
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中國建築興業集團有限公司 CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

PROPOSALS FOR

- (1) RE-ELECTION OF DIRECTORS;**
- (2) CHANGE OF AUDITOR;**
- (3) GENERAL MANDATES**

**TO ISSUE SHARES AND BUY BACK SHARES;
AND**

**(4) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH CHINA STATE CONSTRUCTION
INTERNATIONAL HOLDINGS LIMITED**

AND

NOTICE OF THE ANNUAL GENERAL MEETING

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



**红日资本有限公司
RED SUN CAPITAL LIMITED**

A letter from the Board is set out on pages 4 to 16 of this circular and a letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from Red Sun, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 24 to 39 of this circular.

The notice convening the annual general meeting of the Company to be held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Thursday, 28 May 2020, at 10:00 a.m. is set out on pages 45 to 49 of this circular. Whether or not you are able to attend the meeting you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the Novel Coronavirus (COVID-19) epidemic, the following precautionary measures will be implemented at the AGM:

- (1) Compulsory body temperature checks
- (2) Wearing of surgical face mask
- (3) No refreshments and corporate gifts will be provided

Any attendee who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the AGM by appointing the Chairman of the AGM as their proxy and to return their proxy forms by the time specified above, instead of attending the AGM in person.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

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DEFINITIONS

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

“30%-controlled companies”, “associates”, “close associates”, “connected persons”, “controlling shareholder(s)”, “core connected persons” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“AGM”	the annual general meeting of the Company to be held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Thursday, 28 May 2020, at 10:00 a.m. or any adjournment thereof;
“Annual Cap(s)”	the maximum total contract sum(s) of the contracts for provision of contracting and engineering works, project consultancy service and project management service that may be awarded by the CSC Group to the Group (as subcontractor of the CSC Group) for the relevant period(s)/year(s) under the New CSCD-CSC Sub-construction Engagement Agreement;
“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors;
“Buy-back Mandate”	a general and unconditional mandate to be granted to the Directors to buy back Shares not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the AGM;
“CCT Resolution”	the ordinary resolution to approve the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps);
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	China State Construction Development 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: 830);

DEFINITIONS

“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability (the Stock Exchange’s stock code: 3311);
“CSC Group”	CSC, its subsidiaries and 30%-controlled companies (excluding the Group) from time to time;
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of CSC and the Company;
“CSCECL”	China State Construction Engineering Corporation Limited, a joint stock company incorporated in the PRC (the Shanghai Stock Exchange’s stock code: 601668), an intermediate holding company of the Company;
“CSCECL Group”	CSCECL and its subsidiaries (including CSC, China Overseas Land & Investment Limited (the Stock Exchange’s stock code: 688) and their respective subsidiaries but excluding the Group), CSC’s 30%-controlled companies, and China Overseas Grand Oceans Group Limited (the Stock Exchange’s stock code: 81) and its subsidiaries;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps);
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise the terms of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps), and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities;
“Independent Shareholders”	Shareholder(s), other than CSC and its associates;

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to allot, issue and dispose of additional Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the AGM;
“Latest Practicable Date”	9 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 24 March 2020 in respect of the Transactions;
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
“Previous CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 11 October 2017 in respect of the engagement by the CSC Group of the Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group’s construction works from time to time;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers;
“Transactions”	the engagement by the CSC Group of the Group as subcontractor for the CSC Group’s construction works under the New CSCD-CSC Sub-construction Engagement Agreement; and
“%”	per cent.

* for identification purpose only

LETTER FROM THE BOARD



中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 830)

Chairman and Non-executive Director:
Mr. ZHANG Haipeng

Registered office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Executive Directors:
Mr. WU Mingqing
(*Vice Chairman and Chief Executive Officer*)
Mr. WANG Hai

Head office and principal place of business in Hong Kong:
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

Non-executive Director:
Mr. HUANG Jiang

Independent Non-executive Directors:
Mr. ZHOU Jinsong
Mr. HONG Winn
Ms. KWONG Sum Yee Anna

17 April 2020

To the Shareholders,

Dear Sir/Madam,

PROPOSALS FOR
(1) RE-ELECTION OF DIRECTORS;
(2) CHANGE OF AUDITOR;
(3) GENERAL MANDATES
TO ISSUE SHARES AND BUY BACK SHARES;
AND
(4) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH CHINA STATE CONSTRUCTION
INTERNATIONAL HOLDINGS LIMITED
AND
NOTICE OF THE ANNUAL GENERAL MEETING

INTRODUCTION

The Company will propose at the AGM resolutions to, *inter alia*, (i) re-elect the Directors; (ii) appoint auditor; (iii) grant to the Directors the Issue Mandate and the Buy-back Mandate upon the expiry of the current general mandates to issue Shares and buy

LETTER FROM THE BOARD

back Shares granted to the Directors at the annual general meeting of the Company held on 29 May 2019; and (iv) approve the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

The purpose of this circular is to provide you with further information on resolutions to be proposed at the AGM and to give you notice of the AGM.

RE-ELECTION OF DIRECTORS

In accordance with article 84(1) of the Articles of Association, Mr. Wang Hai, Mr. Huang Jiang and Mr. Hong Winn will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

There is a formal procedure for the appointment of Directors to the Board which may involve the Nomination Committee meeting candidates proposed by existing Board members, if necessary. Careful consideration is given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained. When the Nomination Committee has found a suitable candidate, its chairman will make a proposal to the Board since the appointment is the responsibility of the whole Board following recommendation from the Nomination Committee. Mr. Hong Winn, an independent non-executive Director (“INED”), was appointed to the Board through this procedure.

The Board selects INEDs based on their ability to contribute to the affairs of the Group, and of overriding importance is that each INED possesses a mindset that is independent and constructively challenges management’s views.

Mr. Hong is Deputy Executive Director for the Alfred E. Mann Institute for Biomedical Engineering at the University of South California (AMI-USC) and has brought with him extensive experience in high-tech product development and high-tech start-up success and leadership. He has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has given an annual confirmation of independence to the Company. Although he has served the Company as an INED for more than 9 years, the Board considers that his familiarity with the business over the years and his expertise in high-tech product development has enabled him to bring in independent views, new ways of thinking and insights to the boardroom discussion and contribute positively to skill and professional diversity of the Board. His long tenure does not compromise his independence since he has demonstrated continued independent judgement. The Board therefore considers that Mr. Hong continues to be independent and believes that he should be re-elected.

The re-election of Directors will be individually voted on by the Shareholders.

The biographical details of the Directors who are proposed to be re-elected at the AGM are set out in Appendix I to this circular.

LETTER FROM THE BOARD

CHANGE OF AUDITOR

Reference is made to the announcement of the Company dated 24 March 2020 in relation of the proposed change of auditor. As set out in the said announcement, PricewaterhouseCoopers (“PwC”) will retire as auditor of the Company with effect from the close of the AGM. On 24 March 2020, the Board resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of Ernst & Young as the new auditor of the Company following the retirement of PwC and such proposed appointment is subject to the approval of the Shareholders at the AGM.

According to the relevant regulations issued by the Ministry of Finance of the PRC and the State-owned Assets Supervision and Administration Commission of the State Council regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. Since CSCECL is a state-owned enterprise and the controlling shareholder of the Company and the number of years that CSCECL has continuously engaged its existing auditor, PricewaterhouseCoopers Zhong Tian LLP, has exceeded the prescribed time limit, PricewaterhouseCoopers Zhong Tian LLP will retire and Ernst & Young Hua Ming LLP will be appointed as its auditor subject to its shareholders’ approval.

In order to align with the audit arrangement of CSCECL for efficiency, PwC will retire as the auditor of the Company with effect from the close of the AGM and will not be re-appointed.

The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board there is no requirement under the laws of the Cayman Islands for the retiring auditor to confirm whether or not there is any circumstance connected with their retirement which they consider should be brought to the attention of the Company’s members and creditors. PwC has therefore not issued such confirmation. The Board has confirmed that there are no matters in respect of the proposed change of auditor that need to be brought to the attention of holders of securities of the Company.

An ordinary resolution will be proposed at the AGM to appoint Ernst & Young as auditor of the Company and to authorise the Board to fix their remuneration.

ISSUE MANDATE AND BUY-BACK MANDATE

At the annual general meeting held on 29 May 2019, ordinary resolutions were passed by Shareholders granting to the Directors (i) a general mandate to allot, issue and dispose of additional Shares up to a limit equal to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing such resolution; and (ii) a general mandate to exercise the powers of the Company to buy back the Shares up to a limit of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing such resolution. A further ordinary resolution was passed by Shareholders granting to the Directors a general mandate to allot, issue and dispose of Shares bought back by the Company pursuant to the general mandate to buy back Shares.

LETTER FROM THE BOARD

These general mandates will expire at the conclusion of the AGM. Resolutions will be proposed seeking Shareholders' approval for, *inter alia*, the renewal of a general mandate enabling the Directors to allot, issue and dispose of additional Shares; the renewal of a general mandate to buy back Shares and the renewal of a general mandate enabling the Directors to allot, issue and dispose of the Shares bought back by the Company pursuant to the Buy-back Mandate during the period from the passing of the relevant resolutions at the AGM until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and (iii) the date on which the authority set out in the relevant resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

An explanatory statement as required by the Listing Rules in connection with the Buy-back Mandate is set out in Appendix II to this circular.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

Background

Reference is made to the announcement dated 11 October 2017 and the circular dated 1 November 2017 of the Company in relation to, among other things, the Previous CSCD-CSC Sub-construction Engagement Agreement entered into between CSC and the Company which will expire on 31 December 2020.

It is anticipated that the Group's business, in particular facade contracting business, will continue to expand due to an expected increase in potential projects available from ultimate employers and/or the CSC Group. In view of the foregoing, on 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement to supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works. The Previous CSCD-CSC Sub-construction Engagement Agreement will continue taking effect until the New CSCD-CSC Sub-construction Engagement Agreement supersedes and replaces it with effect from 1 July 2020 (subject to the satisfaction of the condition precedent to the New CSCD-CSC Sub-construction Engagement Agreement).

New CSCD-CSC Sub-construction Engagement Agreement

Principal terms of the New CSCD-CSC Sub-construction Engagement Agreement are summarised as follows:

Date

24 March 2020

LETTER FROM THE BOARD

Parties

1. CSC; and
2. the Company.

Transactions

The Company expects that the CSC Group will continue to engage the Group as its subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works from time to time. In this connection, on 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 whereby the parties agreed that:

- (a) any member of the Group may act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works in accordance with the applicable subcontracting procedures of the CSC Group from time to time;
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the member of the Group to act as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works, provided that the total contract sum that may be awarded by the CSC Group to the Group under the New CSCD-CSC Sub-construction Engagement Agreement for the period between 1 July 2020 and 31 December 2020, each of the two years ended 31 December 2021 and 31 December 2022 and the period between 1 January 2023 and 30 June 2023 shall not exceed HK\$3,000 million (which, for the avoidance of doubt, does not include the annual cap of HK\$1,600 million for the year ended 31 December 2020 pursuant to the Previous CSCD-CSC Sub-construction Engagement Agreement), HK\$3,500 million, HK\$3,500 million and HK\$3,000 million, respectively (i.e. the Annual Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the CSC Group to the Group will be settled pursuant to the payment terms set out in the specific contracts.

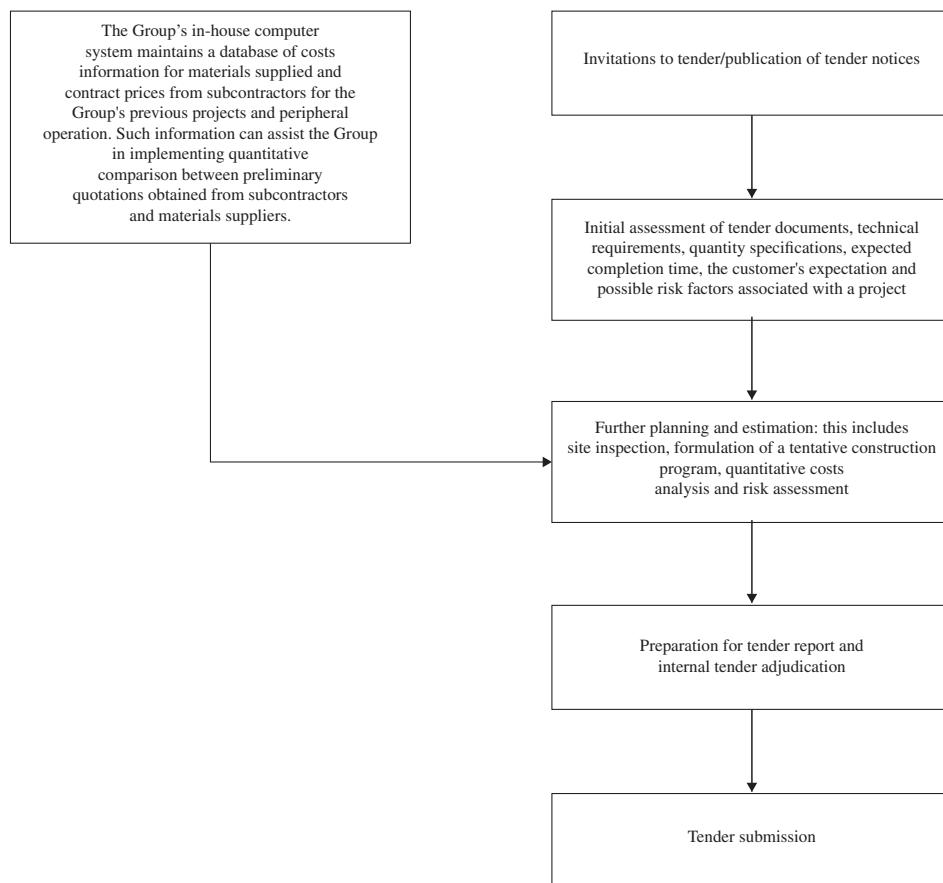
Pricing basis of the Group's tenders submitted to the CSC Group

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

LETTER FROM THE BOARD

As for the provision of contracting and engineering works, the Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor of the CSC Group. The prices and terms of the Group's tenders submitted to the CSC Group for the CSC Group's construction works are subject to a standard and systematic tender submission procedure maintained by the Group, which applies to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the Group to the CSC Group are no more favourable than those submitted to independent third parties.

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, customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, formulate a tentative construction program, conduct quantitative costs analysis and risk assessment.

LETTER FROM THE BOARD

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

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

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

Where a member of the Group submits tender directly to the ultimate employer, the Group will follow the above standard and systematic tender submission procedure in preparing the terms and price of the tender, and if such member of the Group is nominated as subcontractor by the ultimate employer, consideration to such member of the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

As for the provision of project management service and project consultancy service, the Group is typically engaged to provide such services through direct appointment by the CSC Group. The price and terms of each service provided to the CSC Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project, which shall also be in line with the basis for engagement by independent third parties to provide services for projects of similar size and nature.

The project management fees and project consultancy fees are determined based on a percentage of no more than 20% of the value or remaining value of the projects for which the member of the Group is expected to be engaged to provide services. The quote to be offered will be reviewed and scrutinised by the tender review committee with reference to the cost expected to be incurred for the services and the previous quotes offered to connected persons and at least two previous quotes offered to independent third parties to ensure that the fees for project management service and project consultancy service are no more favourable than those offered to independent third parties. The tender review committee consists of eight members, of which one of them holds director position in certain subsidiaries of CSC. These subsidiaries did not and will not engage the Group for provision of contracting and engineering works, project consultancy service or project management service. Apart from the member holding director position in subsidiaries of

LETTER FROM THE BOARD

CSC, all others are independent of the CSC Group. The tenders will be reviewed by all members of the tender review committee, of which independent members will have a majority vote.

Calculation of the Annual Caps

The Annual Cap for the period between 1 July 2020 to 31 December 2020 (the “**2020 Annual Cap**”) is calculated with reference to the following factors:

- (a) total contract sum of contracting and engineering works, project consultancy service and project management service provided by the Group for the construction works of the CSC Group for each of the two financial years ended 31 December 2018 and 31 December 2019, as set out below together with the corresponding annual caps under the Previous CSCD-CSC Sub-construction Engagement Agreement:

Financial years ended/ending	Annual cap	Total sum of contracts awarded
31 December 2018	HK\$1,600 million	HK\$956,310,684
31 December 2019	HK\$1,600 million	HK\$1,432,959,824
31 December 2020	HK\$1,600 million	Nil*

* as at 31 March 2020

- (b) estimated total contract sum of new construction projects of the CSC Group for the period between 1 July 2020 and 31 December 2020, with reference to the CSC Group’s future growth and expansion for the three-year period commencing from 1 July 2020 and ending on 30 June 2023, which is estimated based on (i) the total historical contract sums awarded; (ii) tenders in the amount of approximately HK\$3,100 million submitted to ultimate employers and/or the CSC Group; (iii) tenders in the amount of approximately HK\$1,100 million planned to be submitted to or projects under negotiation with the ultimate employer and/or the CSC Group; and (iv) other potential projects available from ultimate employers and/or the CSC Group in the amount of approximately HK\$1,500 million; and
- (c) the growth of the construction markets in the PRC and Hong Kong in the three-year period commencing from 1 July 2020 and ending on 30 June 2023 estimated by the Directors, which is based on the positive outlook of the construction industry with growth in construction activities leading to an increase in the construction works available for the Group to tender in the forthcoming years. Such positive outlook of the construction industry was determined with reference to, among other things, (i) the year-on-year increase of gross domestic product of the PRC of approximately 6.8% and 6.6% and of the total output value of the construction industry in the PRC by approximately 10.5% and 9.9% for 2017 and 2018, respectively, the increase in urbanisation rate of the PRC from approximately 56.1% in 2015 to approximately 60.6% in 2019 and the increase in

LETTER FROM THE BOARD

annual disposable income per capita of urban households in the PRC from RMB36,396 for 2017 to RMB42,359 for 2019; (ii) the promotion of urbanisation by the PRC government under its thirteenth five-year plan for 2015 to 2020 pursuant to which the PRC government has set the target for the percentage of permanent urban residents at 60% by 2020, an increase from approximately 56.1% recorded at the beginning of the thirteenth five year; and (iii) the Hong Kong Government's policy to increase the number of transitional housing projects to provide a total of 10,000 units for 2020 to 2023 and to produce 95,300 public residential units between 2019/20 to 2023/24.

The Annual Caps for each of the two years ended 31 December 2022 and the period between 1 January 2023 and 30 June 2023 (the “**2021 to 2023 Annual Caps**”) are calculated with reference to the following factors:

- (a) a list of 15 potential new construction projects for 2020 from the CSC Group (including transaction amount with tenders submitted or tenders in preparation) to engage the Group, subject to successful tender, for the provision of contracting and engineering works under the New CSCD-CSC Sub-construction Engagement Agreement with an aggregate contract sum in excess of HK\$5.7 billion, which represents approximately 1.9 times of the 2020 Annual Cap; and
- (b) the estimated growth of the construction markets in the PRC and Hong Kong in the three-year period commencing from 1 July 2020 and ending on 30 June 2023 based on the positive outlook of the construction industry as set out in (c) above.

With reference to the above factors, taking into account that it is impracticable to compile a list of potential construction contracts beyond the year ending 31 December 2020 as tenders for construction contracts typically relate to construction works to be carried out in the forthcoming 12 months as is the norm in the construction industry, the 2021 to 2023 Annual Caps were based on the aforementioned estimated aggregate contract sum in relation to potential new construction projects for 2020 from the CSC Group.

Condition Precedent

The transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement (together with the Annual Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the AGM approving the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

Reasons for the Transactions

The Directors consider that the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will allow the Company to maximise profits and by being able to participate in the contracting and engineering works, project consultancy and project management service for the CSC Group’s construction works upon successful tender allows the Group to secure a more diverse base of customers. As for the CSC Group, it can leverage on the Group’s extensive experience and expertise in landmark facade

LETTER FROM THE BOARD

projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSC and the Company pursuant to the Previous CSCD-CSC Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSC and the Company will bring synergy effect to both CSC and the Company, thereby facilitating the expansion of the Company's businesses.

Revenue generated from the CSCECL Group

For the two years ended 31 December 2019, the percentage of the Group's revenue generated from the CSCECL Group was approximately 18% and 19%, respectively. The Company is unable to estimate the expected percentages of revenue to be generated from the CSCECL Group for the four years ending 31 December 2023, but taking into account the framework agreements entered into between the Company and the CSCECL Group, further details of which are set out in the Company's 2019 annual report, such percentages are not expected to be significantly different from those for the two years ended 31 December 2019.

The finance & treasury department of the Company is responsible for closely monitoring the actual revenue to be generated from the CSCECL Group for each of the four years ending 31 December 2023 and will make bi-annual reports to the Board.

General

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

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

CSCEC is the ultimate holding company of each of CSC and the Company. CSCEC is principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the Annual Caps exceed 5%, the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting,

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announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the AGM will be conducted by poll and CSC and its associates will abstain from voting on the CCT Resolution at the AGM.

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

Independent Board Committee and Independent Financial Adviser

An independent board committee of the Company comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement. Red Sun has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

ANNUAL GENERAL MEETING

The notice convening the AGM is set out on pages 45 to 49 of this circular.

The register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive) for the purpose of determining Shareholders' entitlement to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020.

The proxy form for use at the AGM is enclosed. Whether or not you are able to attend the AGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

Pursuant to article 66(1) of the Articles of Association, a resolution put to vote of a general meeting shall be decided by way of a poll except where the chairman of the meeting may, in good faith, allow a resolution which relates purely to procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the Notice of the AGM will be put to the vote by way of a poll.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CSC and its associates, in aggregate holding 1,596,403,279 Shares, representing approximately 74.06% of the issued share capital of the Company, will abstain from voting at the AGM on the CCT Resolution.

To the extent that the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

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

No Director has a material interest in the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement, however, Mr. Zhang Haipeng, who is the chairman of the Board and non-executive Director and also the chief executive officer and executive director of CSC, has voluntarily abstained from voting on the Board resolutions approving the entering into of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

The results of the poll will be published on the Company's and the Stock Exchange's websites not later than the business day after the AGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

LETTER FROM THE BOARD

Your attention is also drawn to the letter from Red Sun set out on pages 24 to 39 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

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 New CSCD-CSC Sub-construction Engagement Agreement (together with the Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group and the terms (together with the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the CCT Resolution to be proposed at the AGM.

The Directors also consider that the proposals set out in the Notice of the AGM (including the re-election of Directors, the appointment of auditor and the granting of the Issue Mandate and the Buy-back Mandate) are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of all such resolutions to be proposed at the AGM.

Yours faithfully,
By Order of the Board
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

The biographical details of the Directors who are proposed to be re-elected at the AGM are set out below:

Mr. Wang Hai — Executive Director and Senior Vice President

Aged 47, is an Executive Director appointed on 15 August 2012. Mr. Wang is Senior Vice President of the Group, responsible for the Group's operations in North America region. He is also a director of the Company's subsidiaries. Mr. Wang joined the Group in March 2012 and held various senior management positions including Chief Executive Officer and Associate Chief Executive Officer of the Company. He ceased to be Associate Chief Executive Officer on 21 September 2015 when he was reallocated to North America taking charge of the North America business. Mr. Wang graduated from Tianjin University and Greenwich University and is a member of the Royal Institution of Chartered Surveyors. He joined CSCEC in 1994 and started getting involved in the operation of certain subsidiaries of CSC since 2003. CSCEC and CSC are controlling Shareholders. He has over 26 years of experience in international corporation management in the industry of building and infrastructure investment in North America, Hong Kong and Mainland China.

As at the Latest Practicable Date, Mr. Wang is interested in 210,000 shares in CSCECL.

Mr. Wang has entered into a service agreement with the Company which is subject to termination at any time by either party giving to the other 3 months' notice in writing. He is subject to retirement by rotation in accordance with the Articles of Association. Mr. Wang currently receives an emolument at the rate of HK\$1,721,000 per year which was determined with reference to his job responsibilities in the Company and the prevailing market conditions. According to the service agreement, he is further entitled to have discretionary bonus (which may depend on the overall performance of the Company, individual performance and contribution, and the prevailing economic situation and market practice or other relevant factors) determined by the Board or the Remuneration Committee in its absolute discretion from time to time.

Mr. Huang Jiang — Non-executive Director

Aged 45, is a Non-executive Director appointed on 16 March 2017. Mr. Huang graduated from Chongqing Jianzhu University and holds a Master's degree in Project Management from Hong Kong Polytechnic University and an Executive Master's degree in Business Administration from Nankai University. He joined CSCEC in 1997 and was seconded to CSC in 2000. Mr. Huang has been a director of certain subsidiaries of CSC since 2007. Currently, he is an Assistant President of CSC. Mr. Huang has over 23 years of experience in contract and project management.

As at the Latest Practicable Date, Mr. Huang is interested in 3,000,000 shares in the Company and 210,000 shares in CSCECL.

There is a letter of appointment entered into between the Company and Mr. Huang for his appointment as a Non-executive Director for a term of three years subject to retirement by rotation in accordance with the Articles of Association. In support of the Company's development, Mr. Huang will not receive any director's fee for his term of appointment.

Mr. Hong Winn — Independent Non-executive Director

Aged 50, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Hong is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. He obtained a Bachelor of Science degree in Aerospace Engineering and a Master of Science degree in Mechanical Engineering from the University of California, Los Angeles in 1993 and 1996, respectively. Mr. Hong graduated from the University of Chicago with a Master of Business Administration degree in 2005. He is Deputy Executive Director for the Alfred E. Mann Institute for Biomedical Engineering at the University of South California (AMI-USC) focusing on biotechnology, medical device, and medical and health care technologies. Mr. Hong is a member of the College of Fellows of the American Institute for Medical and Biological Engineering and has over 20 years of experience in high-tech product development and high-tech start-up success and leadership.

There is a letter of appointment entered into between the Company and Mr. Hong for his appointment as an Independent Non-executive Director for a term of three years subject to retirement by rotation in accordance with the Articles of Association. Mr. Hong currently receives a director's fee amounting to HK\$150,000 per year which was determined with reference to his job responsibilities in the Company and the prevailing market conditions.

Save as disclosed above, none of the Directors who are proposed to be re-elected at the AGM (1) have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company, (2) have any interests in shares, underlying shares or debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO), (3) hold any directorships in listed public companies in Hong Kong or overseas in the last three years, and (4) have any other information that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

APPENDIX II EXPLANATORY STATEMENT FOR THE BUY-BACK MANDATE

This Appendix II serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to the Shareholders for consideration of the Buy-back Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,155,545,000 Shares.

Subject to the passing of Resolution (6) as set out in the Notice of the AGM and on the basis that no further Shares are issued or bought back prior to the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 215,554,500 Shares, which represents 10% of the Shares in issue at the date of passing the resolution.

2. REASONS FOR THE BUY-BACKS

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to buy back Shares. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement in the value of the Shares and/or earnings per Share and will only be made when the Directors believe that such buy-backs will benefit the Company and the Shareholders.

3. FUNDING OF BUY-BACKS

In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

In the event that the Buy-back Mandate is exercised in full, there might be a material adverse impact on the working capital and/or gearing position of the Company (as compared with the position disclosed in the Company's Annual Report and financial statements for the year ended 31 December 2019). However, the Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or gearing level which in the opinion of the Directors is from time to time appropriate to the Company.

4. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make buy-backs pursuant to the Buy-back Mandate and in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to the Company or its subsidiaries under the Buy-back Mandate if such mandate is approved by the Shareholders.

No core connected persons have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to sell any of the Shares held by them to the Company, in the event that the Buy-back Mandate is approved by the Shareholders.

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Share price (per share)	
	Highest HK\$	Lowest HK\$
2019		
April	1.02	0.93
May	0.98	0.84
June	0.96	0.84
July	0.96	0.82
August	0.91	0.75
September	0.90	0.75
October	0.88	0.78
November	0.80	0.71
December	0.79	0.70
2020		
January	0.75	0.60
February	0.74	0.67
March	0.79	0.50
April (up to the Latest Practicable Date)	0.56	0.51

6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If, as a result of the buy-back of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increases will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, CSC, through its wholly-owned subsidiary, owned 1,596,403,279 Shares, representing approximately 74.06% of the issued share capital of the Company. CSC is a subsidiary of China Overseas Holdings Limited which, in turn, is wholly-owned by CSCECL. CSCECL is, in turn, a subsidiary of CSCEC which is a state-owned enterprise established in the PRC.

In the event that the Buy-back Mandate is exercised in full, then (if the present shareholdings remained the same) the interest of CSC (held through its wholly-owned subsidiary) would be increased to approximately 82.29% of the then issued share capital of the Company. In the opinion of the Directors, such increase will not give rise to any obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Board will endeavour to ensure that the exercise of the Buy-back Mandate will not result in less than 25% of the issued share capital of the Company, being the minimum prescribed public float requirement under the Listing Rules, being held in the hands of the public.

7. SHARE BUY-BACKS MADE BY THE COMPANY

The Company did not buy back any Shares (whether on the Exchange or otherwise) in the six months preceding the Latest Practicable Date.



中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 830)

17 April 2020

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH CHINA STATE CONSTRUCTION
INTERNATIONAL HOLDINGS LIMITED**

We refer to the circular dated 17 April 2020 (the “Circular”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps) are fair and reasonable, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 16 of the Circular and the text of a letter of advice from Red Sun, as set out on pages 24 to 39 of the Circular, both of which provide details of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).

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

Accordingly, we recommend the Independent Shareholders to vote in favour of the CCT Resolution to be proposed at the AGM.

Yours faithfully,
For and on behalf of
**The Independent Board Committee of
China State Construction Development Holdings Limited**

ZHOU Jinsong
*Independent Non-executive
Director*

HONG Winn
*Independent Non-executive
Director*

KWONG Sum Yee Anna
*Independent Non-executive
Director*

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



红日资本有限公司
RED SUN CAPITAL LIMITED

17 April 2020

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement (together with the Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 17 April 2020, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement dated 11 October 2017 and the circular dated 1 November 2017 of the Company in relation to, among other things, the Previous CSCD-CSC Sub-construction Engagement Agreement entered into between CSC and the Company which will expire on 31 December 2020.

On 24 March 2020, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement to supersede and replace the Previous CSCD-CSC Sub-construction Engagement Agreement whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group’s construction works for a term of three years commencing from 1 July 2020 and ending on 30 June 2023 subject to the Annual Caps.

CSC is indirectly interested in approximately 74.06% of the issued share capital and is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the Annual Caps exceed 5%, the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the AGM will be conducted by poll and CSC and its associates will abstain from voting on the CCT Resolution at the AGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Zhang Haipeng as Chairman and Non-executive Director; Mr. Wu Mingqing as Vice Chairman, Chief Executive Officer and Executive Director, Mr. Wang Hai as Executive Director, Mr. Huang Jiang as Non-executive Director, and Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.

The Independent Board Committee comprising all the Independent Non-executive Directors has been established to advise the Independent Shareholders as to whether the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement, together with the Annual Caps, are on normal commercial terms and are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We, Red Sun, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement, together with the Annual Caps, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. OUR INDEPENDENCE

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

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Group, details of which are set out in the relevant circulars dated (i) 18 July 2018 in relation to continuing connected transactions; (ii) 22 February 2019 in relation to a discloseable and connected transaction; and (iii) 22 November 2019 in relation to a major and connected transaction and continuing connected transactions.

In addition, we have also acted as the independent financial adviser for the previous two years for transaction to the then independent board committee and the then independent shareholders of CSC, details of which are set out in the relevant circular dated (i) 10 July 2019 in relation to continuing connected transactions; and (ii) 23 March 2020 in relation to continuing connected transactions.

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

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and CSC and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “Management”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, and the CSC Group made or provided by

the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

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

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

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and CSC Group

1.1. Principal business and the financial information of the Group

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

Set out below is a summary of the Group's operating results extracted from the latest published annual report of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the latest annual results announcement of the Group for the year ended 31 December 2019 (the “**2019 Results Announcement**”):

Financial performance of the Group

	For the year ended 31 December		
	2017 <i>(unaudited and restated)</i>	2018 <i>(unaudited and restated)</i>	2019 <i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,132,665	4,243,167	4,619,412
- Facade contracting works	2,209,728	2,518,261	2,785,753
- General contracting works	660,276	850,553	940,564
- Operating management	262,661	874,353	893,095

Comparison of financial performance between the year ended 31 December 2017 and 2018

Based on the 2018 Annual Report and 2019 Results Announcement, revenue for the year ended 31 December 2017 and 2018 was approximately HK\$3.1 billion and HK\$4.2 billion, respectively, representing a growth rate of approximately 35.5%. Such increase was mainly attributable to the increase in revenue generated from the Group's provision of facade contracting works from approximately HK\$2.2 billion for the year ended 31 December 2017 to approximately HK\$2.5 billion for the year ended 31 December 2018 and the increase in revenue generated from the Group's provision of operating management from approximately HK\$263 million for the year ended 31 December 2017 to approximately HK\$874 million for the year ended 31 December 2018. Revenue generated from facade contracting works, general contracting works and operating management accounted for approximately 59.3%, 20.0% and 20.7% of the Group's total revenue for the year ended 31 December 2018, respectively.

Comparison of financial performance between the year ended 31 December 2018 and 2019

Based on the 2019 Results Announcement, revenue for the year ended 31 December 2018 and 2019 was approximately HK\$4.2 billion and HK\$4.6 billion, respectively, representing a growth rate of approximately 9.5%. Such increase was mainly attributable to the increase in revenue generated from the Group's provision of facade contracting works from approximately HK\$2.5 billion for the year ended 31 December 2018 to approximately

HK\$2.8 billion for the year ended 31 December 2019. Revenue generated from facade contracting works, general contracting works and operating management accounted for approximately 60.3%, 20.4% and 19.3% of the Group's total revenue for the year ended 31 December 2019, respectively.

1.2. Principal activities of the CSC Group

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

According to the latest annual results announcement of the CSC Group for the year ended 31 December 2019 (the “**CSC 2019 Results Announcement**”), revenue for the year ended 31 December 2018 and 2019 was approximately HK\$55.6 billion and HK\$61.7 billion, respectively, representing a growth rate of approximately 11.0%. Such increase was mainly attributable to (i) the increase in revenue from construction contracts; (ii) the increase in revenue from infrastructure investment projects which mainly comprise revenue generated from the provision of construction services under “Public-Private-Partnership” model, previously known as “Build-Transfer” model and the corresponding interest rate. Based on the CSC 2019 Results Announcement, the CSC Group derived its revenue largely from the PRC and Hong Kong.

1.3. Overview of the economy and building construction activities

The PRC

As extracted from the data of The World Bank, the gross domestic product (the “**GDP**”) of the PRC recorded a year-on-year increase of approximately 6.8% and 6.6% in 2017 and 2018, respectively. As extracted from the website of the National Bureau of Statistics of China (the “**NBS**”) at <http://data.stats.gov.cn>, the total output value of the construction industry in the PRC has increased year-on-year by approximately 10.5% and 9.9% in 2017 and 2018, respectively.

The table below shows a summary of the PRC’s urbanisation levels from 2015 to 2019:

	2015	2016	2017	2018	2019
Total population (in millions)	1,374.6	1,382.7	1,390.1	1,395.4	1,400.1
Urban Population (in millions)	771.2	793.0	813.5	831.4	848.4
Urbanisation Rate (%)	56.1%	57.4%	58.5%	59.6%	60.6%

Source: NBS

The table below shows a summary of the PRC's disposable income of urban households per capita from 2015 to 2019:

	2015	2016	2017	2018	2019
Per Capita Disposable Income of Urban Households (<i>RMB</i>)	31,195	33,616	36,396	39,251	42,359

Source: NBS

According to the information set out in the website of the NBS, the annual disposable income per capita of urban households in the PRC increased from approximately RMB36,396 in 2017 to approximately RMB39,251 in 2018 and further increased to approximately RMB42,359 in 2019, representing a year-on-year increase of approximately 7.8% and 7.9%, respectively.

In addition, we also noted that promotion of urbanisation remains one of the main objectives of the PRC government under its thirteenth five-year plan (十三五規劃), which sets out the overall direction of PRC governmental policies from 2015 to 2020. Pursuant to the thirteenth five-year plan, the PRC government has set the target for the percentage of permanent urban residents at 60% by 2020, an increase from approximately 56.1% recorded at the beginning of the thirteenth five year. The urbanisation rate reached 60% in 2019 according to the NBS.

The urbanisation rate and income per capita in the PRC have increased steadily in recent years, which, in turn, has contributed towards a sustainable growth potential of PRC's construction industry.

Hong Kong

In Hong Kong, according to data published by the Census and Statistics Department of the Hong Kong Government, the GDP recorded year-on-year growth of approximately 6.9% and 6.9% in 2017 and 2018, respectively. The gross value of construction works performed by main contractors increased by 3.7% in nominal terms in the second quarter of 2019 compared with the first quarter of 2019. It further increased by 5.0% in the third quarter of 2019 compared with the second quarter of 2019.

Public and private sector demand for residential buildings is the key driver of the construction industry in Hong Kong. According to the Chief Executive's 2019 Policy Address (the "**Policy Address**"), the government will set aside HK\$5 billion to increase the number of transitional housing projects substantially to provide a total of 10,000 units within the next three years. Furthermore, the Housing Authority established a Housing Construction Program from 2019/20 to 2023/24 to produce 95,300 public residential units.

As a result, the supply of residential buildings is expected to increase. As for the private property sector, it has been benefited from the raising cap on the value of the properties eligible for a mortgage loan of maximum cover of 90% loan-to-value ratio from HK\$4 million to HK\$8 million for first-time home buyers under the Mortgage Insurance Program of the Hong Kong Mortgage Corporation Insurance Limited, which is also part of the housing policy of the Policy Address. Moreover, based on the statistics by the Rating and Valuation Department, the completions of private domestic unit increased from 17,791 units in 2017 to 20,968 units in 2018, representing an increase of approximately 17.9%.

2. The New CSCD-CSC Sub-construction Engagement Agreement

2.1. Principal terms of the New FE-CSC Sub-construction Engagement Agreement

The New CSCD-CSC Sub-construction Engagement Agreement shall commence from 1 July 2020 and ending on 30 June 2023.

Details of the terms of the New CSCD-CSC Sub-construction Engagement Agreement, including the pricing basis of the Group's tenders submitted to the CSC Group, are set out in the section headed "New CSCD-CSC Sub-construction Engagement Agreement" in the Letter from the Board.

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

The Group is principally engaged in the general contracting business, facade contracting business (including design, engineering, manufacture and installation of curtain wall system) and operating management business and the CSC Group is principally engaged in building construction, civil engineering works, electrical and mechanical works, infrastructure investment and project consultancy business.

The Directors consider that the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will allow the Company to maximise profits and by being able to participate in the contracting and engineering works, project consultancy and project management service for the CSC Group's construction works upon successful tender allows the Group to secure a more diverse base of customers. As for the CSC Group, it can also leverage on the Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSC and the Company pursuant to the Previous CSCD-CSC Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSC and the Company will bring synergy effect to both CSC and the Company, thereby facilitating the expansion of the Company's businesses.

Taking into account the principal businesses of the Group and the CSC Group and to ensure the continuation for the CSC Group to engage the Group as its subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works from time to time, we concur with the Management that the entering into the New CSCD-CSC Sub-construction Engagement Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2.3. Internal procedures and pricing basis

In connection with our works performed on assessing whether the terms under the New CSCD-CSC Sub-construction Engagement Agreement are fair and reasonable, we have reviewed the internal standard procedures of the Group governing the tendering process (市場營銷管理工作程序) which set out, among others, the standard and systematic tender submission procedure covering areas, such as (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 "**Tender Procedures**").

We have discussed with the Management and reviewed five sample sets of preliminary analysis for tender and formal tender submitted for the year ended 31 December 2019, among which three sample sets of preliminary analysis for tender and formal tender were submitted to connected persons while the remaining two sample sets of preliminary analysis for tender and formal tender were submitted to independent third parties. Based on our review of the aforesaid sample tenders submitted, we noted that the sampled tenders submitted to connected persons were reviewed against the stated processes under the Tender Procedures, being the same prescribed procedures applicable to the sampled tenders submitted to independent third parties.

As set out in the Letter from the Board, for the provision of project management service and project consultancy service, the Group is typically engaged to provide such services through direct appointment by the CSC Group. The price and terms of each service provided to the CSC Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project, which shall also be in line with the basis for engagement by independent third parties to provide services for projects of similar size and nature. The project management fees and project consultancy fees are determined based on a percentage of no more than 20% of the value or remaining values of the projects for which the member of the Group is expected to be engaged to provide services. The quote to be offered will be reviewed and scrutinised by the tender review committee with reference to the cost expected to be incurred for the services and the previous quotes offered to connected persons and at least two previous quotes offered to independent third parties to ensure that the fees for

project management service and project consultancy service are no more favourable than those offered to independent third parties. The tender review committee consists of eight members, of which one of them holds director position in certain subsidiaries of CSC. These subsidiaries did not and will not engage the Group for provision of contracting and engineering works, project consultancy service or project management service. Apart from the member holding director position in subsidiaries of CSC, all others are independent of the CSC Group. The tenders will be reviewed by all members of the tender review committee, of which independent members will have a majority vote.

We have been advised by the Management that the service scope of the projects with CSC under project management might include recovery of certain outstanding balance for certain projects. We have discussed with the Management and understand that the recovery of certain outstanding balance (which forms part of project management service) is on a best effort basis only, and the 20% is the ceiling for the recovery of the remaining values of the projects. In this regard, we have also reviewed certain recovery rates from an extract of one independent survey and published recovery rates from two independent collection agencies and noted that, depending on the size of the balance, the recovery rate as mentioned above is comparable to the market rate in the range of 5% to 20%. In addition, we have discussed with the Management and noted that the costs related to property management services including the recovery of outstanding balances would mainly consist of time costs related to staff deployed on such assignment.

Further, we have also been advised by the Management that the relevant business unit shall prepare a project analysis report based on the scale, degree of difficulty, geographical location and duration of the project and make recommendation to senior management on the percentage to be charged. All pricing decisions are fully justified, formally approved and documented. We have discussed with and understand from the Management that the Company had not provided any project management service and project consultancy service to independent third party in the past. Notwithstanding that the Group has not provided project management service and project consultancy service, including recovery services, to independent third parties, we have discussed with the Management and noted that the provision of project management service and project consultancy service (including the percentage charged) with independent third parties and connected persons will be reviewed and evaluated under the same prescribed assessment method as mentioned above.

Having considered that (i) it is the Group's stated strategy to explore general contracting projects opportunities; (ii) the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are a continuance of the Group's business; and (iii) the pricing basis under the New CSCD-CSC Sub-construction Engagement Agreement shall follow the Tender Procedures, we concur with the Directors' view that the New CSCD-CSC Sub-construction Engagement Agreement was entered into in the ordinary and usual course of business of the Group and the terms (together with the Annual Caps) of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.4. Basis for determining the Annual Caps

Set out below are (i) the historical contract sum paid by CSC Group to the Group for each of the three years ending 31 December 2020, and the utilisation rate of the annual caps pursuant to the Previous CSCD-CSC Sub-construction Engagement Agreement; and (ii) the Annual Caps for (i) the period between 1 July 2020 and 31 December 2020; (ii) the two years ending 31 December 2022; and (iii) the period between 1 January 2023 and 30 June 2023:

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020	Total sum of contracts awarded		Annual Caps		For the period between 1 July 2020 and 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the period between 1 January 2023 and 30 June 2023
			For the period between 1 July 2020 and 31 December 2020	(Note 1)	Nil	HK\$3,000 million	HK\$3,500 million	HK\$3,500 million	HK\$3,500 million	HK\$3,000 million
HK\$956.30 million	HK\$1,433.00 million									

Utilisation rate:
(Note 2)

59.8%	89.6%	Nil
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Notes:

1. Represents total sum of contract awarded for the year ending 31 December 2020 as at 31 March 2020.
2. The utilisation rate is calculated by dividing the historical transaction amount by the annual cap for the three years ending 31 December 2020 pursuant to the Previous CSCD-CSC Sub-construction Engagement Agreement (i.e. HK\$1,600 million for each of three years ending 31 December 2020).

As set out in the Letter from the Board, the Annual Cap for the period between 1 July 2020 to 31 December 2020 (the “**2020 Annual Cap**”) is calculated with reference to, the following factors:

- (a) total contract sum of contracting and engineering works, project consultancy service and project management service provided by the Group for the construction works of the CSC Group for each of the two financial years ended 31 December 2018, 31 December 2019, as set out below together with the corresponding annual caps under the Previous CSCD-CSC Sub-construction Engagement Agreement:

Financial years ended/ending	Annual cap	Total sum of contracts awarded
31 December 2018	HK\$1,600 million	HK\$956,310,684
31 December 2019	HK\$1,600 million	HK\$1,432,959,824
31 December 2020	HK\$1,600 million	Nil*

* as at 31 March 2020

- (b) estimated total contract sum of new construction projects of the CSC Group for the period between 1 July 2020 and 31 December 2020, with reference to the CSC Group’s future growth and expansion for the three-year period commencing from 1 July 2020 and ending on 30 June 2023, which is estimated based on (i) the total historical contract sums awarded; (ii) tenders in the amount of approximately HK\$3,100 million submitted to ultimate employers and/or the CSC Group; (iii) tenders in the amount of approximately HK\$1,100 million planned to be submitted to or projects under negotiation with the ultimate employer and/or the CSC Group; and (iv) other potential projects available from ultimate employers and/or the CSC Group in the amount of approximately HK\$1,500 million; and
- (c) the growth of the construction markets in the PRC and Hong Kong in the three-year period commencing from 1 July 2020 and ending on 30 June 2023 estimated by the Directors, which is based on the positive outlook of the construction industry with growth in construction activities leading to an increase in the construction works available for the Group to tender in the forthcoming years. Such positive outlook of the construction industry was determined with reference to, among other things, (i) the year-on-year increase in gross domestic product of the PRC of approximately 6.8% and 6.6% and of the total output value of the construction industry in the PRC by approximately 10.5% and 9.9% for 2017 and 2018, respectively, the increase in urbanisation rate of the PRC from approximately 56.1% in 2015 to approximately 60.6% in 2019 and the increase in annual disposable income per capita of urban households in the PRC from RMB36,396 for 2017 to RMB42,359 for

2019; (ii) the promotion of urbanisation by the PRC government under its thirteenth five-year plan for 2015 to 2020 pursuant to which the PRC government has set the target for the percentage of permanent urban residents at 60% by 2020, an increase from approximately 56.1% recorded at the beginning of the thirteenth five year; and (iii) the Hong Kong Government's policy to increase the number of transitional housing projects to provide a total of 10,000 units for 2020 to 2023 and produce 95,300 public residential units between 2019/20 to 2023/24.

The Annual Caps for each of the two years ended 31 December 2022 and the period between 1 January 2023 and 30 June 2023 (the “**2021 to 2023 Annual Caps**”) are calculated with reference to the following factors:

- (a) a list of 15 potential new construction projects for 2020 from the CSC Group (including transaction amount with tenders submitted or tenders in preparation) to engage the Group, subject to successful tender, for the provision of contracting and engineering works under the New CSCD-CSC Sub-construction Engagement Agreement with an aggregate contract sum in excess of HK\$5.7 billion, which represents approximately 1.9 times of the 2020 Annual Cap; and
- (b) the estimated growth of the construction markets in the PRC and Hong Kong in the three-year period commencing from 1 July 2020 and ending on 30 June 2023 based on the positive outlook of the construction industry as set out in (c) above.

With reference to the above factors, taking into account that it is impracticable to compile a list of potential construction contracts beyond the year ending 31 December 2020 as tenders for construction contracts typically relate to construction works to be carried out in the forthcoming 12 months as is the norm in the construction industry, the 2021 to 2023 Annual Caps were based on the aforementioned estimated aggregate contract sum in relation to potential new construction projects for 2020 from the CSC Group.

We note that the historical contract sum of approximately HK\$956.3 million, HK\$1,433.0 million and nil recorded by the Company for the year ended 31 December 2018, 2019 and for the year ending 31 December 2020, respectively, representing an utilisation rate of approximately 59.8%, 89.6% and nil of the annual cap for the respective year.

In connection with the above, we have reviewed and discussed with the Management a schedule setting out a list of potential new construction projects for 2020 from the CSC Group (including transaction amount with tenders submitted or tenders in preparation) to engage the Group, subject to successful tender, for the provision of contracting and engineering works under the New CSCD-CSC Sub-construction Engagement Agreement. The schedule includes 15 potential projects, out of which (i) seven projects had an estimated transaction amount between HK\$100 million and HK\$300 million; (ii) six projects had an estimated transaction amount between HK\$300 million and HK\$600 million; and (iii) the remaining two projects had an estimated transaction amount between HK\$600 million and HK\$800 million, with an aggregate contract sum in excess of HK\$5.7 billion, which represents approximately 1.9 times of the 2020 Annual Cap. We understand from the Management that the aforesaid aggregate contract sum is currently subject to tenders, negotiation or upcoming tenders. As such, the Group may or may not be awarded with any of the contracts.

We understand from the Management that tenders for construction contracts typically relate to construction works to be carried out in the forthcoming 12 months, therefore based on currently available information, the Management advised that it is impractical to compile a list of potential construction contracts beyond the year ending 31 December 2020. We have discussed with the Management and understand that the 2021 to 2023 Annual Caps are determined with reference to the 2020 Annual Cap and estimated growth of the construction markets in the PRC and Hong Kong. We noted that (i) based on the CSC 2019 Results Announcement, the CSC Group derived its revenue largely from the PRC and Hong Kong; and (ii) there is a positive outlook of the PRC and Hong Kong construction industry as set out under the paragraph headed “1.3 Overview of the economy and building construction activities” above, in particular, taking into account the increase in various economic indicators in the past; the PRC government’s commitment to pursue to increase the percentage of permanent urban residents and the Hong Kong Government’s policy to increase the number of transitional housing projects in Hong Kong, we concur with the Management’s view that it is fair and reasonable to determine the 2021 to 2023 Annual Caps with reference the estimated growth of the construction markets in the PRC and Hong Kong. Moreover, based on the annual report of the Company for the year ended 31 December 2017 and the 2018 Annual Report, the Group undertook 38 new projects with an aggregate contract amount value of HK\$4,179 million; and 43 new projects with an aggregate contract amount value of HK\$4,791 million for the year ended 31 December 2017 and 2018, respectively (the “**Historical New Project Contract Amount**”), representing an increase in aggregate contract amount value of approximately 14.6%. Based on the aforesaid, we noted that the Group demonstrated its capability and experience in undertaking new projects with an aggregate contract amount value of over HK\$4,000 million for each of the two years ended 31 December 2018, which exceeded each of the periods under the 2021 to 2023 Annual Caps.

Given the positive outlook of the PRC and Hong Kong construction industry as set out under the paragraph headed “1.3 Overview of the economy and building construction activities” above, the Management expects there to be growth in the construction activities in the forthcoming years. As such, the Management estimates that there is likely to be an increase in the value of construction projects from the CSC Group available for the Group to compete for. In view of the above, we concur with the Management’s view that the 2021 to 2023 Annual Caps are reasonable, as (i) there is a positive outlook of the PRC and Hong Kong construction industry as set out under the paragraph headed “1.3 Overview of the economy and building construction activities” above; (ii) the historical utilisation of the annual caps under the Previous CSCD-CSC Sub-construction Engagement Agreement, in particular with an utilisation rate of approximately 89.6% in 2019; (iii) the aggregate contract sum of the potential new construction projects for 2020 represents approximately 1.9 times of the 2020 Annual Cap (as one of the references to determine the 2021 to 2023 Annual Caps), which far exceeds the 2020 Annual Cap; and (iv) the Historical New Project Contract Amount also exceeded each of the periods under the 2021 to 2023 Annual Caps, which demonstrated the Group’s capability and experience in undertaking new projects with an aggregate contract amount value of over HK\$4,000 million for each of the two years ended 31 December 2018.

In view of that the above mentioned factors, in particular, (i) the historical utilisation of the annual caps under the Previous CSCD-CSC Sub-construction Engagement Agreement, in particular, with an utilisation rate of approximately 89.6% in 2019; (ii) the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the pricing basis under the New CSCD-CSC Sub-construction Engagement Agreement; (iii) it would provide the Group the flexibility but not the obligation to provide services to the CSC Group; (iv) the potential projects with an aggregate contract sum in excess of HK\$5.7 billion, which far exceeds the 2020 Annual Caps; and (v) the Historical New Project Contract Amount for each of the two years ended 31 December 2018 also exceeded each of the periods under the 2021 to 2023 Annual Caps, we concur with the Management that the Annual Caps are fair and reasonable.

Notwithstanding from the above, the Shareholders are advised that the Annual Caps represent the best estimates by the Group based on the information available at the time.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the basis and reasons for the New CSCD-CSC Sub-construction Engagement Agreement;

- (ii) the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement is a continuance of the Group's businesses;
- (iii) the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and
- (iv) the basis for determining the Annual Caps are reasonable, details of which are set out in the section headed "2.4 Basis for determining the Annual Caps".

Having considered the factors and reasons as stated above, we are of the opinion that the entering into of the New CSCD-CSC Sub-construction Engagement Agreement, the transactions contemplated thereunder and the terms thereof are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Furthermore, based on our analysis set out above, we consider that the Annual Caps under the New CSCD-CSC Sub-construction Engagement Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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

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

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

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 enquires, 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.

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

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

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Percentage of Shares in issue ¹
Mr. Zhang Haipeng	Beneficial owner	3,078,000	0.143%
Mr. Wu Mingqing	Beneficial owner	5,000,000	0.232%
Mr. Huang Jiang	Beneficial owner	3,000,000	0.139%

Note:

1. The percentage is based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 2,155,545,000 Shares).

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at the Latest Practicable Date:

- (i) Mr. Zhang Haipeng held 774,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.002% of the issued voting shares of CSCECL;
- (ii) Mr. Wu Mingqing held 294,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL;
- (iii) Mr. Wang Hai held 210,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL; and
- (iv) Mr. Huang Jiang held 210,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares of CSCECL.

The Company was informed that all the interests in A-shares in CSCECL held by the Directors as set out above were granted to them by CSCECL pursuant to its share award scheme.

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

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of companies which had such discloseable interest or short position	Position within such companies
Mr. Zhang Haipeng	CSC Add Treasure Holdings Limited	Executive Director and Chief Executive Officer Director
Mr. Wu Mingqing	Add Treasure Holdings Limited	Director

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

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 2019, the date to which the latest published audited accounts of the Company were made up.

COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, Messrs. Zhang Haipeng, Wu Mingqing and Huang Jiang held directorships and/or senior management positions in the Company's holding companies and/or their subsidiaries. These companies are engaged in construction, infrastructure investment and related business.

The Board is independent of the boards of directors of the Company's holding companies and their subsidiaries. With the presence of appropriate portion of independent non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of its holding group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed Directors or their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any competing interests in a business which competes or is likely to compete with the business of the Group.

QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who had given its opinion and advice which are contained in this circular:

Name	Qualification
Red Sun	A corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance)

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

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

(c) As at the Latest Practicable Date, Red Sun did not have any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong from the date of this circular up to and including 28 May 2020 (except Saturdays and Sundays) and will be available for inspection at the AGM:

- (a) the Previous CSCD-CSC Sub-construction Engagement Agreement;
- (b) the New CSCD-CSC Sub-construction Engagement Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in Appendix III to this circular;
- (d) the letter from Red Sun, the text of which is set out in Appendix IV to this circular; and
- (e) the letter of consent from the expert referred to under the section headed “Qualification and Consent of Expert” in this appendix.

GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over its Chinese text.

NOTICE OF THE ANNUAL GENERAL MEETING



中國建築興業集團有限公司
CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 830)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of China State Construction Development Holdings Limited (the “**Company**”) will be held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Thursday, 28 May 2020 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019, together with the reports of the Directors and Auditor.
2. (a) To re-elect Mr. Wang Hai as Director;
(b) To re-elect Mr. Huang Jiang as Director; and
(c) To re-elect Mr. Hong Winn as Director.
3. To authorise the Board to fix the remuneration of the Directors.
4. To appoint Ernst & Young as auditor of the Company and to authorise the Board to fix their remuneration.

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

5. “**THAT**:
 - (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and dispose of additional shares in the capital of the Company and to make or grant offers, agreements, options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power(s) during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;

NOTICE OF THE ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of rights of subscription or conversion under the terms of any securities or bonds which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement pursuant to the articles of association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said approval shall be limited accordingly; and

- (c) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company (the “**Shareholders**”) in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or any class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

6. “**THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time, be and is hereby generally and unconditionally approved;

NOTICE OF THE ANNUAL GENERAL MEETING

(b) the aggregate nominal amount of the shares of the Company to be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.”

7. “**THAT**, conditional upon the passing of Resolutions (5) and (6) set out in the notice convening this Meeting, the general mandate granted to the Directors to allot, issue and dispose of additional shares pursuant to the Resolution (5) set out in the notice convening this Meeting, be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company bought back by the Company under the authority granted pursuant to Resolution (6) set out in the notice convening this Meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution.”

8. “**THAT**:

- (a) (i) the New CSCD-CSC Sub-construction Engagement Agreement (as defined in the circular of the Company dated 17 April 2020 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the Annual Caps (as defined in the Circular) for each of the period from 1 July 2020 to 31 December 2020, the financial years ending 31 December 2021 and 31 December 2022, and the period from 1 January 2023 to 30 June 2023 be and are hereby approved; and

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- (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 authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

By Order of the Board
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 17 April 2020

Notes:

1. Only members are entitled to attend and vote at the meeting (or at any adjournment thereof).
2. A member entitled to attend and vote at the meeting (or at any adjournment thereof) is entitled to appoint one or more proxies (who must be an individual) to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the proxy form shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. For the purpose of determining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020.
7. With respect to the ordinary resolution set out in Resolution (6) of the notice, approval is being sought from members for a general mandate to be given to the Directors to buy back shares of the Company.

NOTICE OF THE ANNUAL GENERAL MEETING

8. With respect to the ordinary resolutions set out in Resolutions (5) and (7) of the notice, approval is being sought from members for general mandates to be given to the Directors to allot, issue and dispose of additional shares of the Company.
9. With respect to the ordinary resolution set out in Resolution (8) of the notice, approval is being sought from Independent Shareholders (as defined in the Circular) for the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Annual Caps).
10. A circular containing the information regarding, *inter alia*, the Directors proposed to be re-elected, change of auditor, the general mandates to issue shares and buy back shares of the Company and renewal of continuing connected transactions with CSC (as defined in the Circular) will be sent to the shareholders of the Company together with the Company's 2019 Annual Report.



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

PRECAUTIONARY MEASURES FOR THE 2020 ANNUAL GENERAL MEETING

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention of its spreading, the Company will implement the following precautionary measures at the 2020 annual general meeting of the Company (“AGM”) to safeguard the health and safety of Shareholders who may be attending the AGM in person:

- (1) Compulsory body temperature checks will be carried out on all attendees at the entrance of the meeting venue. Any person with a body temperature of over 37.0 degree Celsius, or is exhibiting flu-like symptoms may be denied entry into the meeting venue and be requested to leave the meeting venue.
- (2) All attendees will be required to wear surgical masks before they are permitted to attend, and during the attendance of, the AGM. Please note that no masks will be provided at the meeting venue and attendees should bring and wear their own masks.
- (3) No refreshments and corporate gifts will be provided at the AGM.

Any attendee who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the AGM by appointing the Chairman of the AGM as their proxy, instead of attending the AGM in person. Physical attendance is not necessary for the purpose of exercising Shareholder rights.

Due to the constantly evolving COVID-19 epidemic situation in Hong Kong, the Company may be required to change the AGM arrangements at short notice. Shareholders should check the Company’s website at www.cscd.com.hk for further announcements and updates on the AGM arrangements, if any.