
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

**(I) REVISION OF ANNUAL CAPS FOR
AND
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO CONSTRUCTION WORKS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Innovax Capital Limited

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 28 to 29 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 55 of this circular.

A notice convening the EGM to be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 27 November 2017 at 3:30 p.m. is set out on pages 60 to 62 of this circular.

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

6 November 2017

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DEFINITIONS

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

“associate(s)”, “connected person(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company, is a wholly-owned subsidiary of CSCECL;
“COHL Group”	COHL and its subsidiaries from time to time (other than the Group and the COLI Group and its subsidiary(ies) listed on any stock exchange);
“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 (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“COLI Works Annual Cap”	the maximum total contract sum of the construction contracts that may be awarded by the COLI Group to the Group (as construction contractor of the COLI Group) for each year under the New Master CSC Group Engagement Agreement;
“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);
“Contractors”	collectively, construction sub-contractor, project management contractor, project consultant and/or construction material supplier;
“CSC Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the CSCECL Group to the Group for each year under the New CSCECL Sub-construction Engagement Agreement;
“CSC Sub-construction Engagement Transactions”	the engagement by the CSCECL Group of the Group as Contractors for the CSCECL Group’s construction works as described under the sub-section headed “CSC Sub-construction Engagement Transactions” in this circular;

DEFINITIONS

“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;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is a non-wholly owned subsidiary of CSCEC;
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group, the COHL Group and the COLI Group and its subsidiary(ies) listed on any stock exchange) from time to time;
“CSCECL Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group for each year under the New CSCECL Sub-construction Engagement Agreement;
“CSCECL Sub-construction Engagement Transactions”	the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works 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 approve, among other things, (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap);
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) 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;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all Independent Non-executive Directors, namely Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, to advise the Independent Shareholders in respect of (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap);
“Independent Financial Adviser” or “Innovax Capital”	Innovax Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap), and a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
“Independent Shareholder(s)”	in respect of the resolutions related to the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), and the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), Shareholders other than CSCECL and its associates; and in respect of the resolutions related to the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap), Shareholders other than COHL and its associates;

DEFINITIONS

“Latest Practicable Date”	30 October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“New CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 6 October 2017 in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions;
“New Master CSC Group Engagement Agreement”	the engagement agreement entered into between COLI and the Company on 6 October 2017 in respect of the engagement of members of the Group by members of the COLI Group as construction contractor of the COLI Group for COLI Group’s construction works in the PRC, Hong Kong and Macau from time to time;
“PRC”	the People’s Republic of China, which for the purpose of this circular exclude Hong Kong, Macau and Taiwan;
“Previous CSC Group Engagement Agreement”	the engagement agreement entered into between COLI and the Company on 31 October 2014 in respect of the engagement of the Group by the COLI Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group;
“Previous CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 28 October 2014 in respect of continuing connected transactions of the Company involving (i) the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works; and (ii) the engagement by the CSCECL Group of the Group as Contractors for CSCECL Group’s construction works;
“Revised 2017 CSC Cap”	the revised maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the CSCECL Group to the Group for the year ending 31 December 2017 under the Supplemental Agreement;

DEFINITIONS

“Revised 2017 CSCECL Cap”	the revised maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group for the year ending 31 December 2017 under the Supplemental Agreement;
“Revision of 2017 Annual Caps”	the revision to the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap pursuant to the Supplemental Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 6 October 2017 supplemental to the Previous CSCECL Sub-construction Engagement Agreement entered into between the Company and CSCECL in respect of the Revision of 2017 Annual Caps;
“Transactions”	collectively, the transactions contemplated under (i) the Supplemental Agreement, (ii) the New CSCECL Sub-construction Engagement Agreement, and (iii) the New Master CSC Group Engagement Agreement; and
“%”	per cent..

Unless otherwise specified in this circular, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB0.85= HK\$1.00. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

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)

Executive Directors:

Mr. Zhou Yong (*Chairman and Chief Executive Officer*)

Mr. Tian Shuchen (*Vice President*)

Mr. Zhou Hancheng (*Financial Controller*)

Mr. Pan Shujie (*Vice President*)

Mr. Hung Cheung Shew (*Vice President*)

Mr. Wu Mingqing (*Vice President*)

Mr. Zhang Haipeng (*Vice President*)

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

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

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

6 November 2017

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAPS FOR
AND
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO CONSTRUCTION WORKS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to:

- (1) the announcement of the Company dated 6 October 2017 in respect of, among other things, that on 6 October 2017, (i) the Company and CSCECL entered into the Supplemental

LETTER FROM THE BOARD

Agreement to revise the annual cap for each of the CSCECL Sub-construction Engagement Transactions and CSC Sub-construction Engagement Transactions contemplated under the Previous CSCECL Sub-construction Engagement Agreement for the year ending 31 December 2017; and (ii) the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap respectively; and

- (2) the announcement of the Company dated 6 October 2017 in respect of, among other things, that on 6 October 2017, COLI and the Company entered into the New Master CSC Group Engagement Agreement, whereby 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 for the period commencing from 1 January 2018 and ending on 31 December 2020 subject to the COLI Works Annual Cap.

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

- the particulars of (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap);
- the letter from the Independent Board Committee with their view on (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap); and
- the letter from Innovax Capital with their advice on (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap) to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction

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Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

(1) REVISION OF ANNUAL CAPS FOR AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH 中國建築股份有限公司 (CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)

Reference is made to the announcement dated 28 October 2014 and the circular dated 18 November 2014 of the Company in relation to the Previous CSCECL Sub-construction Engagement Agreement entered into between the Company and CSCECL which will expire on 31 December 2017.

(A) REVISION OF 2017 ANNUAL CAPS

On 28 October 2014, the Company and CSCECL entered into the Previous CSCECL Sub-construction Engagement Agreement, pursuant to which (a) the Group will invite the CSCECL Group to participate in competitive tender as Contractors for the Group's construction works from time to time; and (b) the CSCECL Group will invite the Group to participate in competitive tender as Contractors for the CSCECL Group's construction works from time to time, provided that (i) the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2017 shall not exceed RMB15,000 million; and (ii) the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2017 shall not exceed RMB3,000 million.

Due to the Company's expansion in the infrastructure construction industry, the Company has been more actively engaged in the implementation of infrastructure projects to accommodate the rapid change of market environment and maximize the investment return. The Company will leverage on the substantial experience of the CSCECL Group and closely cooperate with the CSCECL Group to ensure the work quality and progress of the infrastructure projects.

As a result, the Company and CSCECL expect that the respective annual transaction amount between the Group and CSCECL for the year ending 31 December 2017 under the Previous CSCECL Sub-construction Engagement Agreement will exceed the stated annual caps based on their respective business projections. In this connection, on 6 October 2017, the Company and CSCECL entered into the Supplemental Agreement to revise the annual caps under the Previous CSCECL Sub-construction Engagement Agreement as follows:

CSCECL Sub-construction Engagement Transactions

	For the year ending 31 December 2017 <i>RMB million</i>
Original annual cap	15,000
Revised annual cap (i.e. Revised 2017 CSCECL Cap)	55,000

LETTER FROM THE BOARD

CSC Sub-construction Engagement Transactions

**For the year ending
31 December 2017**
RMB million

Original annual cap	3,000
Revised annual cap (i.e. Revised 2017 CSC Cap)	25,000

In respect of the CSCECL Sub-construction Engagement Transactions, the actual total contract sum awarded by the Group to the CSCECL Group during the six months ended 30 June 2017 amounted to approximately RMB10,203 million. Meanwhile, in respect of the CSC Sub-construction Engagement Transactions, the Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works in the period between 1 January 2017 to 30 June 2017 as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders.

The Directors confirm that the actual total contract sums in respect of the CSCECL Sub-construction Engagement Transactions and CSC Sub-construction Engagement Transactions as of the Latest Practicable Date have not exceeded the respective original annual caps for the year ending 31 December 2017. The Directors will keep tracking the actual total contract sums to ensure that they will not exceed such original annual caps up to the date of the EGM.

The Revised 2017 CSCECL Cap is determined with reference to the actual implementation of the CSCECL Group's construction projects and the market price after taking into account the nature of the construction project and the location of such project. As at the Latest Practicable Date, based on the development status and total value of project in progress of the Group, it is estimated that the amount of additional construction works expected to be awarded by the Group to the CSCECL Group or other independent third parties Contractors in the PRC, subject to the standard and systematic tender review procedure maintained by the Group, will be approximately RMB45 billion during the second half of 2017.

The Revised 2017 CSC Cap is determined with reference to the actual implementation of the Group's construction projects and the market price after taking into account the nature of the construction project and the location of such project. As at the Latest Practicable Date, the Group is finalising the construction contracts with the CSCECL Group for two construction contracts with total initial contract value of approximately RMB14 billion (subject to the signing of the formal construction contracts). Save for the above, based on the development status and total value of project in progress of the CSCECL Group, it is estimated that the amount of additional construction works expected to be awarded by the CSCECL Group to the Group or other independent third parties Contractors in the PRC will be approximately RMB11 billion during the second half of 2017.

The transaction amount between the Group and CSCECL Group under the Previous CSCECL Sub-construction Engagement Agreement (as supplemented by the Supplemental Agreement) is expected to increase significantly during the second half of 2017 as more construction contracts may

LETTER FROM THE BOARD

be awarded to the CSCECL Group or the Group based on their respective business projections. The Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap provides the flexibility for the Company to continue the transactions under the Previous CSCECL Sub-construction Engagement Agreement without adversely affecting the business operations of the Company.

Save for the revisions to the annual caps set out above, the other terms of the Previous CSCECL Sub-construction Engagement Agreement remain unchanged.

The Revision of 2017 Annual Caps contemplated under the Supplemental Agreement (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap) will take effect conditional upon the Independent Shareholders' approval having been obtained at the EGM.

In the event that the Supplemental Agreement does not become effective, the Previous CSCECL Sub-construction Engagement Agreement will remain in full force and binding on the Company and CSCECL.

(B) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On 6 October 2017, the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

CSCECL Sub-construction Engagement Transactions

The Directors expect that the Group will continue to invite the CSCECL Group to participate in competitive tender as Contractors for the Group's construction works from time to time. Accordingly, under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

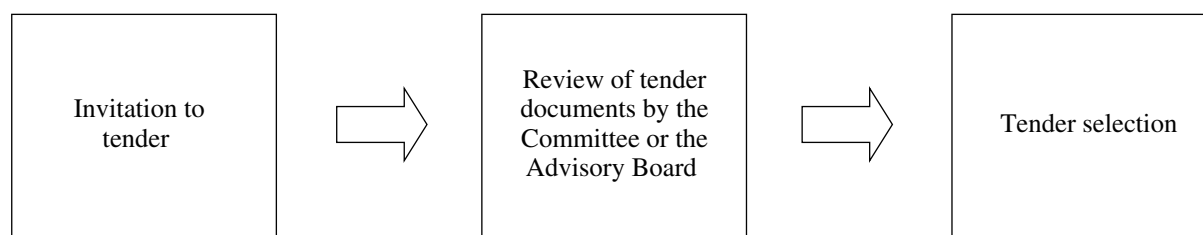
- (a) the CSCECL Group may tender for the Group's construction works as Contractors in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2020 shall not exceed RMB55,000 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, project management, project consultancy and/or construction material supplying contracts.

LETTER FROM THE BOARD

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

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

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



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

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

- (1) quality of work;
- (2) measures on environmental protection, safety and workers' health undertaken;
- (3) time management and project management plan;
- (4) financial arrangement and financial ability;
- (5) material and supply management; and

LETTER FROM THE BOARD

- (6) past cooperation record with the Group, if any.

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

The Committee or the Advisory Board will also review and compare previous tender prices granted to both connected persons and independent third parties, so as to ensure that the tender price to be granted is not more favourable than those granted to independent third parties.

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

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

Calculation of the CSCECL Sub-construction Engagement Cap

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

- (a) total contract sum of construction projects of the Group engaging the CSCECL Group for each of the two financial years ended 31 December 2016 amounted to RMB5,062,166,273.43 and RMB12,231,901,274.20, and in the period between 1 January 2017 to 30 June 2017 of RMB10,203,382,348.05;
- (b) the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the Directors based on their market experience and the expectation that rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote civil constructions, housing and transportation construction which will drive up the construction market demand steadily; and
- (c) the construction projects to be awarded by the Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 as estimated with reference to the sustainable growth of the Group's infrastructure investment projects in the PRC for such period, which is based on the amount of construction work expected to be awarded to Contractors according to the Group's internal list of all projects planned to be carried out in the PRC in 2018, and the estimation that the amount of construction work and number of projects will be more or less the same in 2019 and 2020. In order to capture the increasing investment in infrastructure projects by the PRC government, the Group actively increased its investment in Mainland China, and was successfully awarded a number of infrastructure investment projects in 2017 and recorded a robust growth on the accumulated new contract value and on-hand contract value of construction projects as compared to

LETTER FROM THE BOARD

2016 as a result. As at 30 September 2017, the Group recorded project on-hand contract value of approximately HK\$319 billion, of which contract value attributable to infrastructure investment project amounted to approximately HK\$211 billion, which will be carried out during 2017 to 2021.

The CSCECL Sub-construction Engagement Transactions contemplated under the New CSCECL 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 continue to invite the Group to participate in competitive tender as Contractors for the CSCECL Group's construction works from time to time. Accordingly, under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 January 2018 and ending on 31 December 2020:

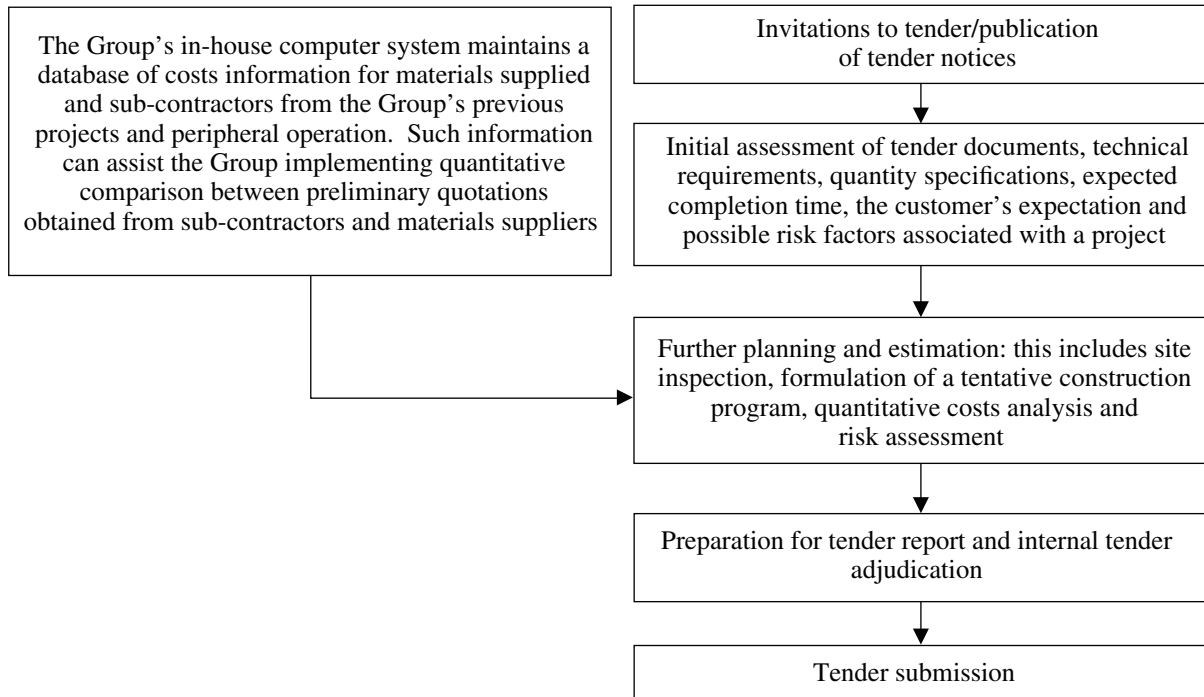
- (a) the Group may tender for the CSCECL Group's construction works as Contractors in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed RMB25,000 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, project management, project consultancy and/or construction material supplying contracts.

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

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

LETTER FROM THE BOARD

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



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

In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and sub-contractors from the Group's previous projects and peripheral operation. These information will assist the Group to conduct quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials. The Group will review the details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons or independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the terms and prices of the tender to be submitted are not more favourable than those submitted to independent third parties.

LETTER FROM THE BOARD

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

Calculation of the CSC Sub-construction Engagement Cap

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

- (a) total contract sum of construction projects of the CSCECL Group engaging the Group for each of the two financial years ended 31 December 2016 amounted to RMB17,611,389 and RMB722,000,000;
- (b) total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, estimated with reference to the CSCECL Group’s future growth and expansion and the capacity of the Group for acting as the subcontractor of the CSCECL Group’s construction projects for such period, which is based on the estimated amount of revenue of the CSCECL Group in 2018 and accordingly the construction work expected to be awarded to Contractors, and the estimation that such amount of revenue and construction work will be more or less the same in 2019 and 2020. Given the positive market environment in the PRC and the performance growth of the CSCECL Group in 2017 in terms of revenue and new construction projects awarded as compared to 2016, it is expected that the estimated contract sum for new construction projects of the CSCECL Group will continue to increase during 2018 to 2020, thereby enhancing the chance and contract sum for subcontracting service that might be awarded by the CSCECL Group to the Group; and
- (c) the growth of the construction markets in the PRC in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the Directors based on their market experience and expectation that rapid urbanization in the PRC and the PRC government’s development policy for infrastructure construction and affordable housings will promote civil constructions, housing and transportation construction which will drive up the construction market demand steadily.

The Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group’s construction works in the period between 1 January 2017 to 30 June 2017 as the Group has neither identified any suitable projects from the CSCECL Group’s construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders. However, the Company considers that some of the Group’s construction contracts may be granted to CSCECL through the New CSCECL Sub-construction Engagement Agreement, and it is expected that CSCECL may invite qualified subcontractors, including the Group’s construction arm in the PRC, tender for certain parts of such construction works as subcontractors in accordance with the tendering procedure of the CSCECL Group from time to time.

LETTER FROM THE BOARD

The CSC Sub-construction Engagement Transactions contemplated under the New CSCECL 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 FOR AND BENEFITS OF THE TRANSACTIONS

As the Previous CSCECL Sub-construction Engagement Agreement (as supplemented by the Supplemental Agreement) entered into between the Company and CSCECL will expire on 31 December 2017, the Company and CSCECL have entered into the New CSCECL Sub-construction Engagement Agreement.

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

The CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC 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 Contractors. In addition, the Directors consider that the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions will allow the Group to draw on the substantial construction experiences and resources of the CSCECL Group in the PRC whereby creating favourable conditions for the Group's business development in the PRC.

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 Revision of 2017 Annual Caps are expected to be entered into in the ordinary and usual course of business of the Group, and the Revision of 2017 Annual Caps contemplated under the Supplemental Agreement (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Revision of 2017 Annual Caps (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC 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 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 New CSCECL Sub-construction Engagement Agreement

LETTER FROM THE BOARD

(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 New CSCECL 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.

GENERAL

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

The CSCECL Group is principally engaged as contractors in the PRC construction market.

CSCECL is the intermediate holding company of the Company. Accordingly, members of the CSCECL Group are connected persons of the Company. Each of the Revision of 2017 Annual Caps under the Supplemental Agreement, the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions contemplated under the New CSCECL Sub-construction Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Supplemental Agreement

Since the applicable percentage ratios as defined under the Listing Rules in respect of the revised maximum total contract sum that may be awarded by the Group to the CSCECL Group for the year ending 31 December 2017 under the Supplemental Agreement, i.e. the Revised 2017 CSCECL Cap, exceed 5%, the revision to the Revised 2017 CSCECL Cap contemplated under the Supplemental 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 the Listing Rules in respect of the revised maximum total contract sum that may be awarded by the CSCECL Group to the Group for the year ending 31 December 2017 under the Supplemental Agreement, i.e. Revised 2017 CSC Cap, exceed 5%, the revision to the Revised 2017 CSC Cap contemplated under the Supplemental 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

New CSCECL Sub-construction Engagement Agreement

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each year under the New CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Sub-construction Engagement Cap, exceed 5%, the CSCECL Sub-construction Engagement Transactions contemplated under the New CSCECL 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 the Listing Rules in respect of the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each year under the New CSCECL Sub-construction Engagement Agreement, i.e. the CSC Sub-construction Engagement Cap, exceed 5%, the CSC Sub-construction Engagement Transactions contemplated under the New CSCECL 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.

The Shareholders should note that each of the Revised 2017 CSCECL Cap, the Revised 2017 CSC Cap, 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 Revised 2017 CSCECL Cap, the Revised 2017 CSC Cap, 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 Revised 2017 CSCECL Cap or 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 Contractors. Similarly, the CSCECL Group may or may not retain the Group to engage in construction related works up to the level of the Revised 2017 CSC Cap or 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 Contractors.

(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO CONSTRUCTION WORKS

Reference is made to the announcement jointly issued by COLI and the Company dated 31 October 2014 in relation to, among other things, the Previous CSC Group Engagement Agreement entered into between COLI and the Company which will expire on 31 December 2017.

As the Previous CSC Group Engagement Agreement is due to expire on 31 December 2017, on 6 October 2017, COLI and the Company entered into the New Master CSC Group Engagement Agreement to renew the transactions contemplated thereunder, whereby 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 for the period commencing from 1 January 2018 and ending on 31 December 2020 subject to the COLI Works Annual Cap.

LETTER FROM THE BOARD

THE NEW MASTER CSC GROUP ENGAGEMENT AGREEMENT

Date

6 October 2017

Parties

1. COLI; and
2. the Company.

Continuing Connected Transactions in relation to Construction Works

The directors of COLI expect that the COLI Group will continue to 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 6 October 2017, COLI and the Company entered into the New Master CSC Group Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 whereby the parties agreed that:

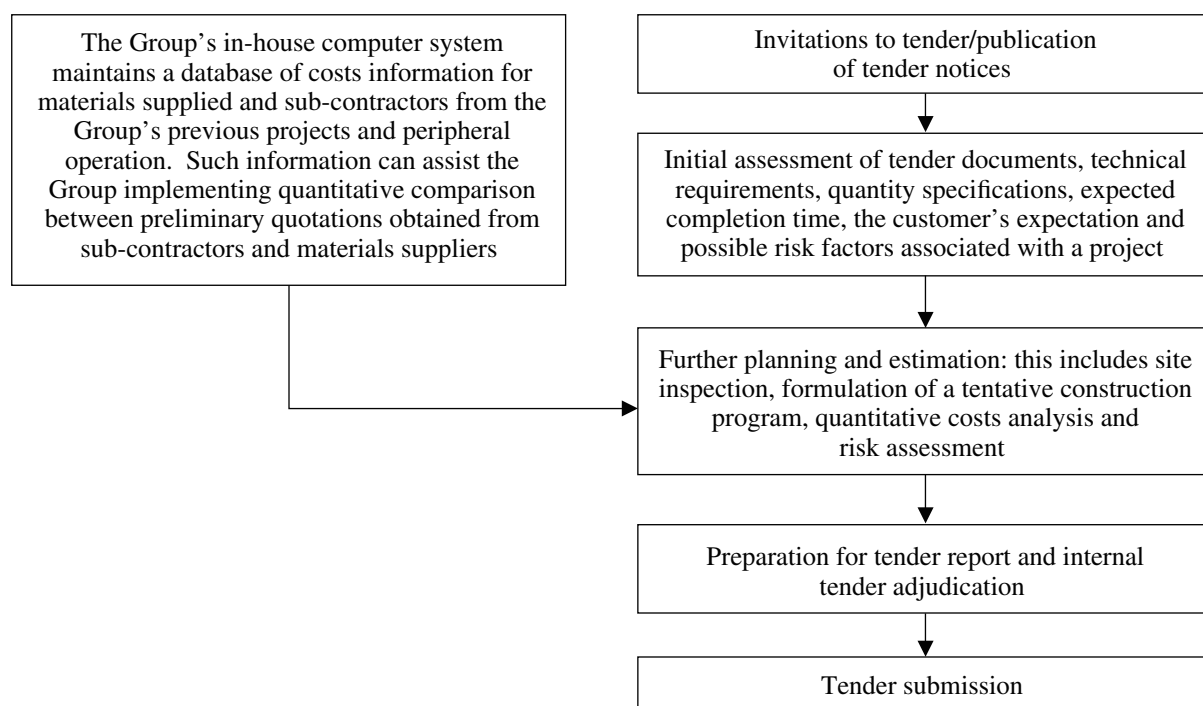
- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract 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's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed HK\$7,000 million (i.e. the COLI Works Annual 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.

Pricing basis of the tenders submitted by the Group

The price and terms of the tenders submitted by the Group to the COLI Group for the COLI Group's construction works in the PRC, Hong Kong and Macau are subject to the standard and systematic tender submission procedure maintained by the Group, which applies for tender submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the proposed tender submitted by the Group to the COLI Group is no more favourable than those submitted to independent third parties.

LETTER FROM THE BOARD

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



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

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

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

LETTER FROM THE BOARD

Pricing basis of the tenders granted by COLI Group

In conducting the COLI Group's invitations to tender, review of tenders and tender selection, the participation of the members of the Group in the tender process shall not in any way affect the COLI Group's tender procedures, contract terms and selection principles. The members of the Group shall be treated in the same way as independent third parties.

The price and terms of the tenders awarded by the COLI Group to the Group are subject to the standard and systematic tender procedure maintained by the COLI Group, which applies to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the COLI Group to the Group is no more favourable than those awarded to independent third parties.

1. Invitation for Tenders

- (i) The COLI Group has established its own list of approved contractors. All contractors invited to submit tender for the COLI Group's projects are selected from contractors on the list of approved contractors. Contractors accepted on the list of approved contractors include contractors with or without prior working history with the COLI Group. Contractors with working history with the COLI Group will be subject to suitability assessment following completion of each project of the COLI Group. A contractor can be retained in the list of approved contractors if its assessment after the project completion is satisfactory. The COLI Group will remove a contractor from the list of approved contractors if it fails to meet the minimum criteria for retention. If a contractor has no prior working history with the COLI Group, the contractor will be subject to qualification evaluation and review to ascertain if it is suitable for inclusion on the list of approved contractors.
- (ii) The number of invitations for tender: the number of tenders to be invited in a contracting project shall not be less than three.
- (iii) Selection of contractors to be invited for tenders: the suitability of a contractor is assessed with general reference to selection criteria including but not limited to the contractor's qualification grade, financial ability, technical capability, cooperation record, project management ability, quality of work and business management capability. Depending on the estimated value of the sub-construction contract, the person in charge and line managers of the regional office or the district office shall conduct the vetting process to ascertain certain contractors to be invited to tender, following which the invitation for tender letters will be issued.

LETTER FROM THE BOARD

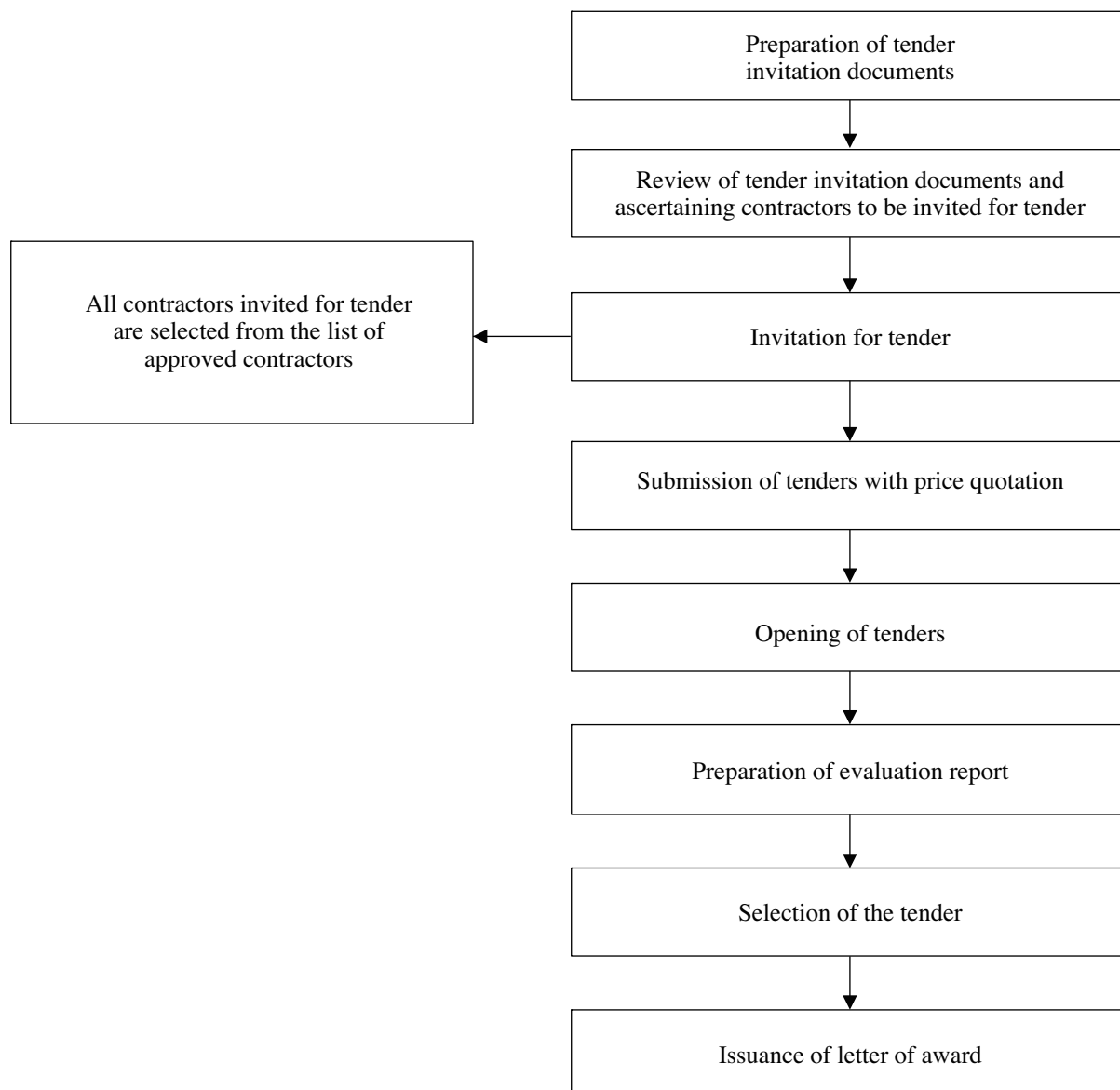
2. Tendering and Selection of bids

- (i) Tendering: the tender documents with price quotations shall be submitted in a sealed envelope. All tender correspondence and registration are standardised by the COLI Group.
- (ii) Opening of tenders: the tenders will be opened in the presence of an officer from the financial department of the regional office or from the human resources department of the member of the COLI Group. The supervising officer will execute the tendering documents which will be confirmed and signed by all parties present at the opening.
- (iii) Selection of tenders: based on the COLI Group's established system of tendering, the winning bid will usually be the one conforming to the technical requirements with a reasonable and minimum price offered. The selection of tenders is determined collectively by the decision-making body in a meeting where contents of the proposed tender, and the contractor's capability and risk of default are given full consideration. The relevant letter of award will be issued once the final decision is made in the meeting of the decision-making body based on the final tender amount.

3. To ensure that the tender exercise is open and fair, professional consultants are usually employed to prepare an evaluation report to review the proposed tender and recommend contractors for property projects in Hong Kong and Macau.

LETTER FROM THE BOARD

Tendering Procedure



Calculation of the COLI Works Annual Cap

The COLI Works Annual Cap is calculated with reference to the following factors:

- (a) total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group for the year ended 31 December 2015 of approximately HK\$2,891.65 million, for the year ended 31 December 2016 of approximately HK\$909.55 million, and in the period between 1 January 2017 and 30 June 2017 of approximately HK\$2,912.63 million;

LETTER FROM THE BOARD

- (b) total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the year ended 31 December 2015 of approximately HK\$29,562.90 million, for the year ended 31 December 2016 of approximately HK\$24,520.80 million, and in the period between 1 January 2017 and 30 June 2017 of approximately HK\$16,595.53 million; and
- (c) total estimated contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, estimated with reference to the COLI Group's future growth and expansion in its land reserves (e.g. during the first half of 2017, the COLI Group acquired 27 land parcels in 18 mainland cities and Hong Kong, adding a total gross floor area of 6.33 million square meters to its land reserve. As of June 2017, the COLI Group has a total land bank of 58.53 million square meters) and the Group's construction works capacity in the PRC, Hong Kong and Macau for such period.

The contract sums under the New Master CSC Group Engagement Agreement will be satisfied by the COLI Group in cash from its general working capital.

Condition Precedent

The transactions contemplated under the New Master CSC Group Engagement Agreement (together with the COLI Works Annual Cap) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder.

Reasons for the Transactions

The COLI Group is principally engaged the business of property development and investment and other operations. The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses.

The Directors consider that being able to participate in the construction works of the COLI Group upon successful tender allows the Group to secure a more diverse base of customers for building construction.

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

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

As at the Latest Practicable Date, COHL is interested in approximately 55.99% of the issued share capital of COLI and approximately 64.60% of the issued share capital of the Company. Accordingly, members of the COLI Group are connected persons of the Group. The transactions contemplated under the New Master CSC Group Engagement Agreement between members of the COLI Group on the one hand and members of the Group on the other hand, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New Master CSC Group Engagement Agreement (i.e. the COLI Works Annual Cap) exceed 5%, the transactions contemplated under the New Master CSC Group 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 COHL and its associates will abstain from voting at the EGM.

The Shareholders should note that the COLI Works Annual Cap represent the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. The COLI Works Annual Cap bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COLI Group may or may not retain the Group to engage in construction works up to the level of the COLI Works Annual Cap, if at all, as the engagements are subject to tender procedures which are open to other independent third party construction contractors.

EXTRAORDINARY GENERAL MEETING

Set out on pages 60 to 62 of this circular is a notice convening the EGM to be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 27 November 2017 at 3:30 p.m. at which all ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

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

LETTER FROM THE BOARD

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM from Wednesday, 22 November 2017 to Monday, 27 November 2017, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 November 2017.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's Articles of Association. As at the Latest Practicable Date, CSCECL and its associates (including COHL), in aggregate holding 3,261,796,136 shares of the Company, representing approximately 64.60% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), and the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap). In addition, COHL is a wholly-owned subsidiary of CSCECL. COHL and its associates, in aggregate holding 3,261,796,136 shares of the Company, representing approximately 64.60% of the issued share capital of the Company as at the Latest Practicable Date will abstain from voting at the EGM on the resolutions relating the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

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

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap). Innovax Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 28 and 29 in this circular which contains its recommendation to the Independent Shareholders in relation to (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL

LETTER FROM THE BOARD

Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 30 to 55 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual 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:

- (1) the Supplemental Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (2) the New CSCECL Sub-construction Engagement Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (3) the New Master CSC Group Engagement Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the COLI Works Annual 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
Zhou Yong
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

6 November 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 6 November 2017 (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 Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Innovax Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

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 27 of the Circular and the text of a letter of advice from Innovax Capital, as set out on pages 30 to 55 of the Circular, both of which provide details of (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap).

Having considered (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap), (iv) the advice of Innovax Capital, and (v) the relevant information contained in the letter from the Board, we are of the opinion that (i) the Supplemental Agreement and the transactions contemplated thereunder (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap), (ii) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (iii) the New Master CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Annual Cap) are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,

For and on behalf of

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

Raymond 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 INNOVAX CAPITAL

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

6 November 2017

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

Dear Sirs,

REVISION OF ANNUAL CAPS AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Supplemental Agreement for the Revision of 2017 Annual Caps; (ii) the New CSCECL Sub-construction Engagement Agreement; and (iii) the New Master CSC Group Engagement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 6 November 2017 issued by the Company, 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.

Reference is made to the announcement dated 28 October 2014 and the circular dated 18 November 2014 of the Company in relation to the continuing connected transactions of the Company as contemplated under the Previous CSCECL Sub-construction Engagement Agreement. Due to the Company’s expansion in the infrastructure construction industry, the Company has been more actively engaged in the implementation of infrastructure projects to accommodate the rapid change of market environment and maximize the investment return. By leveraging on the substantial experience of the CSCECL Group, the Group has closely cooperated with the CSCECL Group to ensure the work quality and progress of the infrastructure projects. Therefore, the Company and CSCECL expect that the respective annual transaction amount between the Group and CSCECL for the year ending 31 December 2017 will exceed the previous annual caps under the Previous CSCECL Sub-construction Engagement Agreement. In this connection, on 6 October 2017, the Company and CSCECL entered into the Supplemental Agreement for the Revision of the 2017 Annual Caps in order to comply with the relevant requirements under the Listing Rules.

In addition, as the Previous CSCECL Sub-construction Engagement Agreement (as supplemented by the Supplemental Agreement) and the Previous CSC Group Engagement Agreement are due to expire on 31 December 2017, on 6 October 2017, (i) the Company and CSCECL entered into the New

LETTER FROM INNOVAX CAPITAL

CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement; and (ii) the Company and COLI entered into the New Master CSC Group Engagement Agreement to renew the Previous CSC Group Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

As CSCECL is the intermediate holding company of the Company; and COHL, a subsidiary of CSCECL, is interested in approximately 55.99% of the issued share capital of COLI and approximately 64.6% of the issued share capital of the Company as at the Latest Practicable Date, COHL, members of the CSCECL Group, members of the COLI Group are connected persons of the Company. Therefore, the transactions under (i) the Supplemental Agreement in relation to the Revision of 2017 Annual Caps; (ii) the New CSCECL Sub-construction Engagement Agreement; and (iii) the New Master CSC Group Engagement Agreement constitute continuing connected transactions (“**Continuing Connected Transactions**”) of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of (i) the revised maximum total contract sum that may be awarded to the CSCECL Group or the Group for the year ending 31 December 2017 under the Supplemental Agreement; (ii) the maximum total contract sum that may be awarded to the CSCECL Group or the Group for each year under the New CSCECL Sub-construction Engagement Agreement; and (iii) the maximum total contract sum that may be awarded to the Group for each year under the New Master CSC Group Engagement Agreement exceed 5%, the Continuing Connected Transactions are subject to the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the four independent non-executive Directors, has been formed to consider whether (i) the terms of the Supplemental Agreement in relation to the Revision of 2017 Annual Caps, the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transactions under the Supplemental Agreement in relation to the Revision of 2017 Annual Caps, the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement, including the relevant proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on the ordinary resolutions to be proposed at the EGM. We, Innovax Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or CSCECL or COLI or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no previous engagement between us and the Company or CSCECL or COLI or any of their respective subsidiaries

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or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or CSCECL or COLI or any of their respective subsidiaries or associates.

BASIS OF OUR OPINION

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

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on 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.

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

(i) Background of the Group, the COLI Group and the CSCECL Group

The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. According to the annual report and interim report of the Company, the total revenue from construction contracts represented approximately 57% and 55% of the Company’s total revenue during the year ended 31 December 2016 and the first half of 2017, respectively.

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According to the Company's announcements dated 10 October 2017 and 7 October 2016 in relation to its operating information for the first nine months of 2016 and 2017, the Group recorded a robust growth on the accumulated new contract value and on-hand contract value, in particular on the growth of the PRC infrastructure investment projects, during the first nine months of 2017 compared with the same period in 2016.

	During the nine months ended 30 September		Annual growth rate
	2016	2017	(%)
Total new contract awarded (HK\$ billion)	63.71	81.00	27.1
• <i>Infrastructure Investment (PRC) (HK\$ billion)</i>	38.63	54.85	42.0
Total value of project in progress (HK\$ billion)	254.03	319.37	25.7
• <i>Infrastructure Investment (PRC) (HK\$ billion)</i>	150.27	211.25	40.6

The COLI Group is principally engaged the business of property development and investment and other operations. During its normal course of business, the COLI Group may 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.

The CSCECL Group is principally engaged as contractors in the PRC construction market. It is one of the largest state-owned construction groups in the PRC operating in major provinces and cities in the PRC and extensive experience in the PRC construction industry. During its normal course of business, the Group may invite the CSCECL Group to participate in competitive tender as construction sub-contractor, project management contractor, project consultant and/or construction material supplier (collectively, "**Contractors**") for the Group's construction works from time to time. Meanwhile, the CSCECL Group, may invite the Group to participate in competitive tender as Contractors for the CSCECL Group's construction works from time to time.

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

According to the Previous CSCECL Sub-construction Engagement Agreement, which was approved by the then Independent Shareholders on 16 December 2014, (i) the maximum total contract sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2017 shall not exceed RMB15,000 million ("**Previous CSCECL Cap**"); and (ii) the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2017 shall not exceed RMB 3,000 million ("**Previous CSC Cap**").

As stated in the Letter from the Board, the actual total contract sum awarded by the Group to the CSCECL Group during the six months ended 30 June 2017 amounted to approximately RMB10,203 million (representing approximately 68% of the Previous CSCECL Cap). Meanwhile, the Group has

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not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works in the period between 1 January 2017 to 30 June 2017 as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders.

Due to the Company's expansion in the infrastructure construction industry, the Company has been more actively engaged in the implementation of infrastructure projects to accommodate the rapid change of market environment and maximize the investment return. By leveraging on the substantial experience of the CSCECL Group, the Group has closely cooperated with the CSCECL Group to ensure the work quality and progress of the of infrastructure projects. Therefore, the Company and CSCECL expect that the respective annual transaction amount between the Group and CSCECL will increase significantly during the second half of 2017 and will exceed the original annual caps based on their respective business projections.

Therefore, on 6 October 2017, the Company and CSCECL entered into the Supplemental Agreement to revise the annual caps ("**Revised 2017 Annual Caps**") under the Previous CSCECL Sub-construction Engagement Agreement in order to comply with the relevant requirements under the Listing Rules.

In addition, as the Previous CSCECL Sub-construction Engagement Agreement (as supplemented by the Supplemental Agreement) and the Previous CSC Group Engagement Agreement will expire on 31 December 2017, on 6 October 2017, (i) the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020; and (ii) the Company and COLI entered into the New Master CSC Group Engagement Agreement to renew the Previous CSC Group Engagement Agreement for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

(iii) **Benefits of the Continuing Connected Transactions**

As stated in the Letter from the Board, the CSCECL Group has been engaging in many construction works in various cities of the PRC. In the cases where the Group considers that sub-contracting its construction, project management and/or project consultancy works, and/or procuring project construction material from suppliers for its construction works would be more efficient and effective, the CSCECL Sub-construction Engagement Transactions contemplated under the New CSCECL Sub-construction Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as Contractors for its construction works. The Directors believe that such arrangement will 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.

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

As stated in the Letter from the Board, it is considered that through the New Master CSC Group Engagement Agreement, the Group is able to participate in the construction works of the COLI Group upon successful tender, and it allows the Group to secure a more diverse base of customers for building construction.

In relation to the Revision of 2017 Annual Caps, after having considered (i) the principal business of the Company and the CSCECL Group; (ii) the abovementioned benefits of the Continuing Connected Transactions; (iii) the long-established relationship between the Group and the CSCECL Group; and (iv) the Previous CSCECL Cap was utilized approximately 68% during the six months ended 30 June 2017; and (v) the transaction amount between the Group and CSCECL under the Previous CSCECL Sub-construction Engagement Agreement (as supplemented by the Supplemental Agreement) is expected to increase significantly during the second half of 2017 as more construction contracts may be awarded to the CSCECL Group or the Group based on their respective business projections, the proposed Revision of 2017 Annual Caps provides the flexibility for the Company to continue the transactions under the Previous CSCECL Sub-construction Engagement Agreement without adversely affecting the business operations of the Company and thus we are of the view that the Revision of 2017 Annual Caps are in the ordinary and usual course of business of the Group, and in the interest of the Company and the Independent Shareholders as a whole.

Similarly, taking into account of the above and (i) the business nature of the Group, COLI Group and CSCECL Group; (ii) the transactions contemplated under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement are in line with the existing business activities of the Group, and are subject to same systematic tender review procedure applicable to independent third parties and connected persons to the Company; and (iii) the transactions contemplated under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement provide a good opportunity for the Group to further develop its construction business; and (iv) the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement itself do not impose any contractual obligation on the Group to sign any definitive agreements with the CSCECL Group or the COLI Group, we are of the view that the entering into the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement are in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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(B) ***Principal terms of the Supplemental Agreement, the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement***

(i) **Principal terms of the Supplemental Agreement**

According to the Supplemental Agreement dated 6 October 2017, the Company and the CSCECL agreed that the Revised 2017 CSCECL Cap is proposed to increase from RMB15,000 million to RMB55,000 million. Meanwhile, the Revised 2017 CSC Cap is proposed to increase from RMB3,000 million to RMB25,000 million.

Save for the revisions to the annual caps set out above, the other terms of the Previous CSCECL Sub-construction Engagement Agreement remain unchanged. The Revision of 2017 Annual Caps contemplated under the Supplemental Agreement (together with the Revised 2017 CSCECL Cap and the Revised 2017 CSC Cap) will take effect conditional upon the Independent Shareholders' approval having been obtained at the EGM. In the event that the Supplemental Agreement does not become effective, the Previous CSCECL Sub-construction Engagement Agreement will remain in full force and binding on the Company and CSCECL.

As stated in the Letter from the Board, the Directors confirm that the actual total contract sums in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions as of the Latest Practicable Date have not exceeded the respective original annual caps for the year ending 31 December 2017. The Directors will keep tracking the actual total contract sums to ensure that they will not exceed such original annual caps up to the date of the EGM.

(ii) **Principal terms of the New CSCECL Sub-construction Engagement Agreement**

Date: 6 October 2017

Parties: CSCECL and the Company

Transaction nature: *CSCECL Sub-construction Engagement Transactions*

Under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 whereby the parties agreed that:

1. the CSCECL Group may tender for the Group's construction works as Contractors 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 Contractors;
2. if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract

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sum that may be awarded by the Group to the CSCECL Group for each of the three financial years ending 31 December 2020 shall not exceed RMB55,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and

3. 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, project management, project consultancy and/or construction material supplying contracts.

CSC Sub-construction Engagement Transactions

Under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 whereby the parties agreed that:

1. the Group may tender for the CSCECL Group's construction works as Contractors 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 Contractors;
2. if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed RMB25,000 million (i.e. the CSC Sub-construction Engagement Cap); and
3. 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, project management, project consultancy and/or construction material supplying contracts.

Pricing basis:

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

The contract sum and the terms awarded by the Group to the CSCECL Group for the Group's construction works will be negotiated on an arm's length basis and determined between the Group and the CSCECL Group subject to the standard and systematic tender review procedure maintained by the Group, which applies for tender obtained from both

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connected persons and independent third parties, in order to ensure that the contract sum and terms granted by the Group to the CSCECL Group is no more favourable than those granted to independent third parties. For the details of the Group's systematic tender review procedure, please refer to the Letter from the Board.

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

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

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

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

(iii) Principal terms of the New Master CSC Group Engagement Agreement

- Date: 6 October 2017
- Parties: COLI and the Company
- Transaction nature: Under the New Master CSC Group Engagement Agreement, the Company and COLI agreed that, for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 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;

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- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for each of the three financial years ending 31 December 2020 shall not exceed HK\$7,000 million (i.e. the COLI Works Annual 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.

Pricing basis:

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

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

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

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

Shareholders should note that the above agreements do not impose any contractual obligation for the Group (i) to tender for construction works of the COLI Group or the CSCECL Group; or (ii) to grant construction service contracts to the CSCECL Group.

Instead, as confirmed by the Management, the Group have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from the COLI Group, the CSCECL Group or other independent third parties as described in the Letter from the Board.

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Similarly, the Group may invite tenders, including the CSCECL Group and other independent construction contractors, for the construction services required by the Group 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.

(i) **CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New Master CSC Group Engagement Agreement**

As stated in the Letter from the Board, a standard and systematic tender submission procedure has been maintained by the Group, which applies for tender submitted to both connected persons and independent third parties, in order to ensure that the price and terms of the proposed tender submitted by the Group to the COLI Group or the CSCECL Group is no more favourable than those submitted to independent third parties. For the details of the Group's systematic tender submission procedure, please refer to the Letter from the Board.

As advised by the Management, the committee members ("**Review Committee**") who participate in the Group's tender submission procedures shall not be employees or directors of the CSCECL Group or the COLI Group, and as advised by the Management, the Group's tender submission procedures are in line with the market practice. Therefore, we consider that the Review Committee have sufficient independence capabilities to review terms of CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New Master CSC Group Engagement Agreement.

To ascertain whether the tender submission procedure has been implemented by the Group to review the feasibility and profitability of invitations to tender received, we have obtained and reviewed four randomly selected sample tender reports of the Group which had been reviewed by the Review Committee. Based on our review, we noted that (i) the standard and systematic tender submission procedure maintained by the Group is applicable to tender submitted to both connected persons and independent third parties, and (ii) the pricing terms of the tenders were determined by the Group with reference to the project cost estimation, technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. We further understand that the Review Committee may approve or reject an invitation to tender based on the analysis result of the tender review process. In addition, the Review 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 tender, the relevant project owners will issue a letter of award to the Group and the Group will act as Contractor for the relevant construction works based on the terms of the successful tender.

As the tender documents submitted by the Group will be reviewed and evaluated by the Review Committee based on the same standard and systematic tender submission procedure applicable to tender submitted to both connected persons and independent third parties, and the results of our

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independent review, we consider that the terms and conditions of the CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New Master CSC Group Engagement Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) CSCECL Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement

Similarly, as stated in the Letter from the Board, a standard and systematic tender review procedure has been maintained by the Group, which is applicable to tender obtained from both connected persons and independent third parties, in order to ensure that the contract sum and terms granted by the Group to the CSCECL Group is no more favourable than those granted to independent third parties. For the details of the Group's systematic tender review procedure, please refer to the Letter from the Board.

As stated in the Letter from the Board, for amount of contract sum of less than RMB5,000,000, the Company's regional management team will form a committee (the "**Committee**") in reviewing the tender documents. For amount of contract sum of more than or equal to RMB5,000,000, the review of the tender documents will be conducted by the Group's sub-contracting advisory board (the "**Advisory Board**"), comprising not less than five members, which include Directors who are not employees and directors of the CSCECL Group or the COHL Group, the directors, management staff and supervisor of the relevant member of the Group and the finance personnel of the Group. In both cases, the members of the Committee or Advisory Board shall not be employees or directors of the CSCECL Group or the COHL Group and shall have no relationship with the CSCECL Group and the COHL Group.

As advised by the Management, the Committee or Advisory Board will shortlist at least 3 tenders, including Contractors with or without prior working history with the Group, and make the final decision with reference to the certain selection criteria, including quality of works, measures on environmental protection, safety and workers' health undertaken, time management and project management plan, financial arrangement and financial ability, material and supply management; and past cooperation with the Group, if any. In general, the Committee or the Advisory Board will select the Contractor with the lowest tender amount on the condition that it also satisfies the selection criteria and principles as set out in the tender invitation.

Based on the above, we consider that the members of the Committee or Advisory Board have sufficient independence and capabilities to review terms of transactions under the CSCECL Sub-construction Engagement Transactions.

To ascertain whether the tender review procedure has been implemented by the Group, we have obtained and reviewed four randomly selected sample tender review reports of the Group which had been reviewed by the Committee or the Advisory Board. Based on our review on the sample tender review reports of the Group, we noted that (i) same tender selection criteria is applicable to tenders submitted by the CSCECL Group and other independent contractors; and (ii) the major tender selection criteria include cost competitiveness of the tenders and any prior working history between

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the tenders and the Group; (iii) in each tender review report, three tenders from the CSCECL Group or independent contractors were selected and compared under the tender review procedures; and (iv) the tender with the highest score, obtained from the CSCECL Group or independent contractors, was selected as the vendor of the sample construction contracts under the tender review procedures.

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

(D) *The Revised 2017 Annual Caps under the Supplemental Agreement, the proposed annual caps under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement*

(i) *The Revised 2017 Annual Caps under the Supplemental Agreement*

According to the Supplemental Agreement dated 6 October 2017, the Company and the CSCECL agreed that the Revised 2017 CSCECL Cap is proposed to increase from RMB15,000 million to RMB55,000 million. Meanwhile, the Revised 2017 CSC Cap is proposed to increase from RMB3,000 million to RMB25,000 million.

As stated in the Letter from the Board, the Revised 2017 CSCECL Cap is determined with reference to the actual implementation of the CSCECL Group's construction projects and the market price after taking into account the nature of the construction project and the location of such project. As at the Latest Practicable Date, based on the development status and total value of project in progress of the Group, it is estimated that the amount of additional construction works expected to be awarded by the Group to the CSCECL Group or other independent third parties Contractors in the PRC, subject to the standard and systematic tender review procedure maintained by the Group, will be approximately RMB45 billion during the second half of 2017. Meanwhile, the Revised 2017 CSC Cap is determined with reference to the actual implementation of the Group's construction projects and the market price after taking into account the nature of the construction project and the location of such project. As at the Latest Practicable Date, the Group is finalising the construction contracts with the CSCECL Group for two construction contracts with total initial contract value of approximately RMB14 billion (subject to the signing of the formal construction contracts). Save for the above, based on the development status and total value of project in progress of the CSCECL Group, it is estimated that the amount of additional construction works expected to be awarded by the CSCECL Group to the Group or other independent third parties Contractors in the PRC will be approximately RMB11 billion during the second half of 2017.

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In assessing the reasonableness of the Revised 2017 Annual Caps, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the Revised 2017 Annual Caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the Revised 2017 Annual Caps:

1. *Historical figures of Previous CSCECL Sub-construction Engagement Agreement*

As stated in the Letter from the Board, the actual total contract sum awarded by the Group to the CSCECL Group during the two years ended 31 December 2016 were approximately RMB5,062 million and approximately RMB12,232 million, representing approximately 33.7% and approximately 81.5% of the Previous CSCECL Cap. During the six months ended 30 June 2017, the actual total contract sum awarded by the Group to the CSCECL Group amounted to approximately RMB10,203 million (representing approximately 68% of the Previous CSCECL Cap).

Meanwhile, the actual total contract sum awarded to the Group by the CSCECL Group during the two years ended 31 December 2016 were approximately RMB18 million and approximately RMB722 million, representing approximately 0.6% and approximately 24% of the Previous CSC Cap. During the six months ended 30 June 2017, the Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders during the first half of 2017.

2. *Internal estimation of the Group's construction works may award to the CSCECL Group during the second half of 2017*

During the six months ended 30 June 2017, the actual total contract sum awarded by the Group to the CSCECL Group amounted to approximately RMB10,203 million.

We were advised by the Management that the infrastructure investment growth in China remained high and the Public-Private-Partnership (“PPP”) market saw rapid development. As phenomena such as non-compliant local government debts and varying project quality emerged, China successively implemented policies to regulate and standardise the market. Adhering closely to the state policies, the Group further increased its efforts in business expansion and seized market opportunities. Regional development strategies and differentiated competition strategies are sensibly implemented by the Group. In the eastern region where the economy and infrastructure are more developed, the integrated quality enhancing businesses such as new industrial towns, underground tunnels, sponge cities, etc. are strongly promoted. In the western region where the economy and infrastructure are less developed, large-scale infrastructure projects such as expressways, railways, etc. are heavily developed.

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As stated in the Company's 2016 annual report ("**2016 AR**") and 2017 interim report ("**2017 IR**"), following the first PPP projects in China granted in 2015, the Group was successfully awarded several significant PPP projects during the year ended 31 December 2016 and the six months ended 30 June 2017. For example, the Group was awarded numerous investment and construction project of municipal infrastructure, Industrial Park and Technology City by way of PPP model in different regions, Hubei, Anhui and Shanxi Province during the six months ended 30 June 2017. The aggregate attributable contract value of the Group amounts to HK\$6,630 million, according to the 2017 IR.

In addition, to further capture the growing investment in infrastructure project by PRC government, the Group actively increase its investment in China by way of PPP model. As the CSCECL Group has substantial experience in construction markets of major provinces and cities in China, the Group has formed a number of joint ventures with the CSCECL Group for the purpose of investing into several PPP projects in 2016 and 2017. According to the Company's announcements dated 21 March 2017, 5 April 2017 and 21 July 2017, member companies of the Group and the CSCECL Group jointly submitted a bid for infrastructure projects to the local government institutions. We have obtained and reviewed the relevant project investment documents, we noted that the CSCECL Group would be engaged as the main contractor of the relevant infrastructure projects in accordance with the tender documents.

Pursuant to the relevant tender documents, upon successful bidding, the parties shall establish a joint venture company, and enter into a project agreement with the local government institution. Under the project agreement, the joint venture company shall be responsible for the financing, design, construction management, operation, maintenance and transfer of the relevant PPP projects.

As advised by the Management, a total of 7 PPP projects were secured by the joint ventures formed by the Group and the CSCECL Group as at the Latest Practicable Date, and the initial aggregate contract sum of construction works for these PPP projects is approximately RMB42.3 billion. It is expected that the construction contracts will be awarded to the CSCECL Group by the relevant joint venture companies by the end of 2017 upon the signing of the project agreements with the local government institutions.

After discussion with the Management, we understand that the above transaction amounts between these joint ventures and the CSCECL Group have not been taken into consideration for the estimation of the previous annual caps under the Previous CSCECL Sub-construction Engagement Agreement.

Based on above and taking into account that (i) the actual total contract sum awarded by the Group to the CSCECL Group amounted to approximately RMB10.2 billion during the six months ended 30 June 2017; and (ii) several construction contracts, with initial aggregate contract sum of approximately RMB42.3 billion, will be awarded to the CSCECL Group by the relevant joint venture companies by the end of 2017, we concur with the Directors' view that the Revised 2017 CSCECL Caps have been arrived at on a fair and reasonable basis.

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3. *Internal estimation of construction works expected to be awarded by the CSCECL Group to the Group as Contractor during the second half of 2017*

During the six months ended 30 June 2017, the Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders.

Due to the Company's expansion in the infrastructure investment and construction industry, the Company has been more actively engaged in the implementation of infrastructure projects by way of PPP model. As mentioned above, several PPP projects were secured by the joint ventures formed by the Group and the CSCECL Group, and the CSCECL Group shall be engaged by the relevant joint venture companies as the main contractor of these PPP projects. The Management expects that the CSCECL Group may invite qualified subcontractors, including the Group's construction arm in the PRC, tender for certain parts of such construction works as subcontractors in accordance with the tendering procedure of the CSCECL Group from time to time. Therefore, it is expected that the amount of construction works of the CSCECL Group may be awarded to the Group or other independent third parties will increase during the second half of 2017 and over the next few years.

As advised by the Management, as at the Latest Practicable Date, the Group is finalising the construction contracts with the CSCECL Group for two construction contracts with total initial contract value of approximately RMB14 billion (subject to the signing of the formal construction contracts). Save for the above, based on the development status and total value of project in progress of the CSCECL Group, the Management estimates that the amount of additional construction works expected to be awarded by the CSCECL Group to the Group or other independent third parties as Contractors in the PRC will be approximately RMB 11 billion during the second half of 2017.

In light of the above, and the Revised 2017 Annual Caps have been negotiated and reviewed by CSCECL Group, we consider that bases adopted by the Management in determining the Revised 2017 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) The proposed annual caps under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement

As set out in the Letter from the Board, (i) the historical figures and previous annual caps under the Previous CSCECL Sub-construction Engagement Agreement and the Previous CSC Group Engagement Agreement; and (ii) the proposed annual caps in respect of the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement are as follows:

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CSCECL Sub-construction Engagement Transactions

	Year ended/ ending 31 December					
	2017 (up to					
	30 June					
	2015	2016	2017)	2018	2019	2020
Historical figures (RMB million)	5,062	12,232	10,203	N/A	N/A	N/A
Previous annual caps (RMB million)	15,000	15,000	15,000	N/A	N/A	N/A
Proposed annual caps (RMB million)	N/A	N/A	55,000	55,000	55,000	55,000

CSC Sub-construction Engagement Transactions

	Year ended/ ending 31 December					
	2017 (up to					
	30 June					
	2015	2016	2017)	2018	2019	2020
Historical figures (RMB million)	17.6	722	Nil	N/A	N/A	N/A
Previous annual caps (RMB million)	3,000	3,000	3,000	N/A	N/A	N/A
Proposed annual caps (RMB million)	N/A	N/A	25,000	25,000	25,000	25,000

Transactions under the Previous CSC Group Engagement Agreement and the New Master CSC Group Engagement Agreement

	Year ended/ ending 31 December					
	2017 (up to					
	30 June					
	2015	2016	2017)	2018	2019	2020
Historical figures (HKD million)	2,892	910	2,913	N/A	N/A	N/A
Previous annual caps (HKD million)	3,000	3,000	3,000	N/A	N/A	N/A
Proposed annual caps (HKD million)	N/A	N/A	N/A	7,000	7,000	7,000

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

- total contract sum of construction projects of the Group engaging the CSCECL Group for each of the two financial years ended 31 December 2016 amounted to approximately RMB 5,062 million and approximately RMB 12,232 million, and in the period between 1 January 2017 to 30 June 2017 of approximately RMB 10,203 million;

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- the growth of the construction markets in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the Directors based on their market experience and the expectation that rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote civil constructions, housing and transportation construction which will drive up the construction market demand steadily; and
- the construction projects to be awarded by the Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 as estimated with reference to the sustainable growth of the Group's infrastructure investment projects in the PRC for such period, which is based on the amount of construction work expected to be awarded to Contractors according to the Group's internal list of all projects planned to be carried out in the PRC in 2018, and the estimation that the amount of construction work and number of projects will be more or less the same in 2019 and 2020. In order to capture the increasing investment in infrastructure projects by the PRC government, the Group actively increased its investment in Mainland China, and was successfully awarded a number of infrastructure investment projects in 2017 and recorded a robust growth on the accumulated new contract value and on-hand contract value of construction projects as compared to 2016 as a result. As at 30 September 2017, the Group recorded project on-hand contract value of approximately HK\$319 billion, of which contract value attributable to infrastructure investment project amounted to HK\$211 billion, which will be carried out during 2017 to 2021.

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 construction projects of the CSCECL Group engaging the Group for each of the two financial years ended 31 December 2016 amounted to approximately RMB17.6 million and approximately RMB722 million;
- total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, estimated with reference to the CSCECL Group's future growth and expansion and the capacity of the Group for acting as the subcontractor of the CSCECL Group's construction projects for such period, which is based on the estimated amount of revenue of the CSCECL Group in 2018 and accordingly the construction work expected to be awarded to Contractors, and the estimation that such amount of revenue and construction work will be more or less the same in 2019 and 2020. Given the positive market environment in the PRC and the performance growth of the CSCECL Group in 2017 in terms of revenue and new construction projects awarded as compared to 2016, it is expected that the estimated contract sum for new construction projects of the CSCECL Group will continue to increase during 2018 to 2020, thereby enhancing the chance and contract sum for subcontracting service that might be awarded by the CSCECL Group to the Group; and

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- the growth of the construction markets in the PRC in the three-year period commencing from 1 January 2018 and ending on 31 December 2020 estimated by the Directors based on their market experience and expectation that rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote civil constructions, housing and transportation construction which will drive up the construction market demand steadily.

As stated in the Letter from the Board, the COLI Works Annual Cap is calculated with reference to the following factors:

- total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group for the year ended 31 December 2015 of approximately HK\$2,892 million, for the year ended 31 December 2016 of approximately HK\$910 million, and in the period between 1 January 2017 and 30 June 2017 of approximately HK\$2,913 million;
- total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the year ended 31 December 2015 of approximately HK\$29,563 million, for the year ended 31 December 2016 of approximately HK\$24,521 million, and in the period between 1 January 2017 and 30 June 2017 of approximately HK\$16,596 million; and
- total estimated contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, estimated with reference to the COLI Group's future growth and expansion in its land reserves (e.g. during the first half of 2017, the COLI Group acquired 27 land parcels in 18 mainland cities and Hong Kong, adding a total gross floor area of 6.33 million square meters to its land reserve. As of June 2017, the COLI Group has a total land bank of 58.53 million square meters) and the Group's construction works capacity in the PRC, Hong Kong and Macau for such period.

Our assessments on the proposed annual caps and its basis

In assessing the reasonableness of the above proposed annual caps, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the annual caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the annual caps:

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

We noted that actual historical aggregate amounts of the CSCECL Sub-construction Engagement Transactions increased from approximately RMB5,062 million in 2015 to approximately RMB20,406 million in 2017 (if based on the annualized estimate).

According to the Supplemental Agreement dated 6 October 2017, the Company and the CSCECL agreed that the Revised 2017 CSCECL Cap is proposed to increase from RMB15,000 million to

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RMB55,000 million, representing approximately RMB 34,594 million increase from the annualized estimate amount of RMB 20,406 million in 2017. The CSCECL Sub-construction Engagement Cap for the three years ending 31 December 2020 are the same as the Revised 2017 CSCECL Cap of RMB55,000 million.

Having considered the below factors and reasons, we concur with the Directors' view that the CSCECL Sub-construction Engagement Cap have been arrived at on a fair and reasonable basis:

- *Construction works may be awarded to the CSCECL Group by joint ventures formed by the Group and the CSCECL Group for PPP projects* — as discussed at the paragraph headed “ 2. Internal estimation of the Group’s construction works may award to the CSCECL Group during the second half of 2017” of this letter, the Group has actively expanded infrastructure projects in the PRC by way of PPP model. As advised by the Management, the Group will continue to form joint ventures with the CSCECL Group or other independent third parties for the financing, design, construction management, operation, maintenance and transfer of PPP projects. Under this business model, the CSCECL Group, being one of the shareholders of the relevant joint ventures, shall be engaged as the main contractor of the relevant infrastructure projects, and awarded construction contract from the relevant joint ventures. During the second half of 2017, a total of 7 PPP projects were secured by the joint ventures formed by the Group and the CSCECL Group, and the initial aggregate contract sum of construction works for these PPP projects is approximately RMB42.3 billion will be granted to the CSCECL Group as the Contractors. After discussion with the Management, we understand that such potential transaction amounts between the relevant joint ventures and the CSCECL Group for the PPP projects have not been taken into consideration for the estimation of the original annual caps under the Previous CSCECL Sub-construction Engagement Agreement as the first PPP projects only granted in 2015, and we understand that it is the major reason for the significance increase of the CSCECL Sub-construction Engagement Cap for the three years ending 31 December 2020, compared with the original annual caps;
- *High utilisation of the annual caps during the first half of 2017* — as stated in the Letter from the Board, the actual total contract sum awarded by the Group to the CSCECL Group during the six months ended 30 June 2017 amounted to approximately RMB10,203 million (representing approximately 68% of the Previous CSCECL Cap). Due to the Company’s expansion in the infrastructure construction industry, the Company has been more actively engaged in the implementation of infrastructure projects to accommodate the rapid change of market environment and maximize the investment return. By leveraging on the substantial experience of the CSCECL Group, the Group has closely cooperated with the CSCECL Group to ensure the work quality and progress of the of infrastructure projects. Therefore, the Company and CSCECL expect that the respective annual transaction amount between the Group and CSCECL will increase significantly during the second half of 2017 and may increase to approximately RMB55,000 million during the year ending 31 December 2017; and
- *The annual growth of the Group’s on-hand contract value* —according to the Company’s announcements dated 10 October 2017 and 7 October 2016 in relation to its operating

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information for the first nine months of 2016 and 2017, the Group recorded a robust growth on the accumulated new contract value and on-hand contract value, in particular on the growth of the PRC infrastructure investment projects, during the first nine months of 2017 compared with the same period in 2016. Having considered that the sustainable growth of the Group's infrastructure investment projects in the PRC, the Management expect that the Group's demand for sub-contracting service offered by the CSCECL Group or other independent contractors will continue to increase during the three years ending 31 December 2020. As CSCECL Group, which have long-term business relationship with the Group, together with a strong presence and proven track record in the PRC construction market, may tender for the Group's above construction works as Contractors over the next three years in accordance with the tendering procedures of the Group from time to time over the next few years.

	During the nine months ended 30 September		Annual growth rate
	2016	2017	(%)
Total new contract awarded (HK\$ billion)	63.71	81.00	27.1
• <i>Infrastructure Investment (PRC) (HK\$ billion)</i>	<i>38.63</i>	<i>54.85</i>	<i>42.0</i>
Total value of project in progress (HK\$ billion)	254.03	319.37	25.7
• <i>Infrastructure Investment (PRC) (HK\$ billion)</i>	<i>150.27</i>	<i>211.25</i>	<i>40.6</i>

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

We noted that actual historical aggregate amounts of the CSC Sub-construction Engagement Transactions increased from approximately RMB17.6 million in 2015 to approximately RMB722 million in 2016. But the Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works in the period between 1 January 2017 to 30 June 2017 as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders.

According to the Supplemental Agreement dated 6 October 2017, the Company and the CSCECL agreed that the Revised 2017 CSC Cap is proposed to increase from RMB3,000 million to RMB25,000 million. The CSC Sub-construction Engagement Cap for the three years ending 31 December 2020 are the same as the Revised 2017 CSC Cap of RMB25,000 million.

Having considered the below factors and reasons, we concur with the Directors' view that the CSC Sub-construction Engagement Cap have been arrived at on a fair and reasonable basis:

- *Construction works may be subcontracted by the CSCECL Group to the Group's construction arm in the PRC for the PPP projects invested by joint ventures formed by the Group and the CSCECL Group — as discussed at the paragraph headed “ 3. Internal estimation of construction works expected to be awarded by the CSCECL Group to the Group as Contractor during the second half of 2017” of this letter, upon the CSCECL Group is awarded construction contracts from the relevant joint ventures as main contractors, it is*

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expected that the CSCECL Group may invite qualified subcontractors, including the Group's construction arm in the PRC, tender for certain parts of such construction works as subcontractor. Therefore, the amount of construction works of the CSCECL Group may be awarded to the Group or other independent contractors will increase during the three years ending 31 December 2020. Similarly, after discussion with the Management, we understand that such potential transaction amounts between the Group and the CSCECL Group for the PPP projects have not been taken into consideration for the estimation of the original annual caps under the Previous CSC Sub-construction Engagement Agreement as the first PPP projects only granted in 2015, and we understand that it is the major reason for the significance increase of the CSC Sub-construction Engagement Cap for the three years ending 31 December 2020, compared with the original annual caps;

- *Historical figures of the CSC Sub-construction Engagement Transactions* — we noted that the historical figures of the CSC Sub-construction Engagement Transactions during the two years ended 31 December 2016 were well below the previous annual caps as discussed above. The Group has not been engaged by the CSCECL Group as Contractors for the CSCECL Group's construction works in the period between 1 January 2017 to 30 June 2017 as the Group has neither identified any suitable projects from the CSCECL Group's construction works nor successfully been nominated by the CSCECL Group as Contractors through tenders. However, we are advised by the Management that the Group is finalising two construction contracts with total initial contract value of approximately RMB14 billion (subject to the signing of the formal construction contracts) with the CSCECL Group. Save for the above, based on the development status and total value of project in progress of the CSCECL Group, the Management estimates that the amount of additional construction works expected to be awarded by the CSCECL Group to the Group or other independent third parties as Contractors in the PRC will be approximately RMB 11 billion during the second half of 2017;
- *Sustainable growth of the CSCECL Group's business* — The CSCECL Group is the largest construction group in the PRC and over the world. According to its 2017 interim report, the operation revenue of CSCECL during the six months ended 30 June 2017 amounted to approximately RMB525.3 billion, up approximately 11.8% from the same period of 2016. During the first half of 2017, the total contract sums of new construction projects amounted to approximately RMB1,195 billion, up approximately 33.7% from the same period of 2016, among which construction contracts for infrastructure construction increased to approximately RMB366.7 billion, up approximately 64.5% from the same period of 2016. It is expected that rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote relevant construction in civil constructions, housing and transportation, and construction market demand will grow steadily. Benefited from the positive market environment in the PRC, the Management expects that the total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2018 and ending on 31 December 2020, will continue to grow, and as a result, it will increase the demand for subcontract services. In addition, as some of the Group's construction contracts may be granted to CSCECL through the New CSCECL Sub-construction Engagement Agreement, and the Management expects that CSCECL may invite qualified subcontractors, including

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the Group's construction arm in the PRC, tender for certain parts of such construction works as subcontractors in accordance with the tendering procedure of the CSCECL Group from time to time. The Management considers that the CSC Sub-construction Engagement Cap provide the Group flexibility to participate in the tender of the CSCECL Group from time to time over the next three years; and

- *Review of annual caps by the CSCECL Group* — after discussion with the Management, we understand that the CSC Sub-construction Engagement Cap for each of the three years ending 31 December 2020 has been negotiated and approved by the CSCECL Group after taking into accounts of (i) the total new contract value of CSCECL, including the preliminary development timetable of such new projects; and (ii) the capacity of the Group for acting as the subcontractor of CSCECL Group's construction projects.

(3) *The COLI Works Annual Cap*

We noted that actual historical aggregate transaction amounts under the Previous CSC Group Engagement Agreement increased from approximately HKD2,892 million in 2015 to approximately HKD5,826 million in 2017 (if based on the annualized estimate).

The COLI Works Annual Cap for the three years ending 31 December 2020 are HKD7,000 million, representing approximately HKD1,174 million increase from the annualized estimate amount of HKD5,826 million in 2017.

Having considered the below factors and reasons, we concur with the Directors' view that the COLI Works Annual Cap have been arrived at on a fair and reasonable basis:

- *Full utilisation of the annual caps during the first half of 2017* — as stated in the Letter from the Board, the actual total contract sum awarded by the COLI Group to the Group during the six months ended 30 June 2017 amounted to approximately HK\$2,913 million (representing approximately 97.1% of the annual caps under the Previous CSC Group Engagement Agreement); and
- *The total estimated contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau* — According to the 2017 Interim Report of COLI, during the first half of the year, the COLI Group acquired 27 land parcels in 18 mainland cities and Hong Kong, adding a total gross floor area of 6.33 million square meters to the land reserve. At end of June 2017, the total land bank of the COLI Group was 58.53 million square meters. As stated in the COLI's announcement dated 7 September 2017, in order to support its sustainable development of properties development business, COLI Group acquired a total of 13 land parcels in several mainland cities with aggregate attributable gross floor area of approximately 1.9 million square meters during the two months ended 31 August 2017. Having considered that the sustainable growth of the properties development project of COLI Group and the trend of increasing costs for construction works, the Management expect that COLI Group's demand for and contract sum of sub-contracting service offered by the Group or other independent contractors will continue to increase during the three years ending 31 December 2020. We have obtained and reviewed an internal memo

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“(Internal Memo”) issued by the construction department to the finance department of the Group in April 2017. According to the Internal Memo, it was recommended to increase the COLI Works Annual Cap to HKD7,000 million in order to provide the flexibility for the Company to continue the transactions under the New Master CSC Group Engagement Agreement without adversely affecting the business operations of the Company, after taking into accounts of several factors, namely (i) the COLI Group has actively expanded property development business in Hong Kong since 2015; (ii) the COLI Group has continued to expand its land reserve in Hong Kong, for example, it acquired a land parcel (West Rail Kam Sheung Road Project) with total gross floor area of approximately 114,896 square meter in May 2017, according to the announcement of COLI dated 12 October 2017. It is expected that these new properties development projects will invite qualified contractors, including the Group, tender for certain parts of such construction works as Contractors over the next few years; and (iii) the average construction cost of private residential development project has been increased to HK\$40,000 — HK\$42,000 per square meter. As confirmed by the Management, the Group has maintained stable and long-term business relationship with COLI Group, and the Group may tender for the COLI Group’s construction works in accordance with the tendering procedures of the Group from time to time over the next few years.

Given the abovementioned, we are of the view that the proposed annual caps under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Shareholders should note that each of the Revised 2017 Annual Caps and the proposed annual caps under the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement represents the best estimates by the Directors of the amount of the relevant transaction based on the information currently available. Each of these annual caps bears no direct relationships to, nor should be taken to have any direct bearings to, the Group’s financial or potential financial performance. The Group may or may not retain the CSCECL Group to engage in construction related works up to the level of the Revised 2017 CSCECL Cap or 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 Contractors. Similarly, the CSCECL Group or the COLI Group may or may not retain the Group to engage in construction related works up to the level of the relevant annual caps, if at all, as its engagement is subject to tender procedures which are open to other independent third party Contractors.

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(E) *Reporting requirements and conditions of the Continuing Connected Transactions*

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

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

LETTER FROM INNOVAX CAPITAL

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

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the Supplemental Agreement, the New CSCECL Sub-construction Engagement Agreement and the New Master CSC Group Engagement Agreement, including the relevant proposed annual caps, are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

Innovax Capital Limited

Alvin Kam

Erica Ling

Managing Director

Director

Note: Mr. Alvin Kam has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2007. He has more than 14 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Ms. Erica Ling has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2016. She has more than 6 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**(a) Directors and chief executive**

As at the Latest Practicable Date:

- (i) Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,233,027; 4,000,000; 2,930,780; 300,904; 591,584; 913,569; 1,027,765; 813,569 and 1,027,765 Shares respectively. All these Shares were held by the aforesaid Directors in the capacity of beneficial owners;
- (ii) Mr. Hung Cheung Shew held 7,095 shares in COLI (an associated corporation of the Company); 30,000 shares in Far East Global Group Limited ("FEG", a non-wholly owned subsidiary of the Company); and 2,365 shares in China Overseas Property Holdings Limited (an associated corporation of the Company). All these shares were held by the aforesaid Director in the capacity of beneficial owner;
- (iii) Mr. Pan Shujie held 400,000 shares in FEG. All these shares were held by the aforesaid Director in the capacity of beneficial owner;
- (iv) Mr. Zhang Haipeng held 3,078,000 shares in FEG. All these shares were held by the aforesaid Director in the capacity of beneficial owner; and
- (v) Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Wu Mingqing and Mr. Zhang Haipeng held 255,000; 210,000; 210,000; 210,000; 210,000 and 210,000 shares in CSCECL. All these shares were held by the aforesaid Directors in the capacity of beneficial owners.

(b) Substantial Shareholders

As at the Latest Practicable Date, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of Shares held	% of Shares in issue^(Note 1)
COHL ^(Note 2)	Beneficial owner	3,261,796,136	64.60
CSCECL ^(Note 3)	Interest of a controlled corporation/beneficial owner	3,261,796,136	64.60
CSCEC ^(Note 4)	Interest of a controlled corporation/beneficial owner	3,261,796,136	64.60

Notes:

1. The percentage has been adjusted based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 5,049,156,668 Shares).
2. Amongst the total number of 3,261,796,136 Shares held by COHL, 3,146,188,492 Shares were held as beneficial owner while the balance of 115,607,644 Shares were interests of its controlled corporation.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 3,261,796,136 Shares directly and indirectly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 3,261,796,136 Shares indirectly owned by CSCECL.

3. COMPETING INTERESTS

Mr. Zhou Yong, an executive Director, is a director of the Company's holding company, namely COHL, and some of its subsidiaries. Operations of such companies are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group as these companies are engaged in construction, property development and related businesses.

As 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 nor any of their respective close associates had any interest in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholding.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Group were made up.

5. SERVICE CONTRACTS

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

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the businesses of the Group;
- (ii) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2016 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (iii) save as disclosed in the section headed “Competing Interests” above, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

7. QUALIFICATION AND CONSENT OF EXPERT

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

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

The letter of Innovax Capital is given as of the date of this circular for incorporation herein.

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

As at the Latest Practicable Date, Innovax Capital had no interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company were made up.

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Supplemental Agreement;
- (b) the New CSCECL Sub-construction Engagement Agreement;
- (c) the Previous CSCECL Sub-construction Engagement Agreement;
- (d) the New Master CSC Group Engagement Agreement;
- (e) the Previous CSC Group Engagement Agreement;
- (f) 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;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Innovax Capital” of this circular; and
- (h) the letter of consent from the expert referred to under the section headed “Qualification and Consent of Expert” in this appendix.

9. GENERAL

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Monday, 27 November 2017 at 3:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the Supplemental Agreement (as defined in the circular of the Company dated 6 November 2017 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 Revised 2017 CSCECL Cap (as defined in the Circular) for the period between 1 January 2017 and 31 December 2017 be and is hereby approved;
- (iii) the Revised 2017 CSC Cap (as defined in the Circular) for the period between 1 January 2017 and 31 December 2017 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Supplemental Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

2. “**THAT:**

- (A) (i) the New CSCECL Sub-construction Engagement Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the CSCECL Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 January 2018 and 31 December 2020 be and is hereby approved;
 - (iii) the CSC Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 January 2018 and 31 December 2020 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”
3. **“THAT:**
- (A) (i) the New Master CSC Group Engagement Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
 - (ii) the COLI Works Annual Cap (as defined in the Circular) for the period between 1 January 2018 and 31 December 2020 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the New Master CSC Group Engagement 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
Zhou Yong
Chairman and Chief Executive Officer

Hong Kong, 6 November 2017

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the Meeting from Wednesday, 22 November 2017 to Monday, 27 November 2017, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 November 2017.