman and executive director of the Company, the chairman and non-executive director of CSCD and a director of COHL, Mr. Yan Jianguo, being a non-executive director of the Company and the chairman and president of COHL, and Mr. Chen Xiaofeng, being non-executive director of the Company, have voluntarily abstained from voting on the Board resolutions approving the entering into of each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps).

LETTER FROM THE BOARD

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

The Group may or may not retain the CSCECL Group to engage in construction related works up to the level of the CSCECL Construction Engagement Cap, if at all, as its engagement is subject to tender procedures which are open to other independent third parties. The CSCECL Group may or may not retain the Group or CSCD Group to engage in construction related works or the CSCECL Works up to the level of the CSC Construction Engagement Cap or the CSCECL Works Caps (as the case may be), if at all, as their engagements are subject to tender procedures which are open to other independent third parties. The COGO Group may or may not retain the Group to engage in construction works in the PRC up to the level of the New COGO Works Caps, if at all, as its engagement is subject to tendering procedures which are open to other independent third parties.

EGM

A notice convening the EGM via the e-Meeting System to be held on Wednesday, 3 January 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, approve each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps).

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM via the e-Meeting System, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting via the e-Meeting System at the EGM or any adjourned meeting (as the case may be) should you so wish.

In order to be entitled to attend and vote via the e-Meeting System at the EGM or any adjourned meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 27 December 2023.

VOTING BY WAY OF POLL

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolutions to be proposed at the EGM in accordance with the articles of association of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CSCECL and its associates held in aggregate 3,264,976,136 Shares, representing approximately 64.81% of the issued share capital of the Company, of which 118,787,644 Shares were held by Silver Lot Development Limited, a direct wholly-owned subsidiary of COHL, and 3,146,188,492 Shares were held by COHL. COHL is a direct wholly-owned subsidiary of CSCECL. COHL and its associates will abstain from voting at the EGM on the resolutions approving each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps). To the extent that the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon COHL;
- (ii) COHL was not subject to any obligation or entitlement whereby it had or it might have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between COHL's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

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

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps). Red Sun has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions and CSCECL Works Transactions (together with the CSCECL Construction Engagement Cap, the CSC Construction Engagement Cap and the CSCECL Works Caps). Honestum International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the COGO Works Transactions (together with the New COGO Works Caps).

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 35 and 36 in this circular which contains its recommendation to the Independent Shareholders in relation to each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps).

LETTER FROM THE BOARD

Your attention is also drawn to (i) the letter from Red Sun set out on pages IFA I-1 to IFA I-32 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions and CSCECL Works Transactions (together with the CSCECL Construction Engagement Cap, the CSC Construction Engagement Cap and the CSCECL Works Caps); and (ii) the letter from Honestum International set out on pages IFA II-1 to IFA II-13 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the COGO Works Transactions (together with the New COGO Works Caps).

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advices of Red Sun and Honestum International) consider that each of the CCT Agreements and CCT Transactions have been entered into on normal commercial terms after arm's length negotiations between the parties and in ordinary and usual course of business of the Group, and the terms and conditions therein (including each of the CCT Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

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

Zhang Haipeng

Chairman and 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)

14 December 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS WITH
(i) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED) IN RELATION TO CONSTRUCTION WORKS;
(ii) 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED) IN RELATION TO THE CSCECL WORKS;
AND
(iii) CHINA OVERSEAS GRAND OCEANS GROUP LIMITED IN RELATION TO CONSTRUCTION WORKS

We refer to the circular dated 14 December 2023 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of each of the CCT Agreements and CCT Transactions (together with each of the CCT 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 CSCECL Construction Engagement Transactions, CSC Construction Engagement Transactions and CSCECL Works Transactions (together with the CSCECL Construction Engagement Cap, the CSC Construction Engagement Cap and the CSCECL Works Caps). Honestum International has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the COGO Works Transactions (together with the New COGO Works Caps).

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 34 of the Circular, the text of a letter of advice from Red Sun, as set out on pages IFA I-1 to IFA I-32 of the Circular and the text of a letter of advice from Honestum International, as set out on pages IFA II-1 to IFA II-13 of the Circular, all of which provide details of the CCT Agreements and CCT Transactions (together with the CCT Annual Caps).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (i) each of the CCT Agreements and CCT Transactions (together with each of the CCT Annual Caps); (ii) the advice of Red Sun; (iii) the advice from Honestum International; and (iv) the relevant information contained in the letter from the Board, we are of the opinion that each of the CCT Agreements and CCT Transactions (together with each of the CCT 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.

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

Yours faithfully,

For and on behalf of

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

Raymond Leung Hai Ming

Independent Non-executive Director

Wong Wai Ching

Independent Non-executive Director

Chan Tze Ching Ignatius

Independent Non-executive Director

LETTER FROM RED SUN

The following is the full text of the letter from Red Sun Capital which sets out its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New CSCECL Construction Engagement Agreement (together with the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap) and the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) for inclusion in this circular.



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14 December 2023

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

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS
WITH 中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING
CORPORATION LIMITED)
IN RELATION TO CONSTRUCTION WORKS;
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH 中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
IN RELATION TO THE CSCECL WORKS**

I. INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the (i) New CSCECL Construction Engagement Agreement (together with the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap); and (ii) New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps), 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 14 December 2023, 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.

LETTER FROM RED SUN

On 20 October 2023, among others, (i) the Company and CSCECL entered into the New CSCECL Construction Engagement Agreement to renew the Previous CSCECL Construction Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive); and (ii) CSCECL and CSCD entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL which, in turn, is the controlling Shareholder by virtue of it being interested in approximately 64.81% of the issued share capital of the Company. CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. Each of the CSCECL Construction Engagement Transactions and the CSC Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the CSCECL Construction Engagement Cap, exceed 5% but are below 25%, the CSCECL Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement are subject to the announcement requirement under Chapter 14 of the Listing Rules; and the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the CSC Construction Engagement Cap, exceed 5% but are below 25%, the CSC Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement are subject to the announcement requirement under Chapter 14 of the Listing Rules; and the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, CSCECL is an intermediate holding company of the Company which, in turn, is indirectly interested in approximately 70.78% of the issued share capital of CSCD. Accordingly, members of the CSCECL Group are connected persons of both the Company and CSCD. The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement between members of the CSCECL Group on the one hand and members of the CSCD Group on the other hand, constitute continuing connected transactions for both the Company and CSCD under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, among others, the transactions contemplated under (i) the New CSCECL Construction Engagement Agreement entered into between the Company and CSCECL; and (ii) the New CSCD-CSCECL Sub-construction Engagement Agreement entered into between CSCD and CSCECL, shall be aggregated, given that the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions and the CSCECL Works Transactions are entered into within a 12-month period, are of similar nature, and that CSCEC is the ultimate

LETTER FROM RED SUN

holding company of each of CSCECL, the Company and CSCD. As set out in the Letter from the Board, in addition to the aggregation of the transactions as set out above, the Group should also aggregate the COGO Works Transactions contemplated under the New Master Engagement Agreement. For further details, please refer to the Letter from the Board.

With reference to the applicable percentage ratios as defined under the Listing Rules in respect of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions, the CSCECL Works Transactions and the COGO Works Transactions, on an aggregation basis, exceed 5% but are below 25%. As such, each of the CSC Construction Engagement Cap, CSCECL Construction Engagement Cap and CSCECL Works Caps are subject to the announcement requirement under Chapter 14 of the Listing Rules; and the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For the avoidance of doubt, the New COGO Works Caps will also subject to the aforesaid Listing Rules requirements, for further details, please refer to the Letter from the Board.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Zhang Haipeng as Chairman and executive Director; Mr. Yan Jianguo and Mr. Chen Xiaofeng as non-executive Directors; Mr. Wang Xiaoguang (Chief Executive Officer) and Mr. Hung Cheung Shew as executive Directors; and Dr. Raymond Leung Hai Ming, Ms. Wong Wai Ching and Mr. Chan Tze Ching Ignatius as independent non-executive Directors.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on, among others, (i) New CSCECL Construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap); and (ii) New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps).

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 respect of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions and the CSCECL Works Transactions, as to whether (i) the terms thereunder are on normal commercial terms, fair and reasonable; and (ii) the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the transactions contemplated under the (i) New CSCECL Construction Engagement Agreement (together with the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap); and (ii) New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps), at the EGM.

LETTER FROM RED SUN

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CSCECL, CSCD and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions and the CSCECL Works Transactions.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, save for this appointment and our appointment as the independent financial adviser for the continuing connected transactions with China State Construction Engineering Corporation Limited, details of which are set out in the circular of the Company dated 22 October 2021, we have not acted as independent financial adviser to independent board committee and/or independent shareholders of the Group.

Apart from the normal professional fees paid or payable to us in connection with this appointment as independent financial adviser for the subject continuing connected transactions and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group 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 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 (including CSCD 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, the CSCECL Group and the CSCD Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM RED SUN

In addition, pursuant to the relevant Listing Rules, we have taken reasonable steps to enable ourselves to reach an informed view so as to provide a reasonable basis for our opinion, which included, among others (i) obtained the New CSCECL Construction Engagement Agreement, the New CSCD-CSCECL Sub-construction Engagement Agreement and reviewed the terms thereunder; (ii) reviewed the contents as set out in the Letter from the Board, including the background of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions, the CSCECL Works Transactions and the reasons for and benefits of entering the New CSCECL Construction Engagement Agreement and the New CSCD-CSCECL Sub-construction Engagement Agreement; (iii) reviewed the information as set out in the 2022 Annual Report (defined hereafter) and the 2023 Interim Report (defined hereafter) for our analysis on the background and historical financial performance of the Group; (iv) obtained sampled transactions for the purpose of our analysis; and (v) conducted our analysis on the principal terms of the (a) New CSCECL Construction Engagement Agreement and transactions contemplated thereunder (including the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap); and (b) New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps).

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, the CSCECL Group 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.

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.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions and the CSCECL Works Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM RED SUN

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the CSCECL Construction Engagement Transactions, the CSC Construction Engagement Transactions and the CSCECL Works Transactions, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group, CSCECL Group and CSCD Group

1.1. Background and financial information of the Group

As set out in the Letter from the Board, the Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

Set out below is the summary of the Group's operating results extracted from the annual report of the Group for the year ended 31 December 2022 (the "2022 Annual Report") and the interim report of the Group for the six months ended 30 June 2023 (the "2023 Interim Report"):

Financial performance of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2021	2022	2022	2023
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	77,309,614	101,975,265	53,810,559	55,110,712
- Construction contracts	32,121,267	45,219,645	29,024,172	18,673,338
- Construction related investment projects (Note 1)	39,511,725	49,243,336	20,383,539	32,287,323
- Facade contracting business	3,521,279	4,596,232	2,570,752	2,578,578
- Infrastructure operation (Note 2)	869,342	791,688	484,591	463,939
- Others (Note 3)	1,286,001	2,124,364	1,347,505	1,107,534

Notes:

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

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For the six months ended 30 June 2023 compared to the six months ended 30 June 2022

The Group derived revenue from construction contracts of approximately HK\$18,673.3 million and HK\$29,024.2 million for the six months ended 30 June 2023 and 2022, respectively, representing a decrease of approximately 35.7%. As set out above, revenue generated from construction contracts accounted for approximately 33.9% and 53.9% of the Group's total revenue for the six months ended 30 June 2023 and 2022, respectively.

The Group derived revenue from construction related investment projects of approximately HK\$32,287.3 million and HK\$20,383.5 million for the six months ended 30 June 2023 and 2022, respectively, representing an increase of approximately 58.4%. As set out above, revenue generated from construction related investment projects accounted for approximately 58.6% and 37.9% of the Group's total revenue for the six months ended 30 June 2023 and 2022, respectively.

The Group derived revenue from facade contracting business of approximately HK\$2,578.6 million and HK\$2,570.8 million for the six months ended 30 June 2023 and 2022, respectively, representing an increase of approximately 0.3%. As set out above, revenue generated from facade contracting business accounted for approximately 4.7% and 4.8% of the Group's total revenue for the six months ended 30 June 2023 and 2022, respectively.

For the year ended 31 December 2021 compared to the year ended 31 December 2022

The Group derived revenue from construction contracts of approximately HK\$45,219.6 million and HK\$32,121.3 million for the year ended 31 December 2022 and 2021, respectively, representing an increase of approximately 40.8%. As set out above, revenue generated from construction contracts accounted for approximately 44.3% and 41.5% of the Group's total revenue for the year ended 31 December 2022 and 2021, respectively.

The Group derived revenue from construction related investment projects of approximately HK\$49,243.3 million and HK\$39,511.7 million for the year ended 31 December 2022 and 2021, respectively, representing an increase of approximately 24.6%. As set out above, revenue generated from construction related investment projects accounted for approximately 48.3% and 51.1% of the Group's total revenue for the year ended 31 December 2022 and 2021, respectively.

The Group derived revenue from facade contracting business of approximately HK\$4,596.2 million and HK\$3,521.3 million for the year ended 31 December 2022 and 2021, respectively, representing an increase of approximately 30.5%. As set out above, revenue generated from facade contracting business accounted for approximately 4.5% and 4.6% of the Group's total revenue for the year ended 31 December 2022 and 2021, respectively.

1.2. Background and financial information of the CSCECL Group

As set out in the Letter from the Board, CSCECL is the holding company of COHL which, in turn, is the controlling shareholder of the Company, and is interested in approximately 39.63% of the issued share capital of COGO. CSCECL is also an intermediate holding company of CSCD. CSCECL is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

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According to the annual report of the CSCECL Group for the year ended 31 December 2022 (the “**CSCECL 2022 Annual Report**”), revenue for the year ended 31 December 2022 and 2021 was approximately RMB2,055.1 billion and RMB1,892.7 billion, respectively, representing a growth rate of approximately 8.6%. Such increase was mainly attributable to CSCECL Group gave full play to the advantages of the whole industry chain layout, served the national strategy to continuously cultivate new market growth points and continuously manage marketing and project performance. The overall income maintained steady growth.

According to the interim report of the CSCECL Group for the six months ended 30 June 2023 (the “**CSCECL 2023 Interim Report**”), revenue of the CSCECL Group for the six months ended 30 June 2023 and 2022 was approximately RMB1,113.3 billion and RMB1,061.2 billion, respectively, representing an increase of approximately 4.9%. Such increase was mainly attributable to the stable growth in the amount of newly signed contracts and successful implementation of construction projects in progress.

1.3. Background and financial information of the CSCD Group

As set out in the Letter from the Board, CSCD is a non-wholly owned listed subsidiary of the Group, the CSCD Group is principally engaged in general contracting business, facade contracting business (including design, engineering, manufacture and installation of curtain wall systems) and operating management business.

According to the 2022 Annual Report, segment revenue contributed to the Group by the CSCD Group for the year ended 31 December 2022 and 2021 was approximately HK\$5,588.2 million and HK\$4,530.6 million, respectively, representing a growth rate of approximately 23.3%. Such increase was mainly attributable to the good progress of facade contracting business and increase of construction works from the general contracting business.

According to the 2023 Interim Report, segment revenue contributed to the Group by the CSCD Group for the six months ended 30 June 2023 and 2022 were broadly stable, which amounted to approximately HK\$3,133.0 million and HK\$3,170.2 million, respectively. CSCD’s largest business segment by revenue contribution for each of the six months ended 30 June 2023 and 2022 was façade contracting works, which contributed to over 75% of CSCD’s revenue during the relevant six months period, respectively.

1.4. Overview of the PRC economy and building construction activities

Based on preliminary gross domestic product data published by the National Bureau of Statistics of China in July 2023 (www.stats.gov.cn/sj/zxfb/202307/t20230717_1941310.html), for the six months ended 30 June 2023, the gross domestic product of the PRC recorded a period-on-period growth compared to the corresponding period in the prior year (比上年同期增長) of approximately 5.5%.

According to the 14th Five Year Plan (the “**14th FYP**”)* (十四五規劃) announced by the PRC government around March 2021, the target urbanisation rate of the resident population* (常住人口城鎮化率) is set at 65.0% by 2025. Based on publication by the PRC government in relation to the 14th FYP, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the

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improvement of supply chain modernisation* (提升產業鏈供應鏈現代化水平); (ii) the development of strategical new industries* (發展戰略性新興產業); (iii) the acceleration of modern service industries development* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation* (加快數位化發展).

We also noted the strict implementation of the three red lines* (三條紅線) from around the second half of 2020 by the PRC government on the PRC real estate development industry, which was one of the core policy directives for the property development industry issued by the PRC government at the relevant time. More recently, People's Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) jointly issued the announcement titled "Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market*" (關於做好當前金融支持房地產市場平穩健康發展工作的通知) dated 23 November 2022 in relation to (i) ensure stable and orderly real estate financing* (保持房地產融資平穩有序); (ii) proactively carry out "guarantee delivery of vacant possession" related financial services* (積極做好“保交樓”金融服務); (iii) proactively cooperate on risk management of real estate development enterprises in difficulties* (積極配合做好受困房地產企業風險處置); (iv) protect the legal rights and interests of residential property financial consumers* (依法保障住房金融消費者合法權益); (v) adjust part of the financial management policies in stages* (階段性調整部分金融管理政策); and (vi) provide greater financial support on leasing of residential properties* (加大住房租賃金融支持力度).

It is expected that the development of the PRC property market may continue to be influenced by, among others, changes in PRC government policies at a national and regional level, which is intended to promote sustainable and healthy long-term development of the property development industry, the then prevailing market environment as well as the overall economic development of the PRC. In view of the above, it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole.

2. The New CSCECL Construction Engagement Agreement

2.1. Principal terms of the New CSCECL Construction Engagement Agreement

The Company and CSCECL entered into the New CSCECL Construction Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

Details of the terms of the New CSCECL Construction Engagement Agreement, including, amongst others, the pricing basis of the contract sum awarded by the Group to the CSCECL Group, the calculation of the CSCECL Construction Engagement Cap, the pricing basis of the Group's tenders submitted to the CSCECL Group and the calculation of the CSC Construction Engagement Cap, are set out in the section headed "The New CSCECL Construction Engagement Agreement" in the Letter from the Board.

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2.2. Reasons for and benefits of entering into the New CSCECL Construction Engagement Agreement

As set out in the Letter from the Board, CSCECL has substantial experience in the construction markets. In the cases where the Group considers that contracting its construction, project management and/or project consultancy works, and/or procuring project construction material from suppliers for its construction works would be more efficient and effective, the CSCECL Construction Engagement Transactions contemplated under the New CSCECL Construction Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as Contractors for its construction works. The Directors believe that such arrangement will continue to benefit the Group by leveraging the substantial experience and the specific construction qualifications of the CSCECL Group, and by better cost and time efficiency in managing its construction projects.

The CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC Construction Engagement Transactions will continue to provide opportunities for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in CSCECL Group's construction works in the PRC as Contractors. The Directors also believe that since the CSCECL Group and the Group have a long-term relationship of cooperation, the Group has a better understanding of the operations and development of the CSCECL Group. It is expected that the Group will be able to participate in the construction works of the CSCECL Group in an expedient, cost efficient and smooth manner, which will be beneficial to both the Group and the CSCECL Group.

In addition, the Directors consider that the CSCECL Construction Engagement Transactions and the CSC Construction Engagement Transactions will allow the Group to draw on the substantial construction experiences and resources of the CSCECL Group in the PRC whereby creating favourable conditions for the Group's business development in the PRC.

Taking into account the principal businesses of both the Group and the CSCECL Group and to ensure the continuation for the Group to invite the CSCECL Group to participate in competitive tender as Contractors for the Group's construction works from time to time and vice versa, we concur with the Directors that the entering into the New CSCECL Construction Engagement Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. The New CSCD-CSCECL Sub-construction Engagement Agreement

3.1. Principal terms of the New CSCD-CSCECL Sub-construction Engagement Agreement

CSCECL and CSCD entered into the New CSCD-CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive).

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Details of the terms of the New CSCD-CSCECL Sub-construction Engagement Agreement, including, amongst others, the pricing basis of the contract sum awarded by the Group to the CSCECL Group, the calculation of the CSCECL Construction Engagement Cap, the pricing basis of the CSCD Group's tenders submitted to the CSCECL Group and the calculation of the CSCECL Works Caps, are set out in the section headed "The New CSCD-CSCECL Sub-construction Engagement Agreement" in the Letter from the Board.

3.2. Reasons for and benefits of entering into the New CSCD-CSCECL Sub-construction Engagement Agreement

As set out from the Letter from the Board, the directors of CSCD consider that the CSCECL Works Transactions will allow CSCD to maximise profits and by being able to participate in the CSCECL Works upon successful tender, the CSCD Group can secure a more diverse base of customers, thereby expanding its market reach. As for the CSCECL Group, it can leverage on the CSCD Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSCECL and CSCD pursuant to the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSCECL and CSCD will bring synergy effect to both CSCECL and CSCD, thereby facilitating the expansion of the CSCD Group's businesses.

Taking into account the principal businesses of the CSCD Group, being part of the Group, and the CSCECL Group, and to ensure the continuation for the CSCECL Group to invite the CSCD Group to participate in competitive tender as Contractors for the CSCD Group's construction works from time to time and vice versa, we concur with the Directors that the entering into the New CSCD-CSCECL Sub-construction Engagement Agreement is in the ordinary and usual course of business of the CSCD Group, being part of the Group and in the interests of the Company and the Shareholders as a whole.

4. CSCECL Construction Engagement Transactions

4.1. Our analysis and work performed on the CSCECL Construction Engagement Transactions

Tender Review Procedures

As set out in the Letter from the Board, the contract sum and the terms awarded by the Group to the CSCECL Group for the Group's construction works will be negotiated on an arm's length basis and determined between the Group and the CSCECL Group subject to standard and systematic tender review procedures (the "**Tender Review Procedures**") maintained by the Group, which apply to tenders obtained from both connected persons and independent third parties, in order to ensure that the contract sum and terms of the tender granted by the Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the Group, than those granted to independent third parties.

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We have discussed with the Management and noted that under the Tender Review Procedures generally involve three stages: (i) invitation to tender; (ii) review of tender documents; and (iii) tender selection. For contracts with an amount of less than RMB5,000,000, the Company's regional management team will form a committee (the "**Committee**") in reviewing the tender documents. For contracts with an amount of RMB5,000,000 or more, the review of the tender documents will be conducted by the Group's construction contracting advisory board (the "**Advisory Board**"), comprising not less than five members, which include Directors who are not employees and/or directors of the CSCECL Group, the directors, management staff and supervisor of the relevant member of the Group and finance personnel of the Group. In both cases, the members of the Committee or the Advisory Board shall not be employees or directors of the CSCECL Group and shall have no relationship with the CSCECL Group.

Furthermore, we noted that the Committee or the Advisory Board will shortlist at least three tenders and make the final decision with reference to following selection criteria, including but not limited to (i) quality of work; (ii) measures on environmental protection, safety and workers' health undertaken; (iii) time management and project management plan; (iv) financial arrangement and financial ability; (v) material and supply management; and (vi) past cooperation record with the Group, if any, of the tender applicants.

In determining the pricing terms, the Committee or the Advisory Board will also review the cost information for materials and pricing information of previous tenders submitted to the Group in assessment of the pricing terms.

The Committee or the Advisory Board will also review and compare previous tender prices granted to both connected persons and independent third parties, so as to ensure that the contract sum and terms of the tender to be granted by the Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the Group, than those granted to independent third parties.

Having reviewed the above factors and information, the Committee or the Advisory Board will select the Contractor with the lowest tender amount on the condition that it also satisfies the selection criteria and principles as set out above and as set out in the tender invitation.

The relevant letter of award or contract will be issued once the final decision is made in the meeting of the Committee or the Advisory Board.

For our assessment in connection with the Tender Review Procedures, we have (i) reviewed the internal procedures set out in the Tender Review Procedures; and (ii) obtained and reviewed a total of ten sample tender review reports of the Group reviewed by the Advisory Board for tenders submitted by connected persons and independent third parties, selected on a random basis (the "**CSCECL Sampled Tenders**"), after taking into account the following factors, (i) sizeable tender sums that exceeded RMB30 million (given that based on information provided by the Management, over 85% of the total historical transaction amount for each of the years ended/ending 31 December 2021, 2022 and 2023 were contributed by contracts with tender sums that exceeded RMB30 million. On this basis, we set the threshold at RMB30 million with a view to ensure the CSCECL Sampled Tenders selected for our analysis is meaningful rather than the possibility of selecting and performing our analysis on small value tenders that did not contribute meaningfully towards the historical

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transaction amount. As the CSCECL Sampled Tenders were selected on a random basis, the size of such CSCECL Sampled Tenders also varied, namely, from in the region of RMB40 million to RMB500 million, such ensured that our analysis is representative given the range of tender sum under our sampled tenders); and (ii) the tenders were related to three-year period commencing from 1 January 2021 and ending 31 December 2023 under the Previous CSCECL Sub-construction Engagement Agreement.

Given (i) the nature and work scope of the CSCECL Sampled Tenders are similar to those of the services to be provided under the New CSCECL Construction Engagement Agreement; (ii) the CSCECL Sampled Tenders were related to recent periods, i.e. during the three-year period commencing from 1 January 2021 and ending 31 December 2023; (iii) relatively large tender sum of the subject year/period was one of the selection criteria; and (iv) the CSCECL Sampled Tenders, were subject to internal approval procedures that were applicable to CSCECL Construction Engagement Transactions, we consider the CSCECL Sampled Tenders to be useful reference for the purpose of our analysis. It was noted that six sample tender review reports contained tenders submitted from both connected persons and independent third parties while the remaining four sample tender review reports contained tenders from independent third parties.

We have also obtained and reviewed the document setting out authority for decision on operation matters* (經營事項決策權限) and noted that for subcontracting works with tender sum that exceeded RMB10 million, each of the tender review reports required the approval from the director and each of the members of the subcontract and procurement decision committee* (分判採購決策委員會). The subcontract and procurement decision committee* comprised of one committee chairman (general manager of the Company), one supervisor from the finance department and various members including responsible person from relevant subsidiary(ies), relevant head(s) or responsible person(s) of department(s). We further noted from the Management that the tender review reports must be approved and signed by each of the committee chairman, supervisor and at least two of the members. Based on our review of documents and work performed, we noted that such requirement was satisfied for each of the CSCECL Sampled Tenders demonstrating that applicable internal approval procedures are in place governing the subject continuing connected transactions.

Based on our review on the aforesaid sample tender review reports, we noted that (i) the same tender selection criteria, including but not limited to, cost competitiveness of the tenders and historical performance (if any), experience, quality of work of the contractors, had been applied to tenders submitted by the CSCECL Group and other independent contractors; (ii) in each sample tender review report, at least three tenders were selected and compared against tenders submitted by the CSCECL Group and/or other independent contractors; and (iii) the respective tender with the highest discount margin from the internal estimated project sum was selected and the subject contractor was awarded with the construction contract.

Having considered that the effective implementation of the internal procedure for tender review (i.e. Tender Review Procedures) would ensure the reasonableness of the terms of the tenders to be reviewed, and such procedures are applied to both connected persons and independent third parties, we concur with the Directors' view that the Company has sufficient internal control procedures to govern the terms of the CSCECL Construction Engagement Transactions under the New CSCECL Construction Engagement Agreement.

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4.2. Basis for determining the CSCECL Construction Engagement Cap

Set out below are the proposed CSCECL Construction Engagement Cap under the New CSCECL Construction Engagement Agreement:

Historical transaction amounts and the Historical CSCECL Construction Engagement Cap

	Historical Transaction Amounts			Historical CSCECL Construction Engagement Cap
	For the year ended on 31 December 2021	For the year ended on 31 December 2022	For the six months ended 30 June 2023	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
CSCECL Construction Engagement Transactions	9,803	2,081	720	55,000
Utilisation rate (%)	17.8%	3.8%	1.3% <i>(up to 30 June 2023)</i> <i>(Utilisation based on annualised amount: 2.6%)</i> <i>(Note)</i>	
	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	
CSCECL Construction Engagement Cap	10,000 <i>(the “2024 CSCECL Cap”)</i>	11,000 <i>(the “2025 CSCECL Cap”)</i>	12,000 <i>(the “2026 CSCECL Cap”)</i>	

Note: Utilisation based on the annualised amount is calculated using the transaction amount for the six months ended 30 June 2023 is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2023.

As set out in the Letter from the Board, the CSCECL Construction Engagement Cap is calculated with reference to the following factors:

- (a) the Historical CSCECL Construction Engagement Cap in the amount of RMB55,000 million;

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- (b) the average contract sum per year taken over the three years ending 31 December 2023, based on the historical total contract sum of the CSCECL Construction Engagement Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively and the expected total contract sum possibly reaching approximately RMB6,318 million by the end of 2023, after considering certain adjustment, such as material cost;
- (c) the Company expects its PRC construction business will be in a stable and improving trend for the next three years ending 31 December 2026, given that (i) total contract sum of the CSCECL Construction Engagement Transactions reached to approximately RMB9,803 million for the year ended 31 December 2021, which is just below the CSCECL Construction Engagement Cap for the year ending 31 December 2024; and (ii) it is expected that the increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole;
- (d) the relatively unstable utilisation rates of the Historical CSCECL Construction Engagement Cap were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the CSCECL Group by the Group. Moreover, the number of construction projects for which the CSCECL Group is interested in tendering could fluctuate at times upon considering such projects' suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the CSCECL Group by the Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the Group which the CSCECL Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) the estimated total contract sum of new construction projects that may be awarded by the Group to the CSCECL Group for the three years ending 31 December 2026, with reference to the sum of the historical construction projects of the Group that were suitable and/or eligible for the CSCECL Group to tender for ranged from RMB34,000 million to RMB37,000 million for the year ended 31 December 2021 and 2022;
- (f) despite the relatively unstable utilisation rates of the Historical CSCECL Construction Engagement Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; and (ii) that the CSCECL Construction Engagement Cap is significantly lower than the Historical CSCECL Construction Engagement Cap, considers that in order to maintain flexibility for the Group in the event that the CSCECL Group is able to successfully bid a substantial amount of the Group's potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSCECL Construction Engagement Cap with reference to their best estimation based on the construction projects which may be secured by the CSCECL Group; and

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- (g) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the CSCECL Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

Our analysis on the basis of the CSCECL Construction Engagement Cap

We noted that total contract sum of construction projects of the Group engaging the CSCECL Group (i) for each of the two financial years ended 31 December 2022 amounted to approximately RMB9,803 million and RMB2,081 million, representing an utilisation rate of approximately 17.8% and 3.8% respectively; and (ii) approximately RMB720 million for the six months ended 30 June 2023, representing an utilisation rate of approximately 1.3%, of the respective Historical CSCECL Construction Engagement Cap for each of the three financial years ending 31 December 2023.

As discussed with the Management, the decrease in utilisation rate for the two years ended 31 December 2022 and for the six months ended 30 June 2023 was due to the unexpected delay in the tendering process of certain projects under the pandemic and that certain of the submitted tenders were not eventually awarded to the CSCECL Group by the Group. As further discussed with the Management, followed by the change in government policy on Public-Private-Partnership (“PPP”) projects in the PRC, the Group has gradually switched its focus from PPP projects to government targeted repurchase (“GTR”) projects during the period of Historical CSCECL Construction Engagement Cap.

In general, under the PPP model in the PRC, private enterprises, private capital, state-owned enterprises, foreign enterprises and other social capital work with the government and participate in the construction of public infrastructure. In 2019, the central ministries and commissions issued policies to strengthen the supervision over the PPP projects, which further regulated government purchase of services, and made more detailed restrictions on capital expenditure and repayment sources of local government infrastructure investment. Among others, these change in policies, together with the prevailing market demand and availability of PPP projects at the material time, led to a decrease in number of PPP projects tendered and awarded to the Group, which in turn, indirectly led to the decrease in PPP projects awarded to the CSCECL Group.

On the other hand, we noted from the Management that under the GTR model for property development projects, private enterprises would acquire land from the PRC government and undertake the development of the subject property project, the PRC government would repurchase the entire property development project after the subject property project has been successfully completed. As for the engineering procurement construction (“EPC”) model, it refers to a model where a construction company undertakes the key construction phase(s) of a construction project (including engineering, procurement, construction and commissioning). In general, EPC model is capable to attain project efficiency through overall coordination and resource allocation of the project. In view of the above, we understand from the Management that, subject to, among others, the nature of the subject projects and resources of the Group at the material time, the Group intends to expand its construction business and acquire construction/infrastructure projects, including but not limited to,

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under the GTR and EPC models, having considered the scale, project cycle, return rate, cash payback cycle and the success rate. The Group shall continue to monitor the market and, where necessary, to optimise its project mix to cater for change(s) in relevant PRC government policies to the aforesaid project models.

The Management advised that the number and contract amount of GTR projects of the Group awarded to the CSCECL Group decreased during the relevant period attributable to the results of the tendering process and contracts with comparative lower contract sum, in aggregate, were awarded to CSCECL during the relevant period. Such was also affected by the fact that the number of construction projects for which the CSCECL Group tendered fluctuated from time to time, together with the unpredictability nature of tender outcomes, in turn affected the total contract sums awarded to the CSCECL Group by the Group during the relevant period (together the “**Contributing Factors**”). As a result, the level of utilisation of the existing annual caps for the two years ended 31 December 2022 and the year ending 31 December 2023 fluctuated notably. We also noted that the PRC real estate development and related industries faced challenges, in particular, during the two years ending 31 December 2023 attributable to the market reactions to the introduction of various PRC government policies, including those as detailed under the section headed “1.4. Overview of the PRC economy and building construction activities” in this letter above. Nevertheless, although the PRC real estate development and related industries subject to fluctuations in the recent past, the future development of the PRC real estate market will continue to be influenced by changes in PRC government policies at a national and regional level, which is intended to promote sustainable and healthy long-term development.

We have further discussed with the Management and understand that the low utilisation rate was also attributable to certain sizeable construction projects, which the Group tendered for, was eventually awarded to other contractors. Hence, there were comparatively less construction contracts of the Group for the CSCECL Group to tender. In this connection, we have obtained historical projects schedule from the Management (the “**Historical Projects Schedule**”) which sets out the total amount of projects that were suitable and/or eligible for the CSCECL Group to tender for, such ranged from in the region of RMB34,000 million to RMB37,000 million for the year ended 31 December 2021 and 2022. Such amount fluctuated from year-to-year as it was affected by the market conditions and activities in the construction industry in the PRC, the Group’s then strategy as well as the Group’s projects-on-hand at the material time and the corresponding contract works of which the Group considered suitable to sub-contract to other parties. We have further discussed with the Management regarding the reasons for the relatively low utilisation rate of the historical annual caps compared to the amount of projects which were suitable and/or eligible for the CSCECL Group to tender for, which was attributable to the reasons, including, where applicable (i) the Group has invited CSCECL on certain but not all of the relevant tenders; (ii) for relevant invitation of tenders by the Group, CSCECL has the right to decide whether to submit a tender of its own accord after considering, where applicable (a) the scope of works; (b) the project timetable; (c) the estimated contract sum and its costs and profit margin estimations; (d) its available resources at the material time; and (e) its projects on hand; and (iii) the tenders received by the Group are subject to its internal control procedures for tender assessment and the award of the subject contract will depends on the outcome of the Group’s tender assessment.

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In determining the reasonableness of the CSCECL Construction Engagement Cap, we have considered the underlying reasons for the historical significant fluctuation in utilisation rate, the strategic decision with a focus from PPP projects to GTR projects as mentioned above, which impacted the number and amount of government related projects awarded to the Group for the three years ending 31 December 2023. In addition, we understand that the Group is actively expanding its construction business based on a strategy of balance between scale growth, leverage and cash flow, and intends to acquire infrastructure projects with a shorter cycle, faster turnover and higher return, including but not limited to GTR and EPC projects. According to the 2023 Interim Report, the Group continued to optimise the project mix on hand, increased participation in GTR projects and other shorter cash payback cycle projects in order to accelerate capital turnover.

In assessing the reasonableness of the CSCECL Construction Engagement Cap, we have also reviewed and discussed with the Management the bases and assumptions underlying the projections of the CSCECL Construction Engagement Cap, which include information on potential projects of different sizes and contract amount.

Based on our discussion with the Management, we noted that when determining the estimated contract sum which the Group may sub-contract to the CSCECL Group for the three years ending 31 December 2026, the Management had taken in to consideration, amongst others, estimation of the total contract sum for potential construction projects of the Group for the year ending 31 December 2024 (the “**Estimated Total Contract Sum**”). As advised by the Management, the potential construction projects include, among others, GTR, EPC, PPP projects that comprised construction of infrastructure, such as highways, bridges, public works and affordable housing. The Estimated Total Contract Sum for the year ending 31 December 2024 is estimated to be no less than HK\$80 billion, which is significantly higher than each of the 2024 CSCECL Cap, the 2025 CSCECL Cap and the 2026 CSCECL Cap.

However, we noted that the actual transaction amount may subject to factors, such as (i) the PRC economy and building construction activities at the material time; (ii) the Estimated Total Contract Sum, represents the potential contracts sum the Group may take on, could vary attributable to the capacity of the Group by considering the availability of workforce, market conditions and other internal factors to be considered by the Management in relation to these upcoming projects; (iii) the potential GTR, EPC, PPP projects tendered or to be tendered by the Group may or may not be successfully awarded to the Group; (iv) the Estimated Total Contract Sum represents projects, part of which may require to be subcontracted by the Group. The selection of such subcontractor(s) is subject to tender procedures. On this basis, subject to the tender results, the subject subcontractor may be independent third party or CSCECL Group; and (v) the Group has internal control procedures to monitor the subject annual caps under the New CSCECL Construction Engagement Agreement, such should ensure the annual caps are duly complied with by the Company or in the event that the Management foresees that the subject annual cap may become insufficient, relevant internal procedures will be initiated and, where necessary, the subject annual cap(s) shall be renewed in a timely manner. On this basis, we consider each of the 2024 CSCECL Cap, the 2025 CSCECL Cap and the 2026 CSCECL Cap to be reasonable based on our analysis as set out above.

We have reviewed the 2022 Annual Report and the 2023 Interim Report and noted that the Group’s costs of sales for (i) the year ended 31 December 2021 and 2022 was approximately HK\$65.3 billion and HK\$88.0 billion, respectively; and (ii) the six months ended 30 June 2023 was

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approximately HK\$46.5 billion. On this basis, the Estimated Total Contract Sum is broadly in line with the Group's costs of sales for the year ended 31 December 2022 and six months ended 30 June 2023 (on an annualised basis). We also noted that the CSCECL historical full year transaction amount ranged from approximately RMB2,081 million (year 2022) to approximately RMB9,803 million (year 2021).

Having considered, among others, (i) the Contributing Factors behind the low utilisation rate for certain of the historical annual caps; (ii) the award of the construction contracts by the Group are subject to its tender process, while the CSCECL Group is not required to submit tenders for every contract which the Group invites the CSCECL Group to tender, and also the CSCECL Group may not be awarded with all of the contracts which CSCECL tendered for; (iii) while the Estimated Total Contract Sum is broadly in line with the Group's costs of sales for the year ended 31 December 2022 and six months ended 30 June 2023 (on an annualised basis), it is significantly higher than the 2024 CSCECL Cap; and (iv) the total contract sum of the CSCECL Construction Engagement Transactions amounted to approximately RMB9,803 million for the year ended 31 December 2021, which is in line with the 2024 CSCECL Cap of RMB10,000 million, we considered the basis of the 2024 CSCECL Cap to be reasonable.

As the tendering process and construction schedule for PRC construction projects continue to resume back to normal after the pandemic, the Group expects the total contract sum of construction projects of the Group which the CSCECL Group may submit tender for will continue to increase steadily as compared to the abovementioned historical contract sums.

It is noted that the 2025 CSCECL Cap and the 2026 CSCECL Cap represent a year-on-year increase of approximately 10.0% and 9.1%, respectively. With a view to assess the basis of the 2025 CSCECL Cap and the 2026 CSCECL Cap, we have considered, among others, (i) as set out in the 2022 Annual Report, the Group's costs of sales for the years ended 31 December 2020, 2021 and 2022 was approximately HK\$53.2 billion, HK\$65.3 billion and HK\$88.0 billion, respectively, representing a growth rate of approximately 22.7% and 34.8%, respectively; and (ii) the year-on-year fluctuation in absolute amount ranged from approximately 5.7% to 34.8% during the period from 2021 to June 2023 (on an annualised basis). Given the year-on-year growth rate of approximately 10% and 9.1%, represented by the 2025 CSCECL Cap and the 2026 CSCECL Cap, are within range or lower than the respective range of historical growth rate as analysed under (i) and (ii) above, and that the CSCECL Construction Engagement Cap facilitates the continuing connected transactions with the CSCECL, which is subject to the internal control procedures of the Group, such as the tender process, we concur with the Directors that the 2025 CSCECL Cap and the 2026 CSCECL Cap are on a reasonable basis.

Having considered, amongst others, (i) our analysis and work performed as set out above; (ii) the Group is actively expanding its construction business including but not limited to GTR and EPC projects; (iii) the Group's historical growth in costs of sales for the year ended 31 December 2020, 2021 and 2022; (iv) the PRC's government policy intends to promote sustainable and long-term healthy development of the PRC real estate development and related industries, we consider the basis for determining the CSCECL Construction Engagement Cap under the New CSCECL Construction Engagement Agreement to be fair and reasonable.

5. CSC Construction Engagement Transactions

5.1 Our analysis and work performed on the CSC Construction Engagement Transactions

Tender Submission Procedures

As stated in the Letter from the Board, the prices and terms of the Group's tenders submitted to the CSCECL Group for the CSCECL Group's construction works are subject to standard and systematic tender submission procedures (the "**Tender Submission Procedures**") maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tender submitted by the Group to the CSCECL Group are no more favourable to the CSCECL Group, and no less favourable to the Group, than those submitted to independent third parties.

We have discussed with the Management and noted that Tender Submission Procedures generally involves (i) receiving invitation to tender/publication of tender notices; (ii) initial assessment of tender documents; (iii) future planning and cost estimation; (iv) preparation for tender report and internal tender adjudication for internal approval process; and (v) tender submission. In preparing and assessing the tender documents, the Group will take into account factors, including but not limited to technical requirements, quantity specifications, expected completion time, customer's expectations and the possible risk factors associated with a project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, it is noted that the Group will review the costs information maintained by its in-house computer database for materials supplied and contract prices from contractors for the Group's previous projects of a similar nature. This information will assist the Group to conduct quantitative comparison between quotations obtained from contractors and material suppliers. The Group will review details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons or independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the tender to be submitted to the CSCECL Group are not more favourable to the CSCECL Group, and no less favourable to the Group, than those submitted to independent third parties.

The review committee of the CSCECL Group which is independent of the Group (the "**Review Committee**") may approve or reject the tenders submitted by the Group based on the analysis result of its tender review process. In addition, the Review Committee is also responsible for deciding the contents and pricing terms of the proposed tenders. If any contract is granted in favour of the Group as a result of the competitive tender, the relevant project owner of the CSCECL Group will issue a letter of award to the Group and the Group will act as the Contractor for the relevant construction works of the CSCECL Group based on the terms of the successful tender.

In connection with our works performed on assessing whether the Tender Submission Procedures implemented by the Group, we have (i) reviewed the internal procedures set out in the Tender Submission Procedures; and (ii) obtained and reviewed ten sample tender submission review reports of the Group for tender submissions made to connected persons or independent third parties (the

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“CSC Sampled Tenders”), selected on a random basis, after taking into the following factors, (i) sizeable tender sums that exceeded RMB30 million (given that based on information provided by the Management, over 85% of the total historical transaction amount for each of the years ended/ending 31 December 2021, 2022 and 2023 were contributed by contracts with tender sums that exceeded RMB30 million. On this basis, we set the threshold at RMB30 million with a view to ensure the CSC Sampled Tenders selected for our analysis is meaningful rather than the possibility of selecting and performing our analysis on small value tenders that did not contribute meaningfully towards the historical transaction amount. As the CSC Sampled Tenders were selected on a random basis, the size of such CSC Sampled Tenders also varied, namely from in the region of RMB35 million to RMB800 million, such ensured that our analysis is representative given the range of tender sum under our sampled tenders); and (ii) the tenders were submitted during the three year period commencing from 1 January 2021 and ending 31 December 2023 under the Previous CSCECL Sub-construction Engagement Agreement, among which, five tender submission review reports involved tenders submitted to independent third parties with the other five sample tender submission review reports involving tenders submitted to connected persons.

Given (i) the nature and work scope of the CSC Sampled Tenders are similar to those of the services to be provided under the New CSCECL Construction Engagement Agreement; (ii) the CSC Sampled Tenders were related to recent periods, i.e. during the three-year period commencing from 1 January 2021 and ending 31 December 2023; (iii) relatively large tender sum of the subject year/period was one of the selection criteria; and (iv) the CSC Sampled Tenders were subject to internal approval procedures that were applicable to CSC Construction Engagement Transactions, we consider the CSC Sampled Tenders to be useful reference for the purpose of our analysis. Based on our review, we noted that (i) the Tender Submission Procedures maintained by the Group is applicable to tender submitted to both connected persons and independent third parties; and (ii) the pricing terms of the tenders were determined by the Group with reference to the project costs and profit estimation, technical requirements, quantity specifications, expected completion time, customer’s expectations and possible risk factors associated with a project, which are consistently applied to tenders submitted to both connected persons and independent third parties.

We have also obtained and reviewed the document setting out the internal work standard guidance for the project management department* (工程管理部標準工作指引) and noted that each of the tender submission review reports require the approval from the bidding decision team* (投標決策小組) which comprised of one supervisor (general manager of the Company), one deputy supervisor (head of contract management of the Company) and various members including responsible person from relevant subsidiary(ies), relevant head(s) or responsible person(s) of department(s). We further noted from the Management that the tender submission review reports must be approved and signed by each of the supervisor, deputy supervisor and at least two of the members. Based on our review of documents and work performed, we noted that such requirement was satisfied for each of the CSC Sampled Tenders demonstrating that applicable internal approval procedures are in place governing the subject continuing connected transactions.

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Having considered that the effective implementation of the internal procedures for tender submission (i.e. Tender Submission Procedures) should ensure the reasonableness of the terms of the tenders to be submitted, and such procedures are applied to both connected persons or independent third parties, we concur with the Directors' view that the Company has internal control procedures to govern the reasonableness of the terms of the CSC Construction Engagement Transactions under the New CSCECL Construction Engagement Agreement.

5.2 Basis for determining the CSC Construction Engagement Cap

Set out below are the proposed CSC Construction Engagement Cap under the New CSCECL Construction Engagement Agreement:

Historical transaction amounts and the Historical CSC Construction Engagement Cap

	Historical Transaction Amounts			Historical CSC Construction Engagement Cap
	For the year ended on 31 December 2021	For the year ended on 31 December 2022	For the six months ended on 30 June 2023	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
CSC Construction Engagement Transactions	811	—	—	18,000
Utilisation rate (%)	4.5%	Nil	Nil <i>(up to 30 June 2023)</i> (Utilisation based on annualised amount: Nil) <i>(Note)</i>	
	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	
CSC Construction Engagement Cap	2,000 (the “ 2024 CSC Cap ”)	2,500 (the “ 2025 CSC Cap ”)	3,000 (the “ 2026 CSC Cap ”)	

Note: Utilisation based on the annualised amount is calculated using the transaction amount for the six months ended 30 June 2023 is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2023.

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As set out in the Letter from the Board, the CSC Construction Engagement Cap is calculated with reference to the following factors:

- (a) the Historical CSC Construction Engagement Cap in the amount of RMB18,000 million;
- (b) the historical total contract sum of the CSC Construction Engagement Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively, and that the Company expects its PRC construction business will be in a stable and improving trend and expects more tenders which are suitable for the Company for the next three years ending 31 December 2026 given that the expected increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole;
- (c) the expected total contract sum within the range of RMB2,000 million to RMB3,000 million of the CSCECL Group's construction works in the PRC for which the CSCECL Group will invite the Group to participate in competitive tenders from time to time for each of the three financial years ending on 31 December 2026, which is estimated based on the number and size of the construction projects of the CSCECL Group in the PRC available for tender and suitable for the Group during the two financial years ended 31 December 2022 and the six months ended 30 June 2023, as well as the historical contract sum awarded by the CSCECL Group to the Group during the past five years period commencing from 1 January 2018 and ended on 31 December 2022, where the average is approximately RMB2,700 million;
- (d) the relatively unstable utilisation rates of the Historical CSC Construction Engagement Cap were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the Group by the CSCECL Group. Moreover, the number of construction projects for which the Group is interested in tendering could fluctuate at times upon considering such projects' suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the Group by the CSCECL Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the CSCECL Group which the Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) despite the relatively unstable utilisation rates of the Historical CSC Construction Engagement Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; and (ii) that the CSC Construction Engagement Cap is significantly lower than the Historical CSC Construction Engagement Cap, considers that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSC Construction Engagement Cap with reference to their best estimation based on the construction projects which may be secured by the Group; and

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- (f) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

Our analysis on the CSC Construction Engagement Cap

We noted that total contract sum of construction projects of the CSCECL Group engaging the Group for each of the two financial years ended 31 December 2022 amounted to approximately RMB811 million and nil, respectively, and nil for the six months ended 30 June 2023. As discussed with the Management, the low utilisation rate was mainly attributable to the fact that the award of contracts by the CSCECL Group was subject to competing tenders, and the Group was not awarded with the subject contract if there was other competing tender(s) which offered a comparatively more favourable term to the CSCECL Group.

The terms offered by other contractors are beyond the Group's control, which may be affected by the prevailing economic and market conditions, the tenderer's contracts on hand and its unutilised capacity at the material time. However, it is the Group's practice to take into account factors including, technical requirements, quantity specifications, expected completion time, customer's expectations and the possible risk factors associated with a project before submitting its tenders. As a result, the level of utilisation of the existing annual caps for the two years ended 31 December 2022 and the year ending 31 December 2023 was notably low.

In this connection, we have obtained tender records prepared by the Management (the "**Tender Record**") which sets out various unsuccessful tenders of major contracts with contract sum not less than RMB2,000 million each that were submitted to the CSCECL Group during the period from 1 January 2021 to 30 June 2023. We have further discussed with the Management and understand that the Group had submitted tenders to the CSCECL Group during the respective period from 1 January 2021 to 30 June 2023 with total contract sum of not less than RMB20,000 million each year/period for a range of different construction projects in the PRC. Given that the size of the CSC Construction Engagement Cap is in line with the contract sum of one to two major contracts on the Tender Record and the fact that the award of one to two major contracts will significantly change the utilisation rate, we considered that the historical utilisation rate under these circumstances have its limitations in assessing the reasonable of the CSC Construction Engagement Cap.

In assessing the reasonableness of the CSC Construction Engagement Cap, we have considered the following factors, among others, (i) given the contracts of the CSCECL Group shall subject to a tender process, the outcome of which is unpredictable in nature, therefore it is important for us to conduct a review on the historical contract sums for a longer period of time with a view to ensure that we can appropriately assess the historical fluctuations in the continuing connected transactions so as to avoid any undue distortions to the calculated rate in historical fluctuation and our corresponding analysis due to a relatively smaller sample size if the subject review period were to be shorter than the proposed five-year period commenced from 1 January 2018 and ended on 31 December 2022. Hence, we have conducted further research into the historical contract sum awarded by the CSCECL Group under the CSCECL sub-construction engagement agreement during the years ended 31

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December 2018, 2019 and 2020, which amounted to approximately RMB2,814.4 million, RMB10,659.4 million and RMB28.1 million as set out in the Company's published annual reports under the section headed "B. Continuing Connected Transactions under the Listing Rules", respectively; (ii) based on the historical contract sum awarded by the CSCECL Group to the Group during the past five years period commencing from 1 January 2018 and ended on 31 December 2022, the five year average historical contract sum awarded by the CSCECL Group to the Group amounted to RMB2,700.4 million which is higher than the 2024 CSC Cap of RMB2,000 million and the 2025 CSC Cap of RMB2,500 million, respectively; and (iii) as set out in the CSCECL 2023 Interim Report, the CSCECL Group had land reserves of approximately 87.5 million square meters as at 30 June 2023 available for future development projects. On this basis, we considered each of the 2024 CSC Cap and the 2025 CSC Cap to be fair and reasonable.

For the 2026 CSC Cap, we have considered, among others, (i) the 2026 CSC Cap of RMB3,000 million only represents approximately 28.1% of the historical contract sum awarded by the CSCECL Group for the year ended 31 December 2019 and is broadly in line with the historical contract sum awarded by the CSCECL Group for the year ended 31 December 2018; (ii) based on our review of the 2022 Annual Report and 2023 Interim Report, the revenue of the Group amounted to (a) approximately HK\$77.3 billion and HK\$102.0 billion for the year ended 31 December 2021 and 2022, respectively; and (b) approximately HK\$53.8 billion and HK\$55.1 billion for the six months ended 30 June 2022 and 2023, respectively. On this basis, the 2026 CSC Cap of RMB3,000 million represent less than 5% of the revenue of the Group for each of the years ended 31 December 2021 and 2022, respectively; and (iii) based on our review of the CSCECL 2022 Annual Report and CSCECL 2023 Interim Report, the cost of sales of the CSCECL Group amounted to (a) approximately RMB1,678.0 billion and RMB1,840.2 billion for the year ended 31 December 2021 and 2022, respectively; and (b) approximately RMB952.8 billion and RMB1,006.7 billion for the six months ended 30 June 2022 and 2023, respectively. On this basis, the 2026 CSC Cap of RMB3,000 million represent less than 1% of the cost of sales of the CSCECL Group for each of the years ended 31 December 2021 and 2022, respectively. Having considered the reasons and analysis as set out above, we are of the view that the 2026 CSC Cap is also fair and reasonable.

6. CSCECL Works Transactions

6.1 *Our analysis and work performed on the CSCECL Works Transactions*

Tender Submission Procedures

As stated in the Letter from the Board, the prices and terms of the tender submitted by the CSCD Group to the CSCECL Group for the CSCECL Works are subject to standard and systematic tender submission procedures (the "**CSCD Tender Submission Procedures**") maintained by the CSCD Group, which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tender submitted by the CSCD Group to the CSCECL Group are no more favourable to the CSCECL Group than those submitted to independent third parties.

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Based on our review of the documents obtained and our discussion with the Management, we noted that CSCD Tender Submission Procedures generally involves (i) receiving invitations to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission. In preparing and assessing the tender documents, the CSCD Group will take into account factors, including but not limited to, technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with each project. The CSCD Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

In determining the pricing terms, it is noted that the CSCD Group will review the costs information maintained by its in-house database for materials supplied and contract prices from subcontractors for the CSCD Group's previous projects of a similar nature. Such information will assist the CSCD Group in implementing quantitative comparison between preliminary quotations obtained from subcontractors and material suppliers. The CSCD Group will also review and compare previous tender prices submitted to both connected persons and independent third parties, so as to ensure that the tender price to be submitted is no more favourable to the CSCECL Group than those submitted to independent third parties.

Where the CSCD Group participates in a tender with other bidders (including independent third parties in the market), the CSCD Group will follow its standard and systematic tender submission procedures and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedures of the CSCECL Group on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the bid invitation.

Where the CSCD Group submits tender directly to the ultimate employer, the CSCD Group will follow the standard and systematic tender submission procedures in determining the terms and price of the tender, and if the CSCD Group is nominated as subcontractor or service provider of the CSCECL Group (as the case may be) by the ultimate employer, consideration to the CSCD Group will be ascertained by the ultimate employer or its independent professional quantity surveyor.

In this connection, we have (i) reviewed the CSCD Tender Submission Procedures, which formed part of the CSCD Group's internal control for the continuing connected transactions; and (ii) obtained and reviewed the tender submission review reports of the CSCD Group for ten sampled tenders (the "**CSCD Sampled Tenders**"), which included tenders submitted to connected persons and independent third parties, selected from tenders submitted by the CSCD Group based on the following criteria, namely, (i) sizeable tender sums that exceeded RMB100 million (given that based on information provided by the Management, over 75% of the total historical transaction amount for each of the years ended/ending 31 December 2022 and 2023 were contributed by contracts with tender sums that exceeded RMB100 million. On this basis, we set the threshold at RMB100 million with a view to ensure the CSCD Sampled Tenders selected for our analysis is meaningful rather than the possibility of selecting and performing our analysis on small value tenders that did not contribute meaningfully towards the historical transaction amount. As the CSCD Sampled Tenders were selected on a random

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basis, the size of such CSCD Sampled Tenders also varied, namely, from in the region of RMB100 million to RMB1,300 million, such ensured that our analysis is representative given the range of tender sum under our sampled tenders); and (ii) the tenders were submitted during the year ended 31 December 2022 and the year ending 31 December 2023.

Given (i) the nature and work scope of the CSCD Sampled Tenders are similar to those of the services to be provided by the CSCD Group under the New CSCD-CSCECL Sub-construction Engagement Agreement; (ii) the CSCD Sampled Tenders were related to recent periods, i.e. during the year ended 31 December 2022 and the year ending 31 December 2023; (iii) relatively large tender sum of the subject year/period was one of the selection criteria; and (iv) the CSCD Sampled Tenders, were subject to internal approval procedures that were applicable to CSCECL Works Transactions, we consider the CSCD Sampled Tenders to be useful reference for the purpose of our analysis. Based on our review of the tender submission review reports for the Sampled Tenders, four of the tenders were submitted to independent third parties and the other six Sampled Tenders were submitted to connected persons (the “**CSCD Connected Samples**”). Based on our review and as confirmed by the management of CSCD, it is noted that (i) the approval procedures for the tender submissions of the CSCD Group are applicable to tender submitted to both connected persons and independent third parties; and (ii) the pricing terms of the tenders were determined by the CSCD Group with reference to the project costs and profit estimation, technical requirements, quantity specifications, expected completion time, customer’s expectations and possible risk factors associated with a project, which are consistently applied to tenders submitted to both connected persons and independent third parties.

We have also obtained and reviewed the internal procedure manual for the management of sales and marketing* (市場營銷管理工作程序) and noted that each of the tender submission review reports required the approval from the bidding decision committee* (投標決策委員會) which comprised of one supervisor (vice chairman and executive director of CSCD) and various members including vice president, deputy general manager and general manager of CSCD. We further noted from the Management that the tender submission review reports must be approved by the supervisor and relevant members for the subject location of the project. Based on our work performed, we noted that such requirement was satisfied for each of the CSCD Sampled Tenders obtained demonstrating that applicable internal approval procedures are in place governing the subject continuing connected transactions. We have also compared the unit price of the CSCD Connected Samples against the range of unit price of the tenders submitted to independent third parties during the year ended 31 December 2022 and the year ending 31 December 2023 and noted that the unit prices of the CSCD Connected Samples are within range of the unit prices of the tenders submitted to independent third parties. On this basis, we considered the pricing terms of the CSCD Connected Samples to be fair and reasonable.

Having considered that the effective implementation of the internal procedures for tender submission (i.e. CSCD Tender Submission Procedures) should ensure the reasonableness of the terms of the tenders to be submitted, and such procedures are applied to both connected persons or independent third party(ies), we concur with the Directors’ view that CSCD has internal control procedures to govern the reasonableness of the terms of the CSCECL Works Transactions under the New CSCD-CSCECL Sub-construction Engagement Agreement.

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6.2 Basis for determining the CSCECL Works Caps

Set out below are the proposed CSCECL Works Caps under the New CSCD-CSCECL Sub-construction Engagement Agreement:

Historical transaction amounts and the Historical CSCECL Works Caps

	Historical Transaction Amounts			
	For the year ended 31 December 2021 (HK\$ million)	For the year ended 31 December 2022 (HK\$ million)	For the six months ended 30 June 2023 (HK\$ million)	Historical CSCECL Works Caps (HK\$ million)
CSCECL Works Transactions	450	680	129	1,000
Utilisation rate (%)	45.0%	68.0%	12.9% <i>(up to 30 June 2023)</i> (Utilisation based on annualised amount: 25.8%) <i>(Note)</i>	
	For the financial year ending 31 December 2024 (HK\$ million)	For the financial year ending 31 December 2025 (HK\$ million)	For the financial year ending 31 December 2026 (HK\$ million)	
CSCECL Works Caps	1,200	1,500	1,500	
	(the “ 2024 CSCECL Works Cap ”)	(the “ 2025 CSCECL Works Cap ”)	(the “ 2026 CSCECL Works Cap ”)	

Note: Utilisation based on the annualised amount is calculated using the transaction amount for the six months ended 30 June 2023 is for illustration purposes only and does not represent the actual transaction amount for the year ending 31 December 2023.

As set out in the Letter from the Board, the CSCECL Works Caps are calculated with reference to the following factors:

- (a) the Historical CSCECL Works Caps in the amount of HK\$1,000 million;
- (b) the historical total actual contract sum of the CSCECL Works Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively (especially the total contract sum for the year ended 31 December 2022 reached to approximately HK\$680 million), and it is expected that the PRC construction business of CSCD Group will be in a stable and improving trend and that there will be more

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tenders which are suitable for CSCD Group for the next three years ending 31 December 2026 given that the expected increase in urbanisation rate in the PRC and continuous development of the PRC economy shall continue to drive the long-term growth of the PRC construction industry as a whole;

- (c) for the year ending 31 December 2024, the estimated total contract sum of approximately HK\$1,200 million for new construction projects of the CSCECL Group is estimated based on (i) tenders in the total amount of approximately HK\$196 million already submitted to the CSCECL Group; (ii) tenders in the total amount of approximately HK\$676 million planned to be submitted to, or projects under negotiation with, the CSCECL Group and (iii) potential projects available from the CSCECL Group in the total amount of approximately HK\$883 million; for the year ending 31 December 2025, the estimated total contract sum of approximately HK\$1,500 million of new construction projects of the CSCECL Group is estimated based on potential projects available from the CSCECL Group in the amount of approximately HK\$1,537 million; for the year ending 31 December 2026, on the same basis as for the year ending 31 December 2025 while taking into account the abovementioned stable and improving trend of the CSCD Group's construction business and assuming no material adverse impact on the overall economy and building construction activities in the PRC;
- (d) the relatively unstable utilisation rates of the Historical CSCECL Works Caps were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the CSCD Group by the CSCECL Group. Moreover, the number of construction projects for which the CSCD Group is interested in tendering could fluctuate at times upon considering such projects' suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the CSCD Group by the CSCECL Group. As the tendering process and construction schedule for PRC construction projects resume normal, it is expected that the total contract sum of construction projects of the CSCECL Group which the CSCD Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums; and
- (e) despite the relatively unstable utilisation rates of the Historical CSCECL Works Cap, the Group, after taking into consideration (i) the abovementioned stable and improving trend of the CSCD Group's PRC construction business; and (ii) the abovementioned estimated total contract sums for the three years ending 31 December 2026, considers that in order to maintain flexibility for the CSCD Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSCECL Works Cap with reference to their best estimation based on the construction projects which may be secured by the CSCD Group.

Our analysis on the basis of the CSCECL Works Caps

We noted that the actual amount of provision of the CSCECL Works by the CSCD Group (i) for the years ended 31 December 2021 and 2022 amounted to approximately HK\$450 million and approximately HK\$680 million, respectively; and (ii) for the six months ended 30 June 2023 amounted to approximately HK\$129 million.

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As discussed with the Management, the fluctuation of the utilisation rate, which ranged from approximately 45% to 68% for the years ended 31 December 2021 and 2022, was mainly attributable to the fact that the award of contracts by the CSCECL Group was subject to competing tenders, and therefore the CSCD Group may or may not be awarded with the subject contracts for all the tenders it has submitted, as the tender outcome would depend on, among others, the tender assessments by the CSCECL Group on the tenders submitted for the subject contract.

Furthermore, the terms offered by other contractors are beyond the CSCD Group's control, which may be affected by factors, such as, where applicable, the prevailing economic and market conditions, the contracts on hand of other participating tenderers and their respective unutilised capacity at the material time. The management of CSCD also confirmed that it is the CSCD Group's practice to take into account factors including, technical requirements, quantity specifications, expected completion time, customer's expectations and the possible risk factors associated with a project before submitting its tenders. As a result, the level of utilisation of the existing annual caps for the years ended 31 December 2021 and 2022, and the year ending 31 December 2023 have fluctuated from year-to-year.

In this connection, we have obtained tender records prepared by the management of CSCD (the "**CSCD Tender Record**") which sets out tenders submitted by the CSCD Group, such included tenders submitted to the CSCECL Group during the period from 1 January 2022 to 30 June 2023, but such contracts were not awarded to the CSCD Group (i.e. unsuccessful tenders). The tender amount of these unsuccessful tenders ranged from less than RMB10.0 million up to in the region of RMB600.0 million.

We have further discussed with the management of CSCD and noted that the CSCD Group had submitted tenders to the CSCECL Group with aggregated tender amount in excess of RMB8,000 million for the year ended 31 December 2022 and in excess of RMB6,000 million for the six months ended 30 June 2023 (the "**Historical Aggregated Tender Amount**"), which if awarded, would subject to the relevant project schedule and part of the works may be carried out under the Previous CSCD-CSCECL Sub-construction Engagement Agreement. Given that the Historical Aggregated Tender Amount is notably higher than the Historical CSCECL Works Caps of HK\$1,000 million for each of the years ended / ending 31 December 2022 and 2023, such demonstrated the need for the historical annual cap level as such would cater for the continuing connected transactions under the Previous CSCD-CSCECL Sub-construction Engagement Agreement in the event that certain of the submitted contracts, of which the CSCD Group submitted tenders to the CSCECL Group, were awarded to the CSCD Group after successful competitive tenders.

In assessing the reasonableness of the CSCECL Works Caps, we have considered the following factors, among others, (i) the estimated total contract sum of approximately HK\$1,200 million for new construction projects of the CSCECL Group for the year ending 31 December 2024; (ii) potential projects available from the CSCECL Group in the amount of approximately HK\$1,537 million for the year ending 31 December 2025; and (iii) the Historical Aggregated Tender Amount and the historical utilisation rate, which ranged from approximately 45% to 68% for the years ended 31 December 2021 and 2022. In this connection, we have obtained and reviewed a schedule setting out the potential contracts the CSCD may tender for during the year ending 31 December 2024 and 2025 (the "**Schedule**"). We noted from the Schedule that these potential contracts included (i) projects located

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in various PRC cities, including but not limited to, Beijing, Shenzhen, Tianjing, Wuxi, Guangzhou, Zhuhai and Chengdu; (ii) different type of buildings and/or facilities such as school, hospital and data center; and (iii) not less than 20 potential contracts with estimated tender amount ranging from RMB50 million to RMB300 million.

In addition, we have also reviewed the 2022 Annual Report and noted that the segment revenue contributed by the CSCD Group to the Group for the years ended 31 December 2021 and 2022 was approximately HK\$4,530.6 million and HK\$5,588.2 million, respectively, representing a year-on-year increase of approximately 23.3%.

Having considered, among others, (i) the award of the tenders to be submitted by the CSCD Group is beyond the CSCD's control and therefore unpredictable in nature as further supported by the fluctuation in the utilisation rate of the Historical CSCECL Works Caps; (ii) the Historical Aggregated Tender Amount is notably higher than each of the 2024 CSCECL Works Cap, the 2025 CSCECL Works Cap and the 2026 CSCECL Works Cap; (iii) the aggregated contract sums of the potential contracts of which CSCD may tender for during the year ending 31 December 2024 and 2025 as set out in the Schedule; (iv) the year-on-year increase of approximately 23.3% represented by the segment revenue contributed by the CSCD Group to the Group for the years ended 31 December 2021 and 2022, being largely in line with the year-on-year increase of 25% represented by the 2025 CSCECL Works Cap compared to the 2024 CSCECL Works Cap; (v) the 2026 CSCECL Works Cap is at the same level as the 2025 CSCECL Works Cap; (vi) the CSCECL Works Cap facilitates the continuing connected transactions with the CSCECL, which is subject to the internal control procedures of the CSCD Group as set out under the section headed "6.1 Our analysis and work performed on the CSCECL Works Transactions" in this letter above; and (vii) the subject continuing connected transactions involved two listed companies on the Stock Exchange, namely the Company and CSCD, any subsequent revision of the annual cap(s) prior to the expiry of the subject framework agreement, which may require further shareholders' approval, would be time consuming and cause undue disruptions to the day-to-day operations as the provision of the relevant services may be halted temporarily, we consider the basis for determining the CSCECL Works Caps under the New CSCD-CSCECL Sub-construction Engagement Agreement to be fair and reasonable.

7. RECOMMENDATION

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

- (i) the basis and reasons for the New CSCECL Construction Engagement Agreement and the New CSCD-CSCECL Sub-construction Engagement Agreement;
- (ii) the transactions contemplated under the New CSCECL Construction Engagement Agreement is a continuance of the Group's businesses and the transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement is a continuance of the CSCD Group's business, and that CSCD is a non-wholly owned listed subsidiary of the Group;
- (iii) the transactions contemplated under the New CSCECL Construction Engagement Agreement and the New CSCD-CSCECL Sub-construction Engagement Agreement will be conducted in the ordinary and usual course of business of the Group and the CSCD Group respectively, and on normal commercial terms; and

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- (iv) the basis for determining the CSCECL Construction Engagement Cap, the CSC Construction Engagement Cap and the CSCECL Works Cap are reasonable, details of which are set out under the sections headed “4.2 Basis for determining the CSCECL Construction Engagement Cap”, “5.2 Basis for determining the CSC Construction Engagement Cap” and “6.2 Basis for determining the CSCECL Works Caps”, and our respective work performed in this connection,

we are of the view that the entering into of the New CSCECL Construction Engagement Agreement and the New CSCD-CSCECL Sub-construction Engagement Agreement, the respective transactions contemplated thereunder, including the respective annual caps, and the terms thereof are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Furthermore, based on our analysis set out above, we consider that the New CSCECL Construction Engagement Agreement, the New CSCD-CSCECL Sub-construction Engagement Agreement, the respective transactions contemplated thereunder and the respective annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the transactions contemplated under the New CSCECL Construction Engagement Agreement (together with the CSCECL Construction Engagement Cap and the CSC Construction Engagement Cap) and the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps).

Yours faithfully,

For and on behalf of

Red Sun Capital Limited

Jimmy Chung **Lewis Lai**
Managing Director *Managing Director*

Mr. Jimmy Chung and Mr. Lewis Lai are licensed persons registered with the Securities and Futures Commission of Hong Kong and responsible officers 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. Mr. Jimmy Chung and Mr. Lewis Lai have over 25 and 16 years of experience in corporate finance industry, respectively.

** for identification purposes only*

LETTER FROM HONESTUM INTERNATIONAL

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



14 December 2023

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Master Engagement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 14 December 2023 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

Reference is made to the announcement of the Company dated 20 October 2023 and 31 October 2023, respectively, in relation to, among other things, the continuing connected transactions of the Company as contemplated under the Previous Master Engagement Agreement which are due to expire on 31 December 2023. It is contemplated that the COGO Group will continue to invite the Group to participate in competitive tender as contractor for the COGO Group’s construction works from time to time. On 20 October 2023, the Company and COGO entered into the New Master Engagement Agreement whereby (i) the Group may tender for the COGO Group’s construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 subject to the New COGO Works Caps; and (ii) the COGO Group may engage the Group as construction contractor for the COGO Group’s construction works in the PRC upon the Group’s successful tender.

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As at the Latest Practicable Date, CSCEC is the ultimate holding company of COHL which, in turn, is interested in approximately 64.81% of the issued share capital of the Company and approximately 39.63% of the issued share capital of COGO. Accordingly, members of the COGO Group are connected persons of the Group and members of the Group are connected persons of the COGO Group. The transactions contemplated under the New Master Engagement Agreement between members of the COGO Group on one hand and members of the Group on the other hand, constitute continuing connected transactions (“**Continuing Connected Transactions**”) for both the Company and COGO under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the CCT Transactions shall be aggregated, given that the CCT Transactions are entered into within a 12-month period, are of similar nature, and that CSCEC is the ultimate holding company of each of CSCECL, CSCD and the Company, and is indirectly interested in approximately 39.63% of the issued share capital of COGO. On an aggregation basis, the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum under the CCT Transactions exceed 5% but are below 25%. As such, each of the CCT Transactions (including the New COGO Works Caps) are subject to the announcement requirement under Chapter 14 of the Listing Rules; and the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

During the past two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company, details of which is set out in the relevant circular of the Company dated 25 November 2022 in relation to the renewal of continuing connected transactions between the Company and China Overseas Land & Investment Limited. Save for the above, as at the Latest Practicable Date, we are independent from and not associated or connected with the Directors, chief executive and substantial shareholders of the Company or COGO or any of their respective subsidiaries or associates and there were no relationships or interests between us and the Group, COGO or any of their respective substantial shareholders, directors or chief executives, or their respective associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or COGO or any of their respective subsidiaries or associates. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the New Master Engagement Agreement and the proposed New COGO Works Caps.

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BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management (the “**Management**”) of the Company were true, accurate and complete at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Management regarding the Continuing Connected Transactions including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management respectively in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent in-depth investigation into the business and affairs of the Group, COGO or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

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

(i) Background of the Group and the COGO Group

The Group is principally engaged in construction business, infrastructure investments and prefabricated constructions. According to the Company’s annual report for the year ended 31 December 2022 and its interim report for the six months ended 30 June 2023, the total revenue from construction contracts represented approximately 44.3% and 33.9% of the Company’s total revenue during the year ended 31 December 2022 and the six months ended 30 June 2023 respectively.

COGO Group is principally engaged in the business of property investment and development, property leasing and investment holding. During its normal course of business, the COGO Group may invite the Group to tender for the construction works of the COGO Group, including projects of which the COGO Group is the project owner or act as the main contractor for other property developers/project owners, in the PRC as construction contractor from time to time.

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

Pursuant to the Previous Master Engagement Agreement, the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time for a term of three year commenced from 1 January 2021 and ending on 31 December 2023 provided that the maximum total contract sums of construction contracts that may be awarded by the COGO Group to the Group shall not exceed (i) RMB2,000 million for the period commenced from 1 January 2021 and ended on 31 December 2021; (ii) RMB2,500 million for the period commenced from 1 January 2022 and ended on 31 December 2022; and (iii) RMB3,000 million for the period commenced from 1 January 2023 and ending on 31 December 2023 (i.e. the Previous COGO Works Caps).

As stated in the Letter from the Board, it is contemplated that the COGO Group will continue to invite the Group to tender for construction works of the COGO Group in the PRC as construction contractor and the estimated total contract sum within the range of RMB1,000 million to RMB2,000 million of the COGO Group's construction works in the PRC. As discussed with the Management, the estimated total contract sum includes approximately RMB1,600 million of the COGO Group's construction works in respect of two property development projects (for residential purpose) in the PRC for the financial year ending on 31 December 2024, for which the COGO Group will invite the Group to participate in competitive tenders from time to time. The Group has been engaged by the COGO Group as construction contractor for the COGO Group's construction works since 1 July 2020. Given that the Previous Master Engagement Agreement is due to expire on 31 December 2023, the Company and COGO entered into the New Master Engagement Agreement (together with the New COGO Works Caps) on 20 October 2023 to renew the Previous Master Engagement Agreement for a further term of three financial years commencing from 1 January 2024 and ending on 31 December 2026 subject to the New COGO Works Caps.

(iii) Benefits of the Continuing Connected Transactions

As stated in the Letter from the Board, it is considered that through the New Master Engagement Agreement, the Group is able to participate in the construction works of the COGO Group in the PRC as construction contractor upon successful tender and it allows the Group to strengthen and further develop its construction business and qualifications in the PRC.

In relation to the renewal of the Previous COGO Works Caps, taking into account of the above and (i) the business nature of the Group and the COGO Group; (ii) the transactions contemplated under the New Master Engagement Agreement are in line with the existing business activities of the Group, and are subject to same standard and systematic tender review procedures applicable to independent third parties and connected persons of the Group; (iii) the estimated total contract sum within the range of RMB1,000 million to RMB2,000 million of the COGO Group's construction works in the PRC for which the COGO Group will invite the Group to participate in competitive tenders from time to time for each of the three financial years ending on 31 December 2026; (iv) the transactions contemplated under the New Master Engagement Agreement provide a good opportunity for the Group to maintain and further develop its construction business in the PRC; and (v) the New Master Engagement Agreement itself does not impose any contractual obligation on the Group to sign any definitive agreements with the COGO Group, we are of the view that the entering into the New Master Engagement Agreement (together with the New COGO Works Caps) are in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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(B) Principal terms of the New Master Engagement Agreement

- Date: 20 October 2023
- Parties: the Company and COGO
- Transaction nature: Under the New Master Engagement Agreement, the Company and COGO agreed that, for three years commencing from 1 January 2024 and ending on 31 December 2026 whereby the parties agreed, among other things, that:
- (a) the Group may tender for the COGO Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the COGO Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
 - (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COGO Group's construction works in the PRC based on the terms of the successful tender provided that the maximum total contract sums of the construction works that may be awarded by the COGO Group to the Group shall not exceed (i) RMB1,800 million for the year commencing from 1 January 2024 and ending on 31 December 2024; (ii) RMB1,800 million for the year commencing from 1 January 2025 and ending on 31 December 2025; and (iii) RMB1,800 million for the year commencing from 1 January 2026 and ending on 31 December 2026 (i.e. the New COGO Works Caps); and
 - (c) the fees in respect of the construction works payable by the COGO Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts. Subject to the terms and conditions of the aforementioned specific contracts, the fees payable will generally be settled by way of progress payments based on the construction progress.
- Pricing basis: In preparing and assessing the tender documents, the Group will take into account factors including technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with a project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment.

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

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

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

Shareholders should note that the above agreement do not impose any contractual obligation for the Group to tender for construction works of the COGO Group. Instead, as confirmed by the Management, the Group have maintained standard and systematic tender submission procedures to review the feasibility and profitability of invitations to tender from the COGO Group or other independent third parties. As stated in the Letter from the Board, the standard and systematic tender submission procedures maintained by the Group apply for tenders submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the proposed tenders submitted by the Group to the COGO Group are no more favourable to the COGO Group, and no less favourable to the Group, than those submitted to independent third parties. For details of the Group's standard and systematic tender submission procedures, please refer to the Letter from the Board.

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

To ascertain the Group's standard and systematic tender submission procedures, we have obtained and reviewed four randomly selected sample tender reports of the Group for the period from 1 January 2021 and up to 30 September 2023 (the "**Relevant Period**"), of which one was submitted to the COGO Group in 2021 while the other two and one were submitted to the independent third parties in 2022 and 2023, respectively. Given that (i) only one tender report has been submitted to the

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COGO Group during the Relevant period; and (ii) the three sample tender reports submitted to the independent third parties were selected on a random basis, we are of the view that the four selected sample tender reports are representative and sufficient in supporting our analysis. Based on our review, we noted that (i) the standard and systematic tender submission procedures had been implemented by the Group to review the feasibility and profitability of invitations to tender received; (ii) the standard and systematic tender submission procedures maintained by the Group were applicable to tenders submitted to both connected persons and independent third parties; (iii) the pricing terms of the tenders were determined by the Group with reference to the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risk factors associated with the respective project; and (iv) the tender submissions had been reviewed by the Review Committee. We further understand that the Review Committee is responsible to make the final decision on whether to accept an invitation to tender based on the analysis result of the tender review process and to finalise the contents and pricing terms of the proposed tender. If any contract is granted to the Group as a result of the competitive tender, the relevant project owner of the COGO Group will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works of the COGO Group in the PRC based on the terms of the successful tender.

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

(D) The proposed New COGO Works Caps under the New Master Engagement Agreement

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

	Year ended/ending on 31 December					
	2021	2022	2023	2024	2025	2026
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Historical figures	1,847	Nil	Nil ^(*)	N/A	N/A	N/A
Previous COGO Works Caps						
Caps	2,000	2,500	3,000	N/A	N/A	N/A
Utilisation rate	92.4%	0%	0%	N/A	N/A	N/A
New COGO Works Caps	N/A	N/A	N/A	1,800	1,800	1,800

* for the six months period up to 30 June 2023

As stated in the Letter from the Board, the New COGO Works Caps are calculated with reference to the following factors:

- (a) the Previous COGO Works Caps in the amount of RMB2,000 million, RMB2,500 million and RMB3,000 million for the three financial years ending 31 December 2023, respectively;

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- (b) the historical total contract sum of COGO Works Transactions for each of the two financial years ended 31 December 2022 and the six months ended 30 June 2023 respectively (especially the historical total contract sum for the year ended 31 December 2021 reached to approximately RMB1,847 million), and that the Company expects its PRC construction business will be in a stable and improving trend and expects more tenders which are suitable for the Company for the next three years ending 31 December 2026;
- (c) total contract sum of construction works of the COGO Group in the PRC of approximately RMB36,699 million for the financial year ended 31 December 2021, of approximately RMB19,465 million for the financial year ended 31 December 2022, and approximately RMB8,879 million for the period from 1 January 2023 to 30 September 2023;
- (d) the relatively unstable utilisation rates of the Previous COGO Works Caps were primarily due to the unexpected delay in the tendering process of certain projects under the pandemic and that some of the submitted tenders were not eventually awarded to the Group by the COGO Group. Moreover, the number of construction projects for which the Group is interested in tendering could fluctuate at times upon considering such projects' suitability, echoed by the unpredictability nature of tender outcomes, which would in turn affect the contract sums awarded to the Group by the COGO Group. As the tendering process and construction schedule for PRC construction projects resume normal, the Group expects that the total contract sum of construction projects of the COGO Group which the Group may tender for will continue to grow steadily as compared to the abovementioned historical contract sums;
- (e) the estimated total contract sum within the range of RMB1,000 million to RMB2,000 million of the COGO Group's construction works in the PRC for which the Group will be invited by the COGO Group to participate in competitive tenders from time to time for each of the three financial years ending on 31 December 2026, taking into account the number and size of the potential new construction projects of the COGO Group in the PRC;
- (f) despite the relatively unstable utilisation rates of the Previous COGO Works Caps, the Group, after taking into consideration (i) the abovementioned stable and improving trend of its PRC construction business; (ii) the abovementioned estimated total contract sums for the three years ending 31 December 2026; and (iii) that the COGO Works Caps is significantly lower than the Previous COGO Works Caps, considers that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the COGO Works Caps with reference to their best estimation based on the construction projects which may be secured by the Group; and
- (g) applying a buffer of approximately 10% for each of the three financial years ending 31 December 2026 to cater for future business growth, inflation, and any unforeseen changes in market conditions including an unexpected increase in demand of construction works and/or unexpected increase in the contract sum contracted to the Group, and that the Board considers the said buffer is acceptable and in line with the usual practice of the Group.

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Our assessments on the New COGO Works Caps and its basis

In assessing the reasonableness of the above proposed annual caps, we have reviewed and discussed with the Management the basis and assumptions underlying the projections of the such annual caps.

We noted that actual historical aggregate contract sum of construction works in the PRC awarded by the COGO Group to the Group under the Previous Master Engagement Agreement was approximately RMB1,847 million for the year ended 31 December 2021, nil for the year ended 31 December 2022 and nil for the six months ended 30 June 2023. We also note that, comparing with the previous annual cap of RMB3,000 million for the year ending 31 December 2023 under the Previous Master Engagement Agreement, the New COGO Works Caps for each of the three years ending 31 December 2026 represented a decrease of approximately RMB1,200 million or 40%.

In reviewing the basis of the New COGO Works Caps, we have considered the following factors and reasons:

i. Potential construction projects of the COGO Group in the PRC available for the Group's tender submission

As set out in the Letter from the Board, no contract of construction works in the PRC was awarded by the COGO Group to the Group for the period from 1 January 2022 to 30 June 2023 and according to the Management, it was mainly due to the unexpected delay in the development timeline and the tendering process of certain property development projects during COVID-19 pandemic. However, there is already a potential property development project (for residential purpose) in the PRC of the COGO Group as the main contractor, which is currently under the tendering process and is expected to be awarded to the Group by the end of 2023, with an estimated total contract sum over RMB600 million. As discussed with the Management, given that such potential property development project is part of a mega size project which the Group has already participated in 2021, it is of the view that the Group has a high chance of being awarded of such potential project. In addition, as stated in the Letter from the Board, it is anticipated that the COGO Group will continue to invite the Group to tender for construction works in the PRC with an estimated total contract sum within the range of RMB1,000 million to RMB2,000 million of the COGO Group from time to time for each of the three financial years ending on 31 December 2026, taking into account the number and size of the potential new construction projects of the COGO Group in the PRC. As discussed with the Management, it is expected that the COGO Group will be engaged in construction works, in relation to two potential property development projects (for residential purpose), with an aggregate estimated contract sum of approximately RMB1,600 million for the year ending 31 December 2024, for which the COGO Group will invite the Group to participate in competitive tenders from time to time.

According to the 2022 annual report of the COGO Group, revenue generated from its property investment and development segment increased slightly from approximately RMB53,594.0 million for the year ended 31 December 2021 to approximately RMB57,244.2 million for the year ended 31 December 2022, representing an increase of approximately 6.8%. According to the 2023 interim report of the COGO Group, revenue generated from its property investment and development segment remained stable at approximately RMB29,681.2 million and RMB27,058.2 million for the six months ended 30 June 2022 and 2023, respectively. As stated in the 2023 interim report of the COGO Group,

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the end of pandemic restrictions helped drive an economic recovery in the PRC as life returned to normal, as exhibited by a large-scale rebound compared to the same period last year. Spurred by stimulus measures such as the “16-point Financial Policies” and the “Three Arrows Policies”, the real estate market in the PRC was recovering in the first half of 2023 after going through a deep adjustment the previous year, and the market is on its recovering track and the fundamentals of the housing sector remain resilient.

It is noted that the COGO Group maintains its land reserve in the PRC in order to support the sustainable development of its property investment and development business. According to the 2022 annual report of the COGO Group, the gross floor area of land bank attributable to the COGO Group (including the interests in joint ventures) was approximately 20.8 million square meters and the COGO Group held a land bank distributed in 39 cities in the PRC as at 31 December 2022. According to the 2023 interim report of the COGO Group, the gross floor area of land bank attributable to the COGO Group (including the interests in associates) was 18.3 million square meters and the COGO Group held a land bank distributed among 38 cities in the PRC as at 30 June 2023. The COGO Group has been maintaining a sufficient land reserves, which would be available for development in the coming years. In addition, as advised by the Management, the COGO Group also undertakes construction works in the PRC for other property developers/project owners.

Having considered that (i) the property investment and development business of the COGO Group in the PRC remained relatively stable for the year ended 31 December 2022 and the six months ended 30 June 2023 and (ii) the sustainable development of the COGO Group’s property investment and development business given its sufficient land reserves, the Management expects that the COGO Group’s demand for construction works in the PRC to be provided by construction contractors will remain stable during the three years ending on 31 December 2026.

As such, the Management expects that as the COGO Group continues to develop by leveraging on its sufficient land reserves and sustainable development ability, the COGO Group will keep engaging in property development projects and will invite the Group to tender for construction works of the COGO Group in the PRC as construction contractor during the three years ending on 31 December 2026. It would be in the interest of the Group to establish and maintain stable and long-term business relationship with the COGO Group.

ii. Contract sum per square meter

The contract sum per square meter of each project varied according to factors including the technical requirements, quantity specifications, expected completion time, customer’s expectations and possible risk factors associated with a project. Given that the two potential residential property development projects with the COGO Group in 2024 are located in Chengdu and Hefei, in order to access the fairness and reasonableness of the New COGO Works Caps, we have randomly obtained and reviewed the historical contract sum per square meter of four property development projects of the Group during the Relevant Period with residential construction works provided to independent third parties in Chengdu, Hefei or nearby cities, of which two residential projects in 2021, one residential project in 2022, and one residential project in 2023, with similar nature of residential purpose and location to the two potential projects of the COGO Group for which the COGO Group will invite the Group to participate in competitive tenders from time to time. The contract sum per square meter of the four randomly selected sample projects ranged from approximately RMB3,250 per

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square meter to RMB4,142 per square meter. In this respect, we notice that the contract sum per square meter which the Group applies for calculation when determining the New COGO Works Caps is slightly higher than the historical contract sum per square meter of the four randomly selected residential projects in the PRC awarded to the Group for the two years ended 31 December 2022 and the nine months ended 30 September 2023.

As mentioned above, the contract sum per square meter of every project varies due to many factors and there is no direct comparison for construction projects. Based on our review of the contract sum per square meter of the Group's historical residential projects in the PRC, it is noted that the contract sum per square meter which the Group applies for calculation when determining the New COGO Works Caps is only slightly higher than the historical contract sum per square meter of the aforementioned four randomly selected residential projects, and hence, reasonably supports the basis of the New COGO Works Caps.

iii. Flexibility necessary for the Group in relation to determining the NEW COGO Works Caps

According to the Management, it is recommended to maintain the New COGO Works Caps at RMB1,800 million for each of the three years ending 31 December 2026, respectively. Such proposed New COGO Works Caps are arrived after taking into accounts of several factors, including (i) the existing potential construction projects of the COGO Group in the PRC; (ii) the sufficient land reserves in the PRC of the COGO Group; and (iii) the relatively stable performance of the property development business of the COGO Group in the PRC in recent years as mentioned above.

In view of (i) the uncertainty of the actual development plans and the timing of tender invitations of the COGO Group's construction projects, which are beyond the Management's control; (ii) the Group's intention to develop its business in the PRC and maintain its long-term business relationship with the COGO Group; and (iii) the expected recovery in the real estate market in the PRC after the COVID-19 pandemic, such proposed New COGO Works Caps provide the flexibility for the Group to continue the transactions under the New Master Engagement Agreement without adversely affecting the business operations of the Group.

According to the announcement published by the COGO Group on 20 October 2023, it has an estimated total contract sum of not less than RMB12 billion in respect of the potential new construction projects in the PRC for each of the years ending on 31 December 2024, 2025 and 2026. It is expected that these potential new construction projects of the COGO Group in the PRC will invite qualified construction contractors, including the Group, to tender for certain parts of such construction works as construction contractors over the next few years. The Management considered that it would be in the interest of the Group to establish and maintain stable and long-term business relationship with the COGO Group, and hence, the Group may tender for the COGO Group's construction works in accordance with the tendering procedures of the COGO Group from time to time over the next few years.

Given the abovementioned, we are of the view that the proposed New COGO Works Caps are fair and reasonable so far as the Independent Shareholders are concerned.

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

(E) Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions are subject to the following annual review requirements:

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

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- e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

As part of our independent work performed, we have discussed with the Management to understand the aforementioned internal control measures, and we have noted from the 2022 annual report that the auditor of the Company has reported on the Group's continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and the independent non-executive Directors have also reviewed and confirmed that each of the continuing connected transactions of the Group during the year ended 31 December 2022 has been (i) entered into in the ordinary and usual course of business of the Group; (ii) conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholder as a whole.

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

RECOMMENDATION

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

Yours faithfully,

For and on behalf of

Honestum International Limited

Michael Chum

Chairman

Jacky Chu

Associate Director

Note: Mr. Michael Chum is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry. Mr. Jacky Chu is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Honestum International Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

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

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

As at the Latest Practicable Date:

- (i) Mr. Hung Cheung Shew and Dr. Raymond Leung Hai Ming respectively held 591,584 Shares and 813,569 Shares, representing 0.012% and 0.016% of Shares in issue. All the Shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (ii) Mr. Yan Jianguo held 1,066,000 share options (including (1) 466,000 share options with an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive) at an exercise price of HK\$25.850 per share and (2) 600,000 share options with an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive) at an exercise price of HK\$18.724 per share) of China Overseas Land & Investment Limited (“COLI”, an associated corporation of the Company), representing 0.01% of shares in issue of COLI. Mr. Hung Cheung Shew and Mr. Chan Tze Ching Ignatius respectively held 7,095 shares and 100,000 shares of COLI, representing 0.0001% and 0.0009% of shares in issue of COLI. All the share options / shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners;
- (iii) Mr. Zhang Haipeng and Mr. Hung Cheung Shew respectively held 4,000,000 shares and 30,000 shares of CSCD, representing 0.177% and 0.001% of shares in issue of CSCD. All the shares held by the two Directors are being personal interest, in long positions and in the capacity of beneficial owners. Mr. Wang Xiaoguang has personal interest in 4,000,000 shares of and spouse's interest in 1,080,000 shares of CSCD, representing 0.177% and 0.048% of shares in issue of CSCD;

- (iv) Mr. Hung Cheung Shew held 2,365 shares of China Overseas Property Holdings Limited (“COPHL”, an associated corporation of the Company), representing 0.0001% of shares in issue of COPHL. All the shares held by the Director are being personal interest, in long positions and in the capacity of beneficial owner; and
- (v) Mr. Zhang Haipeng and Mr. Wang Xiaoguang respectively held 880,000 shares and 200,000 shares of CSCECL (an intermediate holding company of the Company), representing 0.002% and 0.0005% of shares in issue of CSCECL. All the shares held by the Directors are being personal interest, in long positions and in the capacity of beneficial owners. The Company was informed that their CSCECL’s shares were granted by CSCECL under its A-shares Restricted Stock Incentive Plan (Phases II and IV).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, 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. Zhang Haipeng is the chairman and executive director of the Company, and a director of COHL, and Mr. Yan Jianguo is a non-executive director of the Company and the chairman and president of COHL. Operations of COHL are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as COHL is engaged in construction, property development and related businesses. As at the Latest Practicable Date, COHL held 3,264,976,136 Shares, representing approximately 64.81% of the issued share capital of the Company.

As the Board operates independently of the board of directors of COHL, the Group operates its business independently of, and at arm’s length from, the business of COHL.

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 confirmed that there is no material adverse change in the financial or trading position of the Group since 31 December 2022, 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 interest, direct or indirect, in any asset which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up; and
- (iii) save as disclosed in the paragraph headed “COMPETING INTERESTS” above, so far as was known to the Directors, none of the Directors 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 EXPERTS

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

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

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

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

As at the Latest Practicable Date, each of Red Sun and Honestum International had no interest, direct or indirect, in any assets which 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 2022, being the date to which the latest published audited accounts of the Group were made up.

Each of Red Sun and Honestum International has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the Company (<https://www.csci.com.hk>) respectively for a period of 14 days from the date hereof:

- (i) the New CSCECL Construction Engagement Agreement;
- (ii) the Previous CSCECL Construction Engagement Agreement;
- (iii) the New CSCD-CSCECL Sub-construction Engagement Agreement;
- (iv) the Previous CSCD-CSCECL Sub-construction Engagement Agreement;
- (v) the New Master Engagement Agreement; and
- (vi) the Previous Master Engagement Agreement.

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 on Wednesday, 3 January 2024 at 11:00 a.m. (or any adjournment thereof) via the e-Meeting System for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“**THAT:**

- (A) (i) the New CSCECL Construction Engagement Agreement (as defined in the circular of the Company dated 14 December 2023 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 CSCECL Construction Engagement Cap (as defined in the Circular) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;
- (iii) the CSC Construction Engagement Cap (as defined in the Circular) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;
- (B) (i) the New CSCD-CSCECL Sub-construction Engagement Agreement (as defined in the Circular) (a copy of which is tabled at the Meeting and marked “B” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the CSCECL Works Caps (as defined in the Circular) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) (i) the New Master Engagement Agreement (as defined in the Circular) (a copy of which is tabled at the Meeting and marked “C” 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 New COGO Works Caps (as defined in the Circular) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved; and
- (D) 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 authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the foregoing resolutions, and the implementation thereof including the affixing of common seal thereon.”

By Order of the Board
China State Construction International Holdings Limited
Zhang Haipeng
Chairman and Executive Director

Hong Kong, 14 December 2023

Registered Office:

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

Head office and principal place of business in Hong Kong:

28th Floor, China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Notes

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) All registered shareholders will be able to join the Meeting or any adjourned meeting thereof via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the Meeting or any adjourned meeting thereof if they wish.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) A registered shareholder entitled to attend and vote at the Meeting or any adjourned meeting thereof is entitled to appoint one or more proxies to attend and, on a poll, vote via the e-Meeting System instead of him/her. A proxy need not be a member of the Company.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (5) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof. Forms of proxy sent electronically or by any other data transmission process will not be accepted.
- (6) In the case of joint holders of any share(s), only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto.
- (7) Completion and return of the form of proxy will not preclude members from attending and voting via the e-Meeting System at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (8) In order to be entitled to attend and vote via the e-Meeting System at the Meeting or any adjourned meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 27 December 2023.
- (9) As at the date of this notice, the Board comprises Mr. Zhang Haipeng as Chairman and Executive Director; Mr. Yan Jianguo and Mr. Chen Xiaofeng as Non-executive Directors; Mr. Wang Xiaoguang (Chief Executive Officer) and Mr. Hung Cheung Shew as Executive Directors; and Dr. Raymond Leung Hai Ming, Ms. Wong Wai Ching and Mr. Chan Tze Ching Ignatius as Independent Non-executive Directors.