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

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

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

(1) CONTINUING CONNECTED TRANSACTIONS WITH

中國建築股份有限公司

(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)

AND

(2) CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO CONSTRUCTION WORKS

WITH CHINA OVERSEAS LAND & INVESTMENT LTD.

AND

(3) DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO

FORMATION OF JOINT VENTURE WITH 中國建築股份有限公司

(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



光大控股

EVERBRIGHT

China Everbright Capital Limited

A letter from the Board is set out on pages 6 to 18 of this circular and a letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from China Everbright, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM to be held at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 27 May 2009 at 4:20 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and date at 4:00 p.m. shall have concluded or adjourned) is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

23 April 2009

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CCE Macau”	China Construction Engineering (Macau) Company Limited, a company incorporated in Macau with limited liability and a wholly-owned subsidiary of the Company;
“CCE Macau Engagement Agreement”	the engagement agreement entered into between COLI and CCE Macau on 22 November 2005 in respect of the engagement by the COLI Group of CCE Macau as construction contractor for the COLI Group in Macau as set out in the joint announcement of the Company and COLI dated 22 November 2005;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested, directly and indirectly, in approximately 62.9% and 51.7% of the issued share capital of the Company and COLI respectively;
”COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);
”COLI Group”	COLI and its subsidiaries from time to time;
“Company”	China State Construction International Holdings Limited, 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);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“CSC Construction Engagement Cap”	the maximum total contract sum of the construction contracts that may be awarded by the COLI Group to the Group for each year/period under the CSC Group Engagement Agreement;
“CSC Construction Engagement Transactions”	the transactions as described under the section headed “CSC Group Engagement Agreement” in this circular;

DEFINITIONS

“CSC Engagement Agreement”	the engagement agreement entered into between the Company and COLI on 22 November 2005 in respect of the engagement by the COLI Group of the Group as construction contractor for the COLI Group in Hong Kong as set out in the joint announcement of the Company and COLI dated 22 November 2005;
“CSC Group Engagement Agreement”	the engagement agreement entered into between the Company and COLI on 2 April 2009 in respect of the engagement of the Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau;
“CSC Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts that may be awarded by the CSCECL Group to the Group for each year/period under the Sub-construction Engagement Agreement;
“CSC Sub-construction Engagement Transactions”	the engagement by the CSCECL Group of the Group as construction sub-contractor for the CSCECL Group’s construction works in the PRC as described under the sub-section headed “CSC Sub-construction Engagement Transactions” in this circular;
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate holding company of the Company and COLI;
“CSCEC Group”	CSCEC and its subsidiaries (including the COLI Group but excluding the Group) from time to time;
“CSCECL”	中國建築股份有限公司 (China State Construction & Engineering Corporation Limited), a joint stock company incorporated in the PRC which is held as to 94% by CSCEC;
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group and the COLI Group) from time to time;
“CSCECL Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts and project management contracts that may be awarded by the Group to the CSCECL Group for each year/period under the Sub-construction Engagement Agreement;

DEFINITIONS

“CSCECL Sub-construction Engagement Transactions”	the engagement by the Group of the CSCECL Group as construction sub-contractor and/or project management contractor for the Group’s construction works in the PRC and the United Arab Emirates as described under the sub-section headed “CSCECL Sub-construction Engagement Transactions” in this circular;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, consisting of Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, all being independent non-executive Directors;
“Independent COLI Shareholder(s)”	the shareholder(s) of COLI other than COHL and its associates;
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Sub-construction Engagement Agreement, the CSC Group Engagement Agreement and the JV agreement and a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
“Independent Shareholder(s)”	the Shareholder(s), other than COHL, CSCECL and their respective associates;

DEFINITIONS

“JV Agreement”	the joint venture formation cooperation agreement entered into between CSCECL and the Company on 9 April 2009 involving, among other things, the formation of the JV Company;
“JV Company”	a joint venture company to be established pursuant to the JV Agreement;
“JV Transactions”	the entering into of the JV Agreement and the transactions contemplated thereunder as described under the section headed “JV Agreement” in this circular;
“Latest Practicable Date”	20 April 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China, which for the purpose of this circular exclude Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SCOCE”	深圳市中海建築工程公司 (Shenzhen China Overseas Construction Engineering Company), a wholly-owned subsidiary of the Company;
“SCOCE Engagement Agreement”	the engagement agreement entered into between COLI and SCOCE on 22 November 2005 in respect of the engagement by the COLI Group of SCOCE as construction contractor for the COLI Group in the PRC as set out in the joint announcement of the Company and COLI dated 22 November 2005;
“SCOCL”	深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited), formerly known as SCOCE;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) in the ordinary share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent..

For illustration purposes in this circular, the amounts in RMB are translated to HK\$ at the rate of RMB0.88 = HK\$1.00. No representation is made that any amount in RMB has been or could be converted at the above rate or at other rate or at all.

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Mr. Kong Qingping (*Chairman*)

Executive Directors:

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

Mr. Yip Chung Nam

Mr. Fu He

Mr. Zhou Hancheng

Mr. Cheong Chit Sun

Independent Non-executive Directors:

Dr. Raymond Ho Chung Tai

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

23 April 2009

To the Shareholders

Dear Sir or Madam,

(1) CONTINUING CONNECTED TRANSACTIONS WITH

中國建築股份有限公司

(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)

AND

(2) CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO CONSTRUCTION WORKS

WITH CHINA OVERSEAS LAND & INVESTMENT LTD.

AND

(3) DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO

FORMATION OF JOINT VENTURE WITH 中國建築股份有限公司

(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 2 April 2009 and 9 April 2009 in respect of, among other things, the following matters:

LETTER FROM THE BOARD

- (1) the Company and CSCECL entered into the Sub-construction Engagement Agreement on 2 April 2009, whereby: (i) the Group may engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and the United Arab Emirates upon successful tender for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 subject to the CSCECL Sub-construction Engagement Cap; and (ii) the CSCECL Group may engage the Group as construction sub-contractor in the PRC upon successful tender for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 subject to the CSC Sub-construction Engagement Cap;
- (2) the Company and COLI entered into the CSC Group Engagement Agreement on 2 April 2009, whereby the COLI Group may engage the Group as construction contractor in the PRC, Hong Kong and Macau upon successful tender for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 subject to the CSC Construction Engagement Cap; and
- (3) the Company and CSCECL entered into the JV Agreement on 9 April 2009, pursuant to which CSCECL and the Company (or its wholly owned subsidiary) shall form the JV Company for submitting tenders to participate in infrastructure construction projects in the PRC.

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

- the particulars of (i) the Sub-construction Engagement Agreement (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement;
- the letter from the Independent Board Committee with their view on (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder; and
- the letter from China Everbright with their advice on (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder, to the Independent Board Committee and the Independent Shareholders,

LETTER FROM THE BOARD

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

CSCECL Sub-construction Engagement Transactions

The Directors expect that the Group will invite the CSCECL Group to participate in competitive tender as construction sub-contractor and/or project management contractor for the Group's construction works in the PRC and the United Arab Emirates from time to time. In this connection, on 2 April 2009, the Company and CSCECL entered into the Sub-construction Engagement Agreement for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 whereby the parties agreed, among other things, that:

- (a) the CSCECL Group may tender for the Group's construction works as construction sub-contractor and/or project management contractor in the PRC and the United Arab Emirates in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party construction sub-contractors or project management contractors;
- (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 construction sub-contractor and/or project management contractor for the Group's construction works in the PRC and the United Arab Emirates 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 the period between 1 July 2009 and 31 December 2009 shall not exceed HK\$1,000 million, for each of the two financial years ending 31 December 2011 shall not exceed HK\$2,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK\$1,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and
- (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 sub-construction and/or project management contracts.

The CSCECL Sub-construction Engagement Cap is calculated with reference to the following factors:

- (i) total contract sum of new construction projects of the Group in the PRC and the United Arab Emirates in each of the past three financial years ended 31 December 2008 of approximately HK\$1,564 million, HK\$2,249 million and HK\$3,020 million respectively; and

LETTER FROM THE BOARD

- (ii) the growth of the construction markets in the PRC and the United Arab Emirates in the three-year period commencing from 1 July 2009 and ending on 30 June 2012 estimated by the Directors.

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

CSC Sub-construction Engagement Transactions

The Directors also expect that the CSCECL Group will invite the Group to participate in competitive tender as construction sub-contractor for the CSCECL Group's construction works in the PRC from time to time. Accordingly, under the Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 July 2009 and ending on 30 June 2012:

- (a) the Group may tender for the CSCECL Group's construction works as construction sub-contractor in the PRC in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party construction sub-contractors; and
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction sub-contractor for the CSCECL Group's construction works in the PRC 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 the period between 1 July 2009 and 31 December 2009 shall not exceed HK\$4,000 million, for each of the two financial years ending 31 December 2011 shall not exceed HK\$4,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK\$2,000 million (i.e. the CSC Sub-construction Engagement Cap); and
- (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 sub-construction contracts.

The CSC Sub-construction Engagement Cap is calculated with reference to the following factors:

- (i) total contract sum of new construction projects of the CSCECL Group in the PRC in each of the past two financial years ended 31 December 2008 of RMB297.1 billion and RMB314.9 billion respectively;
- (ii) the growth of the construction markets in the PRC in the three-year period commencing from 1 July 2009 and ending on 30 June 2012 estimated by the Directors; and

LETTER FROM THE BOARD

- (iii) the Group's understanding that many of the CSCECL Group's construction works in the PRC for 2009 will be conducted in the second half of 2009.

The CSC Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement (together with the CSC Sub-construction Engagement Cap) will take effect conditional upon the Independent Shareholders' approval having been obtained at the EGM.

Reasons and benefits for the CSCECL Sub-Construction Engagement Transactions and the CSC Sub-construction Engagement Transactions

CSCECL has substantial experience in construction markets. In the cases where the Group considers that sub-construction for its construction and/or project management works in the PRC and the United Arab Emirates would be more efficient and effective, the CSCECL Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction sub-contractor and/or project management contractor for its construction works in the PRC and the United Arab Emirates. The Directors believe that such arrangement will 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 in these territories.

The CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity 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 construction sub-contractor.

On the same date of the Sub-construction Engagement Agreement, the Company has also entered into the CSC Group Engagement Agreement with COLI, whereby the COLI Group may engage the Group as construction contractor in the PRC, Hong Kong and Macau in compliance with the continuing connected transaction requirements under the Listing Rules. Further details of the CSC Group Engagement Agreement are set out in the joint announcement of the Company and COLI dated 2 April 2009 and in the section headed "CSC Group Engagement Agreement" below. The maximum total contract sum that may be awarded by the COLI Group under such arrangement to the Company for each year/period is separate and distinct from the CSC Sub-construction Engagement Cap.

Under an agreement dated 19 November 2007 between the Company and CSCEC, the Company permitted the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works. Details of such agreement were set out in the announcement of the Company dated 20 November 2007 and the transactions contemplated under such agreement was approved by the Independent Shareholders on 27 December 2007. For clarification purposes, any engagement of the CSCECL Group as construction sub-contractor and/or project management contractor in Dubai by the Group pursuant to the Sub-construction Engagement Agreement will not be subject to the provisions of the said agreement between the Company and CSCEC.

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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 CSCECL Sub-construction Engagement Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the CSCECL Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement (together with the CSCECL Sub-construction Engagement Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSCECL Sub-construction Engagement Transactions (together with the CSCECL Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Shareholders as a whole.

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 CSC Sub-construction Engagement Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the CSC Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement (together with the CSC Sub-construction Engagement Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSC Sub-construction Engagement Transactions (together with the CSC Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implications

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 Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to the CSCECL Group for each year/period under the Sub-construction Engagement Agreement, i.e. the CSCECL Sub-construction Engagement Cap, exceed 2.5%, the CSCECL Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to the Group for each year/period under the Sub-construction Engagement Agreement, i.e. the CSC Sub-construction Engagement Cap, exceed 2.5%, the CSC Sub-construction Engagement Transactions contemplated under the Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

LETTER FROM THE BOARD

The Shareholders should note that each of the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap represents the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. Each of the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap bears no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not retain the CSCECL Group to engage in construction related works up to the level of the CSCECL Sub-construction Engagement Cap, if at all, as its engagement is subject to tender procedures which are open to other independent third party construction sub-contractors or project management contractors. Similarly, the CSCECL Group may or may not retain the Group to engage in construction related works up to the level of the CSC Sub-construction Engagement Cap, if at all, as its engagement is subject to tender procedures which are open to other independent third party construction sub-contractors.

CSC GROUP ENGAGEMENT AGREEMENT

CSC Construction Engagement Transactions

The directors of COLI expect that the COLI Group will invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time. In this connection, on 2 April 2009, the Company and COLI entered into the CSC Group Engagement Agreement for a term of three years commencing from 1 July 2009 and ending on 30 June 2012 whereby the parties agreed that:

- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2009 and 31 December 2009 shall not exceed HK\$1,000 million, for each of the two years ending 31 December 2011 shall not exceed HK\$2,000 million, and for the period between 1 January 2012 and 30 June 2012 shall not exceed HK\$1,000 million (i.e. the CSC Construction Engagement Cap); and
- (c) the construction fees payable by the COLI Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

LETTER FROM THE BOARD

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

- (i) total contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in each of the past three financial years ended 31 December 2008 of approximately HK\$4,131 million, HK\$7,670 million and HK\$15,523 million respectively; and
- (ii) total estimated contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 July 2009 and ending on 30 June 2012, estimated with reference to the COLI Group's future growth and expansion in its land reserves in the PRC, Hong Kong and Macau for such period.

The CSC Group Engagement Agreement (together with the CSC Construction Engagement Cap) will take effect conditional upon, among other things, the Independent Shareholders' approval having been obtained at the EGM.

Reasons and benefits for the CSC Construction Engagement Transactions

In November 2005, COLI entered into various agreements, namely, the SCOCE Engagement Agreement with SCOCE (which has subsequently changed its name to SCOCL), the CCE Macau Engagement Agreement with CCE Macau and the CSC Engagement Agreement with the Company, which served as the basis for COLI to award construction contracts to these connected persons in compliance with the connected transaction requirements under the Listing Rules. The continuing connected transactions contemplated under such agreements and the related annual caps were announced by the Company and COLI on 22 November 2005 and were, where applicable, approved by the Independent Shareholders and the Independent COLI Shareholders on 29 December 2005.

On 9 May 2006, the Company, COHL and a wholly-owned subsidiary of COHL entered into a sale and purchase agreement, whereby the Company agreed to acquire from such parties the entire interest in CCE Macau, and such transaction was completed on 29 June 2006. Upon completion of such agreement, CCE Macau became a wholly-owned subsidiary of the Company and the transactions contemplated under CCE Macau Engagement Agreement became continuing connected transactions for the Company. Such continuing connected transactions were announced by the Company on 9 May 2006 and were approved by the Independent Shareholders on 26 June 2006.

On 20 July 2007, the Company and COHL entered into another sale and purchase agreement, whereby the Company agreed to acquire from COHL the entire interest in SCOCL, and such transaction was completed on 27 September 2007. Upon completion of such agreement, SCOCL became a wholly-owned subsidiary of the Company and the transactions contemplated under the SCOCE Engagement Agreement became continuing connected transactions for the Company. Such continuing connected transactions were announced by the Company on 23 July 2007 and were approved by the Independent Shareholders on 31 August 2007.

LETTER FROM THE BOARD

As the SCOCE Engagement Agreement, the CCE Macau Engagement Agreement and the CSC Engagement Agreement have expired on 31 December 2008, the Company and COLI entered into the new CSC Group Engagement Agreement.

The aggregate amount of total contract sum awarded to SCOCL, CCE Macau and the Company under such previous engagement agreements for each of the three years ended 31 December 2008 were HK\$354.2 million, nil and HK\$215.8 million respectively.

On the same date of the CSC Group Engagement Agreement, COLI also entered into an engagement agreement with CSCECL, which served as the basis for COLI to award construction contracts in the PRC to the CSCECL Group in compliance with the continuing connected transaction requirements under the Listing Rules. Further details of such engagement agreement were set out in the announcement of COLI dated 2 April 2009. The maximum total contract sum that may be awarded by COLI under such arrangement with the CSCECL Group for each year/period is separate and distinct from the CSC Construction Engagement Cap.

To efficiently manage its construction projects in a cost-effective manner, the Company has also entered into the Sub-construction Engagement Agreement with CSCECL, whereby: (i) the Company may engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and the United Arab Emirates in compliance with the continuing connected transaction requirements under the Listing Rules; and (ii) the CSCECL Group may engage the Group as construction sub-contractor in the PRC in compliance with the continuing connected transaction requirements under the Listing Rules. Further details of the Sub-construction Engagement Agreement are set out in the announcement of the Company dated 2 April 2009 and in the section headed “Sub-construction Engagement Agreement” above. The maximum total contract sum that may be awarded by or to the Company under such arrangement with the CSCECL Group for each year/period is separate and distinct from the CSC Construction Engagement Cap.

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

Listing Rules implications

COHL is interested in approximately 62.9% of the issued share capital of the Company and approximately 51.7% of the issued share capital of COLI. Accordingly, members of the COLI Group are connected persons of the Company. The CSC Construction Engagement Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules in respect of the maximum total contract sum that may be awarded to the Group for each year/period under the CSC Group Engagement Agreement, i.e. the CSC Construction Engagement Cap, exceed 2.5%, the CSC Construction Engagement Transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and COHL and its associates will abstain from voting at the EGM.

JV AGREEMENT

JV Transactions

On 9 April 2009, the Company and CSCECL entered into the JV Agreement whereby the parties agreed, among other things, that CSCECL and the Company (or its wholly owned subsidiary) shall form the JV Company, pursuant to which CSCECL and the Company will each hold 50% equity interests in the JV Company. Upon establishment, the JV Company will be treated as a jointly controlled entity of CSCECL and the Company. The JV Company shall obtain all necessary approvals and registration from the relevant governmental authorities.

Scope of business

The JV Company shall submit tenders to participate in large-scale infrastructure construction projects in the PRC.

Registered capital

The initial registered capital of the JV Company shall be RMB250,000,000 (approximately HK\$284,000,000), which are to be paid into the JV Company by CSCECL and the Company (or its wholly owned subsidiary) in cash in proportion to their respective equity interest holdings in the JV Company within 90 days after establishment of the JV Company. Such amount of initial registered capital is determined after arm's length negotiations between CSCECL and the Company with reference to their proposed capital requirements of the JV Company.

CSCECL and the Company may, upon request by the JV Company, provide capital to the JV Company in a form of additional registered capital. The maximum total registered capital of the JV Company shall be RMB500,000,000 (approximately HK\$568,000,000).

Additional funding

The JV Company shall ensure that the construction loans necessary for submitting tenders to participate in infrastructure construction projects will be available by way of bank loans. CSCECL and/or the Company should not be obligated to provide any guarantee.

LETTER FROM THE BOARD

Profit/loss sharing

CSCECL and the Company shall enjoy the profit/loss to be made by the JV Company in proportion to their respective equity interest holdings in the JV Company.

Board representation

The number of directors of the JV Company nominated by each of CSCECL and the Company shall be determined in proportion to their respective equity interest holdings in the JV Company. The directors of the JV Company shall have no casting vote. The quorum of the board meeting shall be two directors consisting of at least one director nominated by each of CSCECL and the Company.

Completion

Completion of the JV Agreement shall be conditional upon approval by the Independent Shareholders as required under the Listing Rules. Upon completion, the parties shall proceed to establish the JV Company by entering into the relevant joint venture articles of the JV Company. The JV Agreement shall terminate in the event of, among other things, the JV Company not being formally established by 31 December 2009.

Assignment

The shareholders of the JV Company shall not assign all or part of its equity interest in the JV Company without consent from the other party.

Reasons and benefits for the JV Transactions

CSCECL has substantial experience in construction markets. The JV Agreement provides the Company with the option to submit tenders through the JV Company to participate in infrastructure construction projects in the PRC with CSCECL as a joint venture partner. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience of CSCECL, and by improving cost and time efficiency in managing its construction projects.

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 JV Transactions are in the ordinary and usual course of business, on normal commercial terms after arm's length negotiations between the parties, and the terms of the JV Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implications

CSCECL is the intermediate holding company of the Company. The JV Transactions therefore constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the JV Transactions exceed 2.5%, the JV Transactions are subject to the reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

GENERAL

The Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses.

CSCECL is a contractor mainly participating in the PRC construction market.

The COLI Group is principally engaged in investment holding, property investment and property development.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of (i) the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions; (ii) the CSC Construction Engagement Transactions; and (iii) the JV Transactions. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

EXTRAORDINARY GENERAL MEETING

Set out on pages 43 to 45 of this circular is a notice convening the EGM to be held at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 27 May 2009 at 4:20 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and date at 4:00 p.m. shall have concluded or adjourned) at which all ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

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

LETTER FROM THE BOARD

In accordance with Rule 13.39(4) of the Listing Rules, the chairman of the EGM will demand a poll for the resolutions to be proposed at the EGM. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 19 to 20 in this circular which contains its recommendation to the Independent Shareholders in relation to (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 21 to 36 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

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 Sub-construction Engagement Agreement, the CSC Group Engagement Agreement and the JV Agreement have been entered into on normal commercial terms, and the terms and conditions therein (together with the CSCECL Sub-construction Engagement Cap, the CSC Sub-construction Engagement Cap and the CSC Construction Engagement Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of all 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
Kong Qingping
Chairman and Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

23 April 2009

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO CONSTRUCTION WORKS
WITH CHINA OVERSEAS LAND & INVESTMENT LTD.
AND
(3) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
FORMATION OF JOINT VENTURE WITH 中國建築股份有限公司
(CHINA STATE CONSTRUCTION & ENGINEERING CORPORATION LIMITED)
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 23 April 2009 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. China Everbright has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 18 of this Circular and the text of a letter of advice from China Everbright, as set out on pages 21 to 36 of this Circular, both of which provide details of (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder.

Having considered (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), (iii) the JV Agreement and the transactions contemplated thereunder, (iv) the advice of China Everbright, and (v) the relevant information contained in the letter from the Board, we are of the opinion that (i) the Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the CSC Construction Engagement Cap), and (iii) the JV Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of all 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 Ho Chung Tai

Independent Non-executive Director

Adrian David Li Man Kiu

Independent Non-executive Director

Raymond Leung Hai Ming

Independent Non-executive Director

Lee Shing See

Independent Non-executive Director

LETTER FROM CHINA EVERBRIGHT

The following is the text of the “Letter from China Everbright” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



23 April 2009

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the entering into (i) the JV Agreement with CSCECL; (ii) the CSC Group Engagement Agreement with COLI; and (iii) the Sub-construction Engagement Agreement with CSCECL are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. The details of the JV Agreement, the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement are set out in the Letter from the Board in the circular to the Shareholders dated 23 April 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As COHL, a wholly-owned subsidiary of CSCECL, is interested in approximately 51.7% of the issued share capital of COLI and approximately 62.9% of the issued share capital of the Company, CSCECL Group and COLI Group are connected persons of the Group.

The JV Transactions constitute discloseable and connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, the (i) possible provision of construction services by the Group to COLI Group as construction contractor for COLI Group’s construction works in the PRC, Hong Kong and Macau under the CSC Group Engagement Agreement; (ii) possible provision of construction services by the CSCECL Group to the Group as construction sub-contractor and/or project management contractor for the Group’s construction works in PRC and United Arab Emirates (“**UAE**”) under the Sub-construction Engagement Agreement; and (iii) possible provision of construction services by the Group to CSCECL Group as construction sub-contractor for the CSCECL Group’s construction works in the PRC under the Sub-construction Engagement Agreement (collectively, the “**Continuing Connected**”

LETTER FROM CHINA EVERBRIGHT

Transactions”) constitute non-exempt continuing connected transactions for the Company pursuant to the Listing Rules. Therefore, the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement are subject to annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As such, the Company will convene an EGM to consider and, if thought fit, to approve the JV Transactions and the Continuing Connected Transactions. Voting will be by poll, and CSCECL, COHL, COLI and their respective associates (as defined under the Listing Rules) shall abstain from voting at the EGM.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management (the “**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group, CSCECL, COHL and COLI. We have assumed that all statements and presentations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby China Everbright will receive any benefits from the Group, CSCECL, COHL, COLI or any of their respective associates.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the JV Transactions and the Continuing Connected Transactions, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(I) THE JV TRANSACTIONS

1. Background to and reasons for the JV Agreement

The Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses.

According to the 2008 annual result announcement published by the Company on 23 March 2009, the Group’s revenue generated in the PRC (excluding Hong Kong and Macau) only amounted to

LETTER FROM CHINA EVERBRIGHT

approximately HK\$1,052.1 million, representing approximately 9.6% of the Group's total revenue in 2008. The Management believes that there are still many business opportunities in the PRC that the Group has not or the Group is not yet ready to pursue.

As advised by the Management, the Group would like to further develop and expand its operation in the PRC construction market. In addition, the Group will continue to be in full gear to implement the development strategy of "Cross-region Operation" to take full advantage of its experience as an international contractor, building an operation platform for the three major regions of Hong Kong and Macau, overseas regions and the Mainland China and to strike a balance for scale versus efficiency, and risks versus opportunities.

In order to further expand its construction business in the PRC, the Company and CSCECL have entered into the JV Agreement on 9 April 2009 in relation to the establishment of the JV Company which will submit tenders to participate in large-scale infrastructure construction projects in the PRC.

Through the JV Transactions, the Group will be provided the option to submit tenders through the JV Company to participate in infrastructure construction projects in the PRC with CSCECL as a joint venture partner. As CSCECL is one of the leading construction contractors in the PRC, the Directors believe that the JV Transactions will benefit the Group by leveraging the substantial experience of CSCECL, and by improving cost and time efficiency in managing its construction projects in the PRC.

Having considered that (i) the Group's business nature and future development plan in the PRC market; and (ii) the benefits arising from the JV Transactions, details of which are set out in this paragraph, we are of the view that (i) the establishment of the JV Company is consistent with the overall corporate strategy of the Group; and (ii) the JV Transactions are in the interest of the Company and the Independent Shareholders as a whole.

2. Terms of the JV Agreement

(a) *Shareholding structure*

Under the JV Agreement, equity capital of the JV Company, a limited liability company established in the PRC, will be owned as to 50% by a PRC subsidiary of the Company and 50% by CSCECL. Upon establishment, the JV Company will be treated as a jointly controlled entity of CSCECL and the Group.

(b) *Management of the JV Company*

The number of directors of the JV Company nominated by each of CSCECL and the Company shall be determined in proportion to their respective equity interest holdings in the JV Company. The directors of the JV Company shall have no casting vote. The quorum of the board meeting shall be two directors consisting of at least one director nominated by each of CSCECL and the Company.

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(c) *Registered capital, total investment and funding arrangements*

The initial registered capital of the JV Company shall be RMB250,000,000 (approximately HK\$284,000,000), which are to be paid into the JV Company by CSCECL and the Company (or its wholly owned subsidiary) in cash in proportion to their respective equity interest holdings in the JV Company within 90 days after establishment of the JV Company. Such amount of initial registered capital is determined after arm's length negotiations between CSCECL and the Company with reference to their proposed capital requirements of the JV Company.

CSCECL and the Company may, upon request by the JV Company, provide capital to the JV Company in a form of additional registered capital. The maximum total registered capital of the JV Company shall be RMB500,000,000 (approximately HK\$568,000,000).

According to the JV Agreement, the JV Company shall ensure that the construction loans necessary for submitting tenders to participate in infrastructure construction projects will be available by way of bank loans. CSCECL and/or the Company should not be obligated to provide any guarantee.

(d) *Profit sharing*

According to the JV Agreement, the profits of the JV Company will be distributed to the parties to the JV Company in proportion to their respective capital contributions to the registered capital of the JV Company.

3. Financial effects

(a) *Net asset value*

As at 31 December 2008, the Group's audited net asset value amounted to approximately HK\$2,523.3 million. As the maximum contribution of the Group to the JV Company will be approximately RMB250 million (approximately HK\$284 million), which will be in proportion to the Company's equity interest in the JV Company, we are of the view that the JV Transactions will not have any material effect on the net assets of the Group.

(b) *Effect on turnover and earnings*

The JV Company, after its establishment, will be owned by the Company as to 50% and will be treated as a jointly controlled entity of CSCECL and the Company. Proportionate consolidation method will be used to book the financial results of the JV Company into the Group's financial statements.

As advised by the Management, it is expected that the JV Company will commence operation in the second quarter of 2009. Although no significant positive contribution will be recorded from the JV Company for the Group in the near term and certain pre-operating expenses will have to be shared by the Group, the Management expects that the JV Transactions will broaden the revenue base of the Group in the future and strengthen the Group's presence in the PRC construction market.

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(c) *Working capital*

Pursuant to the JV Agreement, the Company will satisfy the initial registered capital of the JV Company of RMB125 million within 90 days after establishment of the JV Company. CSCECL and the Company may, upon request by the JV Company, provide capital to the JV Company in a form of additional registered capital. The maximum total registered capital of the JV Company payable by the Company shall be RMB250 million.

Save for the above, the Company should not be obligated to provide any guarantee in favour of the JV Company in relation to its construction loans necessary for submitting tenders to participate in infrastructure construction projects.

As set out in the 2008 annual result announcement of the Company, the bank balance and cash, and the net assets of the Group as at 31 December 2008 amounted to approximately HK\$1.9 billion and approximately HK\$2.5 billion respectively. The initial registered capital of RMB125 million and the maximum contribution to the JV Company to be provided by the Company of RMB250 million will account for (i) approximately 7.5% and 15.0% of the bank balance and cash of the Group as at 31 December 2008 respectively; and (ii) approximately 5.7% and 11.4% of the net assets of the Group as at 31 December 2008 respectively. Accordingly, we believe that the Group should have sufficient financial resources to satisfy its capital commitment under the JV Agreement and expect that such capital commitment will not have any material adverse effect on the Group's working capital position.

(II) THE CONTINUING CONNECTED TRANSACTIONS

1. Background

a. *Historical business relationships among CSCECL, COLI and the Group*

The Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses. The Group is a registered general building contractor (building) and a registered specialist contractor (site formation, foundation, ground investigation field work and ventilation work) under the Buildings Ordinance.

The COLI Group is principally engaged in investment holding, property investment and property development. As stated in the annual result announcement of COLI dated 23 March 2009, COLI Group had total land for development of about 24.8 million sq. m. (attributable interest of about 21.8 million sq. m. to be developed in the near future or under development in 22 cities/districts including Mainland China, Hong Kong and Macau). In addition, it is expected that the replenishment of land for development will not be less than 4 million sq. m. in 2009.

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Prior to the reorganisation (the “**Reorganisation**”) carried out for the purpose of facilitating the listing of the Shares on the Stock Exchange in July 2005, certain members of the Group, including China Overseas Building Construction Limited, China State Civil Engineering Limited (formerly known as China Overseas Civil Engineering Limited) and China State Foundation Engineering Limited (formerly known as China Overseas Foundation Engineering Limited) (collectively, “**Project Management Group**”), were indirect subsidiaries of COLI and served as the construction arm of the COLI Group. It derives the majority of its revenues from performing construction projects in Hong Kong, and focuses on the private sector construction projects which include the construction projects obtained from COLI Group. As part of the Reorganisation, the Group acquired the Project Management Group from COLI, and COLI Group has not participated in the construction market as main contractor in accordance with the terms of a non-competition undertaking in favour of the Group since the Shares were listed in the Stock Exchange in July 2005.

Given the above delineation in businesses of the Group and COLI Group, COLI Group, during its normal and ordinary course of business, invites qualified construction contractors, including the Group, to participate in competitive tender for construction works from the COLI Group from time to time.

Shareholders should note that certain member companies of the Group, namely SCOCL, CCE Macau and the Project Management Group, entered into similar engagement agreements (“**Original Engagement Agreements**”) with COLI Group, pursuant to which these member companies would tender for COLI Group’s construction works in the PRC, Hong Kong and Macau, respectively, in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third parties. 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 COLI Group in the PRC, Hong Kong and Macau based on the terms of the successful tender. The Original Engagement Agreements, which were approved by the then Independent Shareholders on 31 August 2007, 26 June 2006 and 29 December 2005, respectively, expired on 31 December 2008.

As the Group will continue to tender for COLI Group’s construction works in accordance with the tendering procedure of COLI Group from time to time, the Directors propose to seek Independent Shareholders’ approval of the CSC Group Engagement Agreement (including the CSC Construction Engagement Cap) which will be conducted in the coming three years starting from 1 July 2009.

CSCECL, the intermediate holding company of the Company, is one of the largest state-owned construction groups in the PRC operating in major provinces and cities in the PRC. It has operation outside PRC, including Africa, Middle East, South-east Asia and the United States and has extensive experience in the PRC construction industry. CSCECL have a vast number of professional personnel experienced in construction.

To efficiently manage its construction projects in a cost-effective manner, the Group has entered into the Sub-construction Engagement Agreement with the CSCECL Group, pursuant to which (i) the Group may engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and UAE; and (ii) the CSCECL Group may engage the Group as construction sub-contractor in the PRC.

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In compliance with the continuing connected transaction requirements under the Listing Rules, the Directors propose to seek Independent Shareholders' approval of the Sub-construction Engagement Agreement (including the CSCECL Sub-construction Engagement Cap and CSC Sub-construction Engagement Cap) which will be conducted in the coming three years starting from 1 July 2009.

b. *Services to be provided under the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement*

The CSC Group Engagement Agreement

Pursuant to the CSC Group Engagement Agreement, the Group may continue to tender for COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third parties. 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 COLI Group in the PRC, Hong Kong and Macau based on the terms of the successful tender, subject to the CSC Construction Engagement Cap.

Shareholders should note that the CSC Group Engagement Agreement does not impose any contractual obligation for the Group to tender for COLI Group's construction works. As confirmed by the Management, they have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from COLI Group and other independent third parties as described in the paragraph headed "Key Terms of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement" below.

As advised by the Management, the COLI Group may invite tenders, including the Group and other independent construction contractors, for the construction services required by COLI Group from time to time, and the COLI Group will select tenders whom it considers are able to offer the most attractive terms. As a result, the Group may or may not be awarded construction service contracts as a result of the competitive tender. If the Group is awarded construction service contracts, relevant members of the Group and COLI Group will enter into definitive agreements which specify the fees payable by COLI Group to the Group.

The Sub-construction Engagement Agreement

Under the Sub-construction Engagement Agreement, (i) the Group may engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and UAE; and (ii) the CSCECL Group may engage the Group as construction sub-contractor in the PRC through competitive tender procedures.

Similar to the CSC Group Engagement Agreement, the Sub-construction Engagement Agreement does not impose any contractual obligation for the Group to tender for CSCECL Group's construction works in the PRC or to engage the CSCECL Group as construction sub-contractor and/or project management contractor in the PRC and UAE.

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In addition, the Group have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from CSCECL Group and other independent third parties as described in the paragraph headed “Key Terms of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement” below.

Regarding the CSCECL Sub-construction Engagement Transactions, the Group may invite tenders, including the CSCECL Group and other independent construction contractors, for the construction services required by the Group in the PRC and UAE from time to time. As advised by the Management, the Group will select tenders whom it considers are able to offer the most attractive terms. As a result, the Group may or may not offer construction service contracts to the CSCECL Group as a result of the competitive tender. If the CSCECL Group is awarded construction service contracts, relevant members of the Group and the CSCECL Group will enter into definitive agreements which specify the fees payable by the Group to the CSCECL Group.

c. *Reasons for, and benefits of, the Continuing Connected Transactions*

As mentioned above, the Group has established a long relationship with COLI Group in the PRC, Hong Kong and Macau. As mentioned in the letter from the Board, during the three years ended 31 December 2008, the aggregate amount of total contract sum awarded to the Group under the Original Engagement Agreements for each of the three years ended 31 December 2008 were HK\$354.2 million, nil and HK\$215.8 million respectively.

As COLI Group is one of the reputable property developers in the Greater China Regions, the Directors consider that being able to continue its participation in the construction of COLI Group’s property development projects upon successful tender allows the Group to maintain its business relationship with COLI Group and to facilitate its future growth. In addition, the Directors consider that the Group’s participation in competitive tender for construction works from the COLI Group can assist the Group in keeping abreast with the latest market news and trends, placing the Group in a competitively more advantageous position in relation to the Group’s competitors in view of the changing property and construction market and customers’ needs.

As advised by the Management, the Group has begun developing its business operation in the PRC and UAE. The total contract sum of construction projects undertaken by the Group in the PRC and UAE in the past three financial years ended 31 December 2008 were approximately HK\$1,564 million, HK\$2,249 million and HK\$3,020 million respectively, representing approximately 4.8%, 6.8% and 7.9% of the contract sum of the attributable construction contracts undertaken by the Group for the relevant period. The Directors believe that there are still many business opportunities in the PRC and UAE that the Group has not or the Group is not yet ready to pursue. Leveraging on the CSCECL’s strong presence and extensive experience in the construction industry, the Sub-construction Engagement Agreement, which provides the Company with the option to engage the CSCECL Group (subject to successful tender) as construction sub-contractor and/or project management contractor for its construction works in the PRC and UAE, will enable the Group to manage its construction projects in a cost-effective manner, in turn, facilitate the Group’s business development in the PRC and UAE.

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Furthermore, as referred to the Letter from the Board, the Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in the CSCECL Group's construction works in the PRC as construction sub-contractor.

Our views

Having considered the aforesaid, together with (i) business nature of and historical business relationship among the Group, the COLI Group and the CSCECL Group; and (ii) the non-exclusive nature of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement; we are of the view that the entering into of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement fall within the ordinary and usual course of business of the Group; and it is in the interests of the Group and its Shareholders as a whole.

2. Key Terms of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement

a. Terms

The CSC Group Engagement Agreement and the Sub-construction Engagement Agreement cover a three-year period expiring on 30 June 2012. The CSC Group Engagement Agreement and the Sub-construction Engagement Agreement (together with the relevant annual caps) will only take effect conditional upon the approval of the Independent Shareholders having been obtained at the EGM.

b. Pricing basis

Possible provision of construction services by the Group to COLI Group and the CSCECL Group

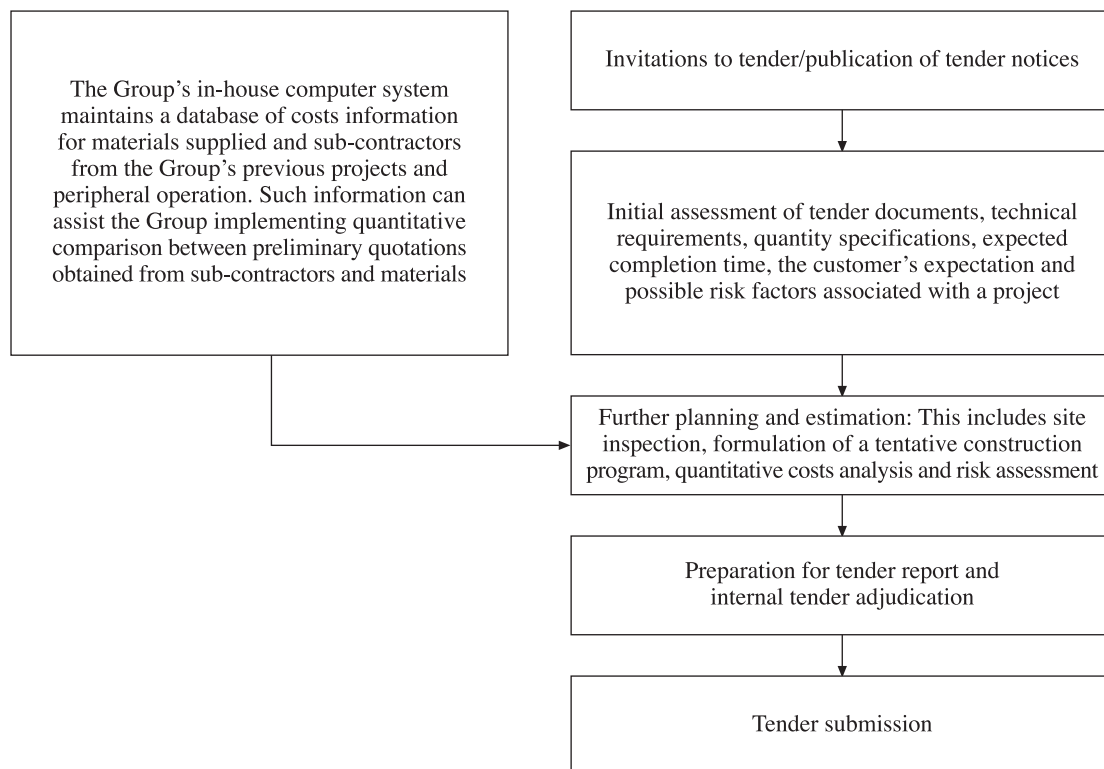
Pursuant to the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement, the Group may (i) tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors (in the case of the CSC Group Engagement Agreement); and (ii) tender for the CSCECL Group's construction works as construction sub-contractor in the PRC in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party construction sub-contractors (in the case of the Sub-construction Engagement Agreement).

If the Group is awarded construction service contracts, relevant members of the Group will enter into definitive agreements with the COLI Group (in the case of the CSC Group Engagement Agreement) and the CSCECL Group (in the case of the Sub-construction Engagement Agreement) which specify the fees payable to the Group.

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As confirmed by the Management, the Group has maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender received by the Group, and to decide the contents and pricing terms of the proposed tender. To form our view on whether the pricing basis of the Continuing Connected Transactions is fair and reasonable so far as the Independent Shareholders are concerned, we discuss with the Management about the Group's tender review process.

The Group's procedures of the tender review process generally are as follow:



As confirmed by the Management, the above review process is applicable to either invitations to tender received by the Group from the COLI Group, the CSCECL Group or such from other independent third parties. To the best knowledge of the Management, the Group's tender review process is in line with the market practice. Therefore, the Directors consider that the pricing basis of the Continuing Connected Transactions is fair and reasonable and on normal commercial terms by way of the above tender review procedures.

To ascertain whether the tender review procedure of the Group has been implemented by the Group to review the feasibility and profitability of invitations to tender received by the Group, we have reviewed some sample tender reports of the Group and noted that the tender review process is implemented by the tender review committee ("**Committee**"). We further understand that the Committee may approve or reject an invitation to tender based on the analysis result of the tender review process. In addition, the Committee is also responsible to decide the contents and pricing term of the proposed tender. If any contract is granted in favour of the Group as a result of the competitive

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tender, the relevant property developers will issue a letter of award to the Group and the Group will act as construction contractor/sub-contractor for the relevant construction works based on the terms of the successful tender.

Possible provision of construction services by the CSCECL Group to the Group

Pursuant to the Sub-construction Engagement Agreement, the CSCECL Group may tender for the Group's construction works as construction sub-contractor and/or project management contractor in the PRC and UAE in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party construction sub-contractors or project management contractors. If any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as construction sub-contractor and/or project management contractor for the Group's construction works in the PRC and UAE based on the terms of the successful tender.

As confirmed by the Management, the Group has also maintained a systematic tender review procedure, which is implemented by the tender review committee, to review the feasibility and profitability of tenders received by the Group, and will select tenders whom it considers are able to offer the most attractive terms.

To the best knowledge of the Management, the Group's tender review process for tenders received by the Group is in line with the market practice.

As confirmed by the Management, the tender review committee is comprised of department heads of the relevant departments of the Group, including financial department, procurement department and construction department. These committee members are not employees or directors of the CSCECL Group.

The decision to award a sub-construction contract to selected sub-contractor(s), including the CSCECL Group and other independent subcontractors, depends on the recommendation of the tender review committee who has reviewed and considered the following factors of the selected subcontractors, in particular, its past experience, its financial track record and the latest available financial position, and the estimated cost of the sub-construction project. Therefore, the Group may or may not grant construction service contracts to the CSCECL Group under the Sub-construction Engagement Agreement as a result of the competitive tender.

Our views

As stated in the Letter from the Board, the Directors have confirmed that the terms of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement are on normal commercial terms and have been arrived at after arm's length negotiations.

Having considered the aforesaid, together with (i) adequate measures have been in place to mitigate any conflict of interest between the Group, the COLI Group and the CSCECL Group regarding the tender submission/review procedures based on the Management's confirmation and representation; and (ii) the Continuing Connected Transactions will be implemented through

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competitive tenders, we concur with the Directors' view that the pricing bases for and the terms of the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement are on normal commercial terms and are fair and reasonable so far as the Independents Shareholders are concerned.

3. The annual caps ("Annual Caps") under the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement

a. Overview

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as more particularly discussed under the section headed "Requirements of the Listing Rules" below. In particular, the Continuing Connected Transactions are subject to the proposed related annual cap as discussed below.

As stated in the Letter from the Board, the relevant annual caps under the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement for the three years ending 30 June 2012 shall not exceed the following amounts:

	Six months ending 31 December 2009	Year ending 31 December 2010	Year ending 31 December 2011	Six months ending 30 June 2012
	<i>(in millions of HK\$)</i>			
The CSC Construction Engagement Cap	1,000	2,000	2,000	1,000
The CSC Sub-construction Engagement Cap	4,000	4,000	4,000	2,000
The CSCECL Sub-construction Engagement Cap	1,000	2,000	2,000	1,000

b. Assessment of the Annual Caps

In assessing the reasonableness of the Annual Caps, we have discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the Annual Caps, and understand that the Company has taken into account the following factors:

(i) The CSC Construction Engagement Cap

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

- total contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in each of the past three financial years ended 31 December 2008 of approximately HK\$4,131 million, HK\$7,670 million and HK\$15,523 million respectively; and

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- total estimated contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 July 2009 and ending on 30 June 2012, estimated with reference to the COLI Group's future growth and expansion in its land reserves in the PRC, Hong Kong and Macau for such period.

The aggregate amount of total contract sum awarded to the Group under the Original Engagement Agreements for each of the three years ended 31 December 2008 were HK\$354.2 million, nil and HK\$215.8 million respectively.

We note that the CSC Construction Engagement Cap represented a substantial increase over the historical transaction value during the three years ended 31 December 2008. As explained by the Management, such increase in the CSC Construction Engagement Cap mainly attributable to (i) the robust growth of the total estimated contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau, which was estimated by the COLI Group with reference to its future growth and expansion in its land reserves; and (ii) the Group's business plan to further expand its construction-related business outside Hong Kong with aim to reduce its susceptibility to the cyclical movements of Hong Kong construction industry.

(ii) *The CSC Sub-construction Engagement Cap*

As stated in the Letter from the Board, the CSC Sub-construction Engagement Cap is calculated with reference to the following factors:

- total contract sum of new construction projects of the CSCECL Group in the PRC in each of the past two financial years ended 31 December 2008 of RMB297.1 billion and RMB314.9 billion respectively;
- the growth of the construction markets in the PRC in the three-year period commencing from 1 July 2009 and ending on 30 June 2012 estimated by the Directors; and
- the Group's understanding that many of the CSCECL Group's construction works in the PRC for 2009 will be conducted in the second half of 2009.

In assessing the reasonableness of the CSC Sub-construction Engagement Cap, we have discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the CSC Sub-construction Engagement Cap, and understand that such estimation reflects the Group's business strategy to further expand its business operation in the PRC and UAE.

Currently, the Group's construction contracts are mainly sourced from Hong Kong market. According to the 2008 annual result announcement of the Group dated 23 March 2009, the Group secured 54 new contracts during the year, with an aggregated attributable contract value of approximately HK\$14,116 million, of which the Hong Kong market accounted for 67.1%, the Macau market accounted for 11.5%, and the PRC market accounted for 8.9%.

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As advised by the Management, the Group will continue to be in full gear to implement the development strategy of “Cross-region Operation” to take full advantage of its experience as an international contractor, building an operation platform for the three major regions of Hong Kong and Macau, overseas regions and the Mainland China and to strike a balance for scale versus efficiency, and risks versus opportunities.

Having considered the aforesaid, together with (i) the Group’s business strategy to further expand its construction-related business in the PRC market; (ii) the strong presence of the CSCECL Group in the PRC construction market; and (iii) the growth of the construction markets in the PRC in the three-year period commencing from 1 July 2009 and ending on 30 June 2012 estimated by the Directors, we concur with the view of the Management that the Group is in the position to take advantage of the growth opportunities in PRC market through the Sub-construction Engagement Agreement. Accordingly, we consider that the CSC Sub-construction Engagement Cap for the three years ending 30 June 2012 is justified.

(iii) *The CSCECL Sub-construction Engagement Cap*

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

- total contract sum of new construction projects of the Group in the PRC and UAE in each of the past three financial years ended 31 December 2008 of approximately HK\$1,564 million, HK\$2,249 million and HK\$3,020 million respectively; and
- the growth of the construction markets in the PRC and UAE in the three-year period commencing from 1 July 2009 and ending on 30 June 2012 estimated by the Directors.

As mentioned above, it is the present intention of the Group to further expand its construction business in the PRC and UAE in the coming years and thus the demand of the sub-construction services by the Group is expected to increase accordingly.

Taking into account the factors above, together with (i) the sustainable growth in total contract sum of new construction projects of the Group in the PRC and UAE in each of the past three financial years ended 31 December 2008; and (ii) the CSCECL Group has operation outside PRC, including Africa, Middle East, South-east Asia and the United States and has extensive experience in the PRC construction industry, we consider that the basis of determining the CSCECL Sub-construction Engagement Cap is fair and reasonable.

Our views

Having considered the above, we are of the view that the bases adopted by the Management in determining the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, the Shareholders should note that the Annual Caps represent the best estimates by the Directors based on the information currently available. They bear no direct relationships to, nor should

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be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not provide construction services to COLI Group and the CSCECL Group up to the level of the Annual Caps, if at all, as its engagement by COLI Group and the CSCECL Group is subject to tender procedures which are open to other independent third party contractors. Similarly, the Group may or may not retain the CSCECL Group to engage in the Group's construction-related works up to the level of the Annual Caps, if at all, as the engagement by the Group is also subject to the tender procedures which are open to other independent third party sub-contractors or project management contractors.

4. Requirements of the Listing Rules

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - 1. in the ordinary and usual course of business of the Group;
 - 2. either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - 3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - 1. have received the approval of the Board;
 - 2. have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
 - 3. have not exceeded the Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (b); and

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- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

Our views

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the 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 Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we consider that the entering into of the JV Agreement, the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement are in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, 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 to vote in favour of the resolutions to approve the JV Agreement, the CSC Group Engagement Agreement and the Sub-construction Engagement Agreement, together with the Annual Caps, as detailed in the notice of EGM set out at the end of Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited

Alvin Kam
Director

RESPONSIBILITY STATEMENT

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

DISCLOSURE OF DIRECTORS' INTERESTS FOR THE COMPANY

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

Long positions in shares and underlying shares of the Company:

Name of Directors	Number of	Number of	Total	% of share in issue ³
	shares held	underlying shares held under equity derivatives		
	Personal interests ¹	Share options ²		
Kong Qingping	2,956,800	2,995,200	5,952,000	0.243
Zhou Yong	2,755,200	1,747,200	4,502,400	0.184
Yip Chung Nam	1,930,664	1,872,000	3,802,664	0.155
Fu He	2,318,000	1,248,000	3,566,000	0.146
Zhou Hancheng	2,234,800	1,164,800	3,399,600	0.139
Cheong Chit Sun	432,000	1,497,600	1,929,600	0.079
Raymond Ho Chung Tai	—	832,000	832,000	0.034
Adrian David Li Man Kiu	—	832,000	832,000	0.034
Raymond Leung Hai Ming	—	832,000	832,000	0.034
Lee Shing See	—	832,000	832,000	0.034

Notes :

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

2. This represents interests in share options of the Company held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the Company's share option scheme. The exercise price for the share options is HK\$0.2475 per share and the exercise period is from 14 September 2006 to 13 September 2015.
3. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 2,446,557,136 ordinary shares).

Long positions in shares and underlying shares of associated corporation - COLI

Name of Directors	Number of ordinary shares in COLI held	Number of underlying shares in COLI held under equity derivatives	Total	% of shares in issue ⁴
	Personal interests ¹	Share options ²		
Kong Qingping	7,435,760	1,359,334	8,795,094	0.108
Zhou Yong	—	388,381	388,381	0.005
Yip Chung Nam	2,704,000	404,564	3,108,564	0.038
Fu He	—	404,564	404,564	0.005
Zhou Hancheng	—	129,460	129,460	0.002
Cheong Chit Sun ³	125,200	80,913	206,113	0.003

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares of COLI in respect of the option shares granted by COLI. The exercise price for the share options is HK\$1.118 per share and the exercise period is from 18 June 2005 to 17 June 2014.
3. Amongst the total number of 125,200 Shares in COLI held by Mr. Cheong Chit Sun, 124,800 Shares in COLI was held as personal interest and 400 Shares in COLI was held as family interest.
4. The percentage has been adjusted based on the total number of ordinary shares of COLI in issue as at the Latest Practicable Date (i.e. 8,164,727,183 ordinary shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

None of the Directors has had any direct or indirect interest in any assets which have since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company:

Name of Shareholder	Number of shares held	Total	% of share in issue ¹
COHL ²	1,538,094,448	1,538,094,448	62.868
CSCECL ³	1,538,094,448	1,538,094,448	62.868
CSCEC ⁴	1,538,094,448	1,538,094,448	62.868

Notes :

1. The percentage has been adjusted based on the total number of Share in issue as at the Latest Practicable Date (i.e. 2,446,557,136 ordinary shares).
2. Amongst the total number of 1,538,094,448 Shares held by COHL, 1,473,413,384 Shares were held as beneficial owner while the balance of 64,681,064 Shares were interests of controlled corporations.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 1,538,094,448 Shares directly owned by COHL.
4. CSCECL is held as to 94% by CSCEC, thus CSCEC is deemed by the SFO to be interested in 1,538,094,448 Shares indirectly owned by CSCECL.

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

SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Company have been made up.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

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

Notes:

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

Save as disclosed above, the Company had not been notified of any other relationship among the directors, senior management or substantial or controlling shareholders of the Company.

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

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business apart from the Group's business, which competes or is likely to compete directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

EXPERT

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

Name	Qualification
China Everbright	A licensed corporation under the SFO, and engaged in types 1, 4 and 6 regulated activities

- (b) China Everbright has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) China Everbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) The letter of China Everbright is given as of the date of this circular for incorporation herein.

GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Connie Chiang Yuet Wah, a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (d) The principal place of business of the Company in Hong Kong is at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- (e) The English texts of this circular and the accompanying form of proxy shall prevail over the Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the office of the Company at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 27 May 2009 (except Saturdays and Sundays) and will be available for inspection at EGM:-

- (a) the CSC Group Engagement Agreement;
- (b) the Sub-construction Engagement Agreement;
- (c) the JV Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular; and
- (e) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from China Everbright” of this circular.

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 of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 27 May 2009 at 4:20 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and date at 4:00 p.m. shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT :**

- (A) (i) the Sub-construction Engagement Agreement (as defined in the circular of the Company dated 23 April 2009 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 Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 July 2009 and 30 June 2012 be and is hereby approved;
- (iii) the CSC Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 July 2009 and 30 June 2012 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company if the affixing of the Common Seal is necessary) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of Common Seal thereon.”

2. “**THAT :**

- (A) (i) the CSC Group 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;

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(ii) the CSC Construction Engagement Cap (as defined in the Circular) for the period between 1 July 2009 and 30 June 2012 be and is hereby approved; and

(B) any one director of the Company (or any two directors of the Company if the affixing of the Common Seal is necessary) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the CSC Group Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of Common Seal thereon.”

3. **“THAT :**

(A) the JV 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; and

(B) any one director of the Company (or any two directors of the Company if the affixing of the Common Seal is necessary) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the JV Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of Common Seal thereon.”

By Order of the Board

China State Construction International Holdings Limited

Kong Qingping

Chairman and Non-executive Director

Hong Kong, 23 April 2009

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Notes:

- (1) A form of proxy for use at the meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

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- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from 26 May 2009 to 27 May 2009 both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 25 May 2009.