
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



China Everbright Capital Limited

A letter from the Board is set out on pages 5 to 18 of this Circular and a letter from the Independent Board Committee is set out on pages 19 to 20 of this Circular. A letter from China Everbright, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders on the Proposed Acquisitions and the Continuing Connected Transactions is set out on pages 21 to 43 of this Circular.

A notice convening the extraordinary general meeting to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 31 August 2007 is set out on pages 53 to 56 of this Circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

14 August 2007

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DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (except Saturday) on which licensed banks are open for business in Hong Kong
“China Everbright”	China Everbright Capital Limited, the independent financial adviser
“Circular”	This circular issued by the Company in relation to the Proposed Acquisitions and the Continuing Connected Transactions
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company and COLI
“COHL (Macao)”	COHL (Macao) Commercial and Industrial Company Limited, a company incorporated in Macau
“COIL”	China Overseas Insurance Limited 中國海外保險有限公司, a company incorporated in Hong Kong
“COISL”	China Overseas Insurance Services Limited 中國海外保險顧問有限公司, a company incorporated in Hong Kong
“COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange
“COLI Group”	COLI and its subsidiaries
“Company”	China State Construction International Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between SCOCL and COLI under the SCOCL Engagement Agreement upon completion of the PRC Acquisition

DEFINITIONS

“CPM”	CPM - COMPANHIA DE PARQUES DE MACAU, S. A., a company incorporated in Macau
“CSCEC”	China State Construction Engineering Corporation, a PRC state-owned enterprise organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company and COLI
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hailong”	深圳海龍建築製品有限公司 (Shenzhen Hailong Construction Products Co., Ltd.), a company established in the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	the Hong Kong Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Acquisition”	the acquisition of the Hong Kong Sale Shares pursuant to the terms of the Hong Kong Agreement
“Hong Kong Agreement”	the sale and purchase agreement dated 20 July 2007 entered into between COHL and the Company in relation to the Hong Kong Acquisition
“Hong Kong Sale Shares”	100,000,000 ordinary shares of COIL and 150,000 ordinary shares of COISL of which COHL is the beneficial owner, representing 100% of the respective issued and paid up share capital of COIL and COISL respectively
“Independent Board Committee”	the committee of the Directors comprising the independent non-executive Directors formed to advise the Independent Shareholders in respect of the Proposed Acquisitions and the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than COHL and its associates
“Latest Practicable Date”	8 August 2007, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Macau Acquisition”	the acquisition of the Macau Sale Shares pursuant to the terms of the Macau Agreement
“Macau Agreement”	the sale and purchase agreement dated 20 July 2007 entered into between COHL and the Company in relation to the Macau Acquisition
“Macau Sale Shares”	79% equity interest in the registered and paid up capital of COHL (Macao) of MOP\$200,000 owned by COHL, and 1 share representing 100% of the issued and paid up capital of Perfect Castle Limited of which COHL is the registered and beneficial owner
“MOP\$”	Macau Pataca, the lawful currency of Macau
“Open Offer”	the proposed issue by the Company of new Shares by way of open offer to Shareholders on the basis of an assured allotment of one offer share for every five existing Shares held as described in the announcement of the Company dated 23 July 2007
“PRC”	People’s Republic of China
“PRC Acquisition”	the acquisition of the PRC Interests pursuant to the terms of the PRC Agreement
“PRC Agreement”	the sale and purchase agreement dated 20 July 2007 entered into between COHL and the Company in relation to the PRC Acquisition
“PRC Interests”	the 75% equity interest held by COHL and the 25% equity interest held by CSCEC in the registered and paid up capital of SCOCL of RMB50,000,000. Pursuant to the Vesting Agreement, CSCEC vested in COHL the full economic interests in the 25% of SCOCL’s capital registered in its name
“Proposed Acquisitions”	the Hong Kong Acquisition, the Macau Acquisition and the PRC Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“SCOCL”	深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) (formerly known as 深圳市中海建築工程公司 (Shenzhen China Overseas Construction Engineering Company)), a company established in the PRC

DEFINITIONS

“SCOCL Engagement Agreement”	the agreement entered on 22 November 2005 between COLI and SCOCL, the particulars of which are set out in the joint announcement of the Company and COLI dated 22 November 2005 and the circular of COLI dated 12 December 2005
“SCOEC”	深圳中海工程顧問有限公司 (Shenzhen China Overseas Engineering Consultant Co., Ltd.), formerly known as 深圳市中海建設監理有限公司 (Shenzhen Zhonghai Supervision and Management Co. Ltd.), a company established in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SKW”	COMPANHIA DE CONSTRUCAO E INVESTIMENTO PREDIAL SAN KIN WA LIMITADA, a company incorporated in Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vesting Agreement”	an agreement dated 19 July 2007 between COHL and CSCEC, whereby CSCEC vested in COHL the full economic interests in the 25% SCOCL shares it holds

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Kong Qingping (*Chairman*)

Executive Directors:

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

Yip Chung Nam

Fu He

Zhou Hancheng

Cheong Chit Sun

Independent Non-executive Directors:

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

14 August 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

The purpose of this Circular is:

- (i) to provide you with details of the Proposed Acquisitions and the Continuing Connected Transactions;
- (ii) to set out the advice of China Everbright to the Independent Board Committee in respect of the terms of the Proposed Acquisitions and the Continuing Connected Transactions;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the terms of the Proposed Acquisitions and the Continuing Connected Transactions; and

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- (iv) to give you notice of the extraordinary general meeting to consider and, if thought fit, approve each of the Proposed Acquisitions and the Continuing Connected Transactions.

Your attention is hereby drawn to pages 53 to 56 of this Circular where you will find a notice of the extraordinary general meeting to be held at 11:00 a.m. on Friday, 31 August 2007.

THE PROPOSED ACQUISITIONS

Pursuant to the Hong Kong Agreement, the Macau Agreement and the PRC Agreement, COHL has agreed to sell to the Company and/or its nominee (1) the Hong Kong Sale Shares; (2) the Macau Sale Shares; and (3) the PRC Interests. The Hong Kong Agreement, the Macau Agreement and the PRC Agreement are all independent of each other. Further, the Proposed Acquisitions and the Open Offer are independent events. If the Open Offer does not proceed, the Proposed Acquisition will be funded by internal resources of the Company. The Open Offer is not conditional upon the Proposed Acquisitions and the Proposed Acquisitions are not conditional upon the Open Offer.

As at the Latest Practicable Date, COHL is interested in approximately 62.89% of the issued share capital of the Company and is a connected person of the Company. The Proposed Acquisitions constitute discloseable and connected transactions of the Company under the Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. There are no prior transactions with COHL that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

The Hong Kong Agreement

Date: 20 July 2007

Parties:

- (1) COHL, as the Vendor
- (2) the Company, as the Purchaser

Consideration

The aggregate consideration for the Hong Kong Sale Shares will be determined on the basis of the price to book value of the business of COIL and COISL as at 31 December 2006, as determined by Greater China Appraisal Ltd, an independent valuer appointed by the Company, and the management accounts of COIL and COISL as at 31 May 2007. The aggregate consideration will not exceed HK\$400,000,000 and will be payable by the Company within 14 days of completion. The consideration will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed Hong Kong Acquisition will be funded by internal resources of the Company.

As at the Latest Practicable Date, the exact amount of the aggregate consideration has not yet been determined. The Company will separately announce the amount of the aggregate consideration once it has been determined.

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Conditions

Completion of the Hong Kong Acquisition is conditional upon fulfilment of the following conditions:

- (a) approval of the Insurance Authority for the Company to become a controller of COIL in accordance with the requirements of section 13B of the Insurance Companies Ordinance;
- (b) receipt of a valuation report by an independent valuer by 25 August 2007 by the Company;
- (c) receipt by each of COIL and COISL of all relevant consents and approvals from third parties as may be necessary in conjunction with the proposed change in shareholding of COIL and COISL so as to ensure that each of COIL and COISL maintains all its existing material contractual and other rights and assets in their current state following Completion and such consents and approvals not being revoked, withdrawn or modified at any time before Completion; and
- (d) the Independent Shareholders approving the Hong Kong Agreement at a duly convened and held extraordinary general meeting of the Company in accordance with the Listing Rules.

The condition set out in paragraph (c) above may be waived by the Company. If the conditions set out above are not fulfilled or waived by 31 December 2007, or such later date as may be agreed by the parties, the Hong Kong Agreement will terminate and cease to be of any effect save for any antecedent breach. As at the Latest Practicable Date, none of the conditions above have been fulfilled or waived.

Completion

Subject to the fulfilment of the Conditions, Completion of the Hong Kong Acquisition shall take place on 5 Business Days after the satisfaction or waiver of all the Conditions.

Information on COIL and COISL

COIL is a company incorporated in Hong Kong and is engaged in the general insurance business in Hong Kong. COIL is principally engaged in the business of underwriting insurance policies on contractors' all risks, employees' compensation, property damage and general liability. COIL is authorised under the Insurance Companies Ordinance (Chapter 41 of The Laws of Hong Kong) to carry on general insurance business in or from Hong Kong. COHL is the sole beneficial owner of COIL. The audited profit before tax and extraordinary items of COIL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$48,555,531 and HK\$36,508,933 respectively. The audited profit after tax of COIL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$42,488,099 and HK\$32,422,505 respectively. The audited net asset value of COIL as at 31 December 2005 and 31 December 2006 prepared in accordance with HKAS were HK\$190,272,967 and HK\$177,598,615 respectively.

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COISL is a company incorporated in Hong Kong and is engaged in the provision of insurance brokerage services in Hong Kong. COHL is the sole beneficial owner of COISL. The audited profit before tax and extraordinary items of COISL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$1,766,696 and HK\$2,008,544 respectively. The audited profit after tax of COISL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$1,477,033 and HK\$1,710,415 respectively. The audited net asset value of COISL as at 31 December 2005 and 31 December 2006 prepared in accordance with HKAS were HK\$10,919,156 and HK\$12,629,569 respectively.

Upon completion of the Hong Kong Acquisition, COIL and COISL will become wholly owned subsidiaries of the Company and will be treated as such in the consolidation of the Company's accounts.

The Macau Agreement

Date: 20 July 2007

Parties:

- (1) COHL, as Vendor
- (2) the Company, as Purchaser

Consideration

COHL (Macao) is an investment holding company. The aggregate consideration for the Macau Sale Shares will be determined on the basis of its investments in CPM and SKW, as determined by independent valuers appointed by the Company. For CPM, the valuation will be carried out by Greater China Appraisal Ltd based on the value of the business by reference to the net profit as at 31 May 2007. For SKW, the valuation will be carried out by DTZ Debenham Tie Leung Limited based on the net asset value of SKW as at 31 May 2007, taking into account fair value adjustments of properties for sale and properties under development. The aggregate consideration will not exceed HK\$100,000,000 and will be payable by the Company within 14 days of completion. The consideration will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed Macau Acquisition will be funded by internal resources of the Company.

As at the Latest Practicable Date, the exact amount of the aggregate consideration has not yet been determined. The Company will separately announce the amount of the aggregate consideration once it has been determined.

LETTER FROM THE BOARD

Conditions

Completion of the Macau Acquisition is conditional upon fulfilment of the following conditions:

- (a) the Independent Shareholders approving the Macau Agreement and the transactions contemplated thereunder at a duly convened and held extraordinary general meeting of the Company in accordance with the Listing Rules;
- (b) receipt of a valuation report by an independent valuer in Macau in respect of the value of each of CPM and SKW by 25 August 2007 by the Company; and
- (c) all necessary consents and approvals, if applicable, in respect of the transactions contemplated under the Macau Agreement as may be necessary having been obtained from government or regulatory authorities or third parties.

The condition set out in paragraph (c) above may be waived. If the conditions set out above are not fulfilled or waived by 31 January 2008, or such later date as may be agreed by the parties, the Macau Agreement will terminate and cease to be of any effect save for any antecedent breach. As at the Latest Practicable Date, none of the conditions above have been fulfilled or waived.

Completion

Completion of the Macau Acquisition shall take place 5 Business Days from the date of fulfilment of the last condition (or such later date as the parties may mutually agree).

Information on COHL (Macao) and Perfect Castle Limited

COHL (Macao) is a company incorporated in Macau and is engaged in investment holdings. It is currently being held as to 79% by COHL and as to 21% by Perfect Castle Limited, a wholly owned subsidiary of COHL. Perfect Castle Limited is an investment holding company. The unaudited profit before tax and extraordinary item of COHL (Macao) prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were nil and HK\$2,694,553, respectively. The unaudited profit after tax of COHL (Macao) prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006, were nil and HK\$2,694,553 respectively. The unaudited net asset value as at 31 December 2005 and 31 December 2006, were nil and HK\$2,882,733 respectively. Upon completion of the Macau Acquisition, Perfect Castle Limited and COHL (Macao) will become wholly owned subsidiaries of the Company and will be treated as such in the consolidation of the Company's accounts.

COHL (Macao) owns 30% equity interest in CPM and 15% equity interest in SKW. CPM is principally engaged in the operation of car parks in Macau while SKW is principally engaged in the business of property holding and development in Macau. The unaudited profit before and after tax of CPM and SKW prepared in accordance with HKAS for the year ended 31 December 2006 were HK\$15,639,000 and HK\$8,052,000 respectively. The unaudited net asset value of CPM and SKW prepared in accordance with HKAS as at 31 December 2006 were approximately HK\$38,938,000 and HK\$348,346,000 respectively. Upon completion of the Macau Acquisition, CPM will be treated as an

LETTER FROM THE BOARD

interest in an associated company and the equity accounting method will be applied, while SKW will be treated as available for sales investment stated at cost and classified as non-current assets in the balance sheet of the Company.

The PRC Agreement

Date: 20 July 2007

Parties:

- (1) COHL, as Vendor
- (2) the Company, as Purchaser

Consideration

The aggregate consideration for the PRC Interests will be determined on the basis of the value of the net assets of SCOCL as at 31 May 2007, including its investments in SCOEC and Hailong, as determined by 珠海立信合夥會計師事務所 (Zhuhai Accounting Firm), an independent valuer appointed by the Company. The aggregate consideration will not exceed HK\$20,000,000 and will be paid by the Company within 14 days of completion. The consideration will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed PRC Acquisition will be funded by internal resources of the Company.

As at the Latest Practicable Date, the exact amount of the aggregate consideration has not yet been determined. The Company will separately announce the amount of the aggregate consideration once it has been determined.

Conditions

Completion of the PRC Acquisition is conditional upon fulfilment of the following conditions:

- (a) the Independent Shareholders approving the PRC Agreement and the transactions contemplated thereunder at a duly convened and held extraordinary general meeting of the Company in accordance with the Listing Rules;
- (b) receipt of a valuation report by an independent valuer in the PRC by 25 August 2007 by the Company; and
- (c) all necessary consents and approvals, if applicable, in respect of the transactions contemplated under the PRC Agreement as may be necessary having been obtained from government or regulatory authorities or third parties.

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The condition set out in paragraph (c) above may be waived. If the conditions set out above are not fulfilled or waived by 31 December 2007, or such later date as may be agreed by the parties, the PRC Agreement will terminate and cease to be of any effect save for any antecedent breach. As at the Latest Practicable Date, none of the conditions above have been fulfilled or waived.

Completion

Completion of the PRC Acquisition shall take place 5 Business Days from the date of fulfilment of the last condition (or such later date as the parties may mutually agree).

Information on SCOCL

SCOCL is a company established in the PRC on 10 April 1993 and is principally engaged in acting as main contractor for building construction and contractor for civil engineering works, trading in building materials and investment holding in the PRC. The major licenses held by SCOCL for conducting its construction business include (i) Building Construction Main Contractor Class I (房屋建築工程施工總承包壹級) and (ii) Foundation Engineering Works Contractor Class I (地基及基礎工程專業承包壹級). The registered capital of SCOCL is currently being held as to 75% by COHL and as to 25% by CSCEC. On 19 July 2007, CSCEC entered into an agreement with COHL vesting the voting rights and full economic interests in the 25% SCOCL shares it holds in COHL (“**Vesting Agreement**”). The purpose of the Vesting Agreement is to transfer all the risks and benefits in the 25% interest in SCOCL to COHL while maintaining a registered PRC interest to ensure the smooth-running of SCOCL’s operations. Pursuant to the Vesting Agreement, CSCEC agreed, in relation to the 25% SCOCL shares it holds, to assign to COHL all its rights to profits and dividend and to appoint COHL to attend and vote on its behalf at all general meetings of SCOCL, or to vote in accordance with COHL’s instructions. The rights in the 25% interest in SCOCL vested in COHL are fully transferable and COHL has an option to acquire the registered interest from CSCEC for RMB1 upon a change in PRC laws so that it is no longer a requirement of SCOCL’s construction licence to have a PRC partner. CSCEC is further restricted from disposing of its 25% registered interest in SCOCL other than in accordance with COHL’s instructions. The Company has obtained the opinion of PRC legal counsel that the Vesting Agreement complies with PRC laws. Accordingly, SCOCL will be treated as a wholly owned subsidiary of the Company upon completion of the PRC Acquisition for the purpose of Chapter 14A of the Listing Rules by reason of CSCEC having vested in COHL its economic interests in the 25% shares under the Vesting Agreement.

Both the audited loss before tax and the loss after tax of SCOCL prepared in accordance with the auditing standards in the PRC for the two years ended 31 December 2005 and 31 December 2006 were HK\$28,469,271 and HK\$35,380,038 respectively. The audited net asset value of SCOCL as at 31 December 2005 and the audited net liabilities value of SCOCL as at 31 December 2006 prepared in accordance with the auditing standards in the PRC, were HK\$20,518,277 and HK\$433,517 respectively.

LETTER FROM THE BOARD

SCOCL owns 100% equity interest in SCOEC and 50% equity interest in Hailong. The principal activity of SCOEC is the provision of engineering consultancy services in the PRC while the principal activity of Hailong is the manufacturing and sale of pre-cast structures. The important licenses held by SCOEC for conducting its business include the following:

- (i) 工程招標代理機構甲級資格證書 (Consulting Agency Qualification for Engineering Tender Class A);
- (ii) 房屋建築工程監理甲級 (Building Construction Consultancy Class A);
- (iii) 工程諮詢資格證書乙級 (Engineering Consultancy License Class B); and
- (iv) 二、三類通過建設工程監理資質證書 (Consultancy Qualification for the 2nd and 3rd classic of Communication Engineering).

These licences do not have expiry dates.

The audited profit before tax and extraordinary items of SCOEC for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$2,191,497 and HK\$5,910,013 respectively. The audited profit after tax of SCOEC for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$1,875,291 and HK\$5,023,511 respectively. The audited net asset value of SCOEC as at 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$9,964,191 and HK\$9,719,489 respectively.

Both the audited profit before tax and the audited profit after tax of Hailong for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$1,317,199 and HK\$2,150,907 respectively. The audited net asset value of Hailong as at 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC were HK\$51,333,327 and HK\$54,222,103 respectively.

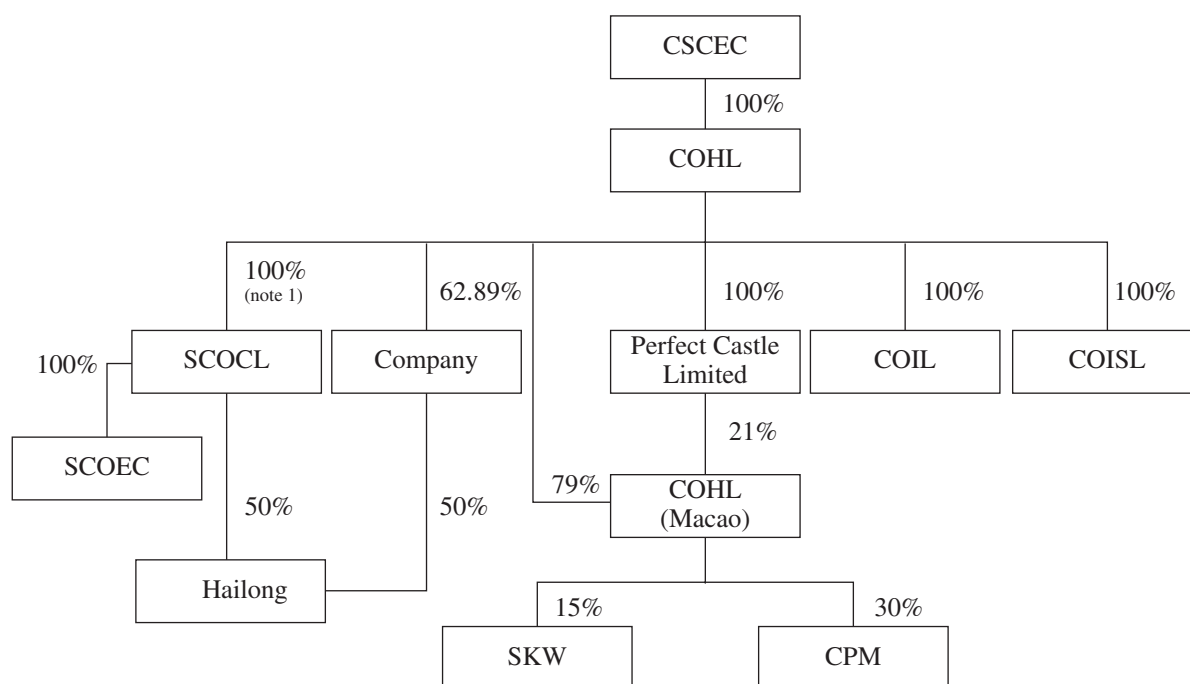
Upon completion of the PRC Acquisition, SCOCL, SCOEC and Hailong will become wholly owned by the Company and will be treated as such in the consolidation of the Company's accounts.

LETTER FROM THE BOARD

Group structure

The charts below set out a simplified structure of the Group's interests in COIL, COISL, COHL (Macao) and SCOCL before and after the completion of the Proposed Acquisitions:

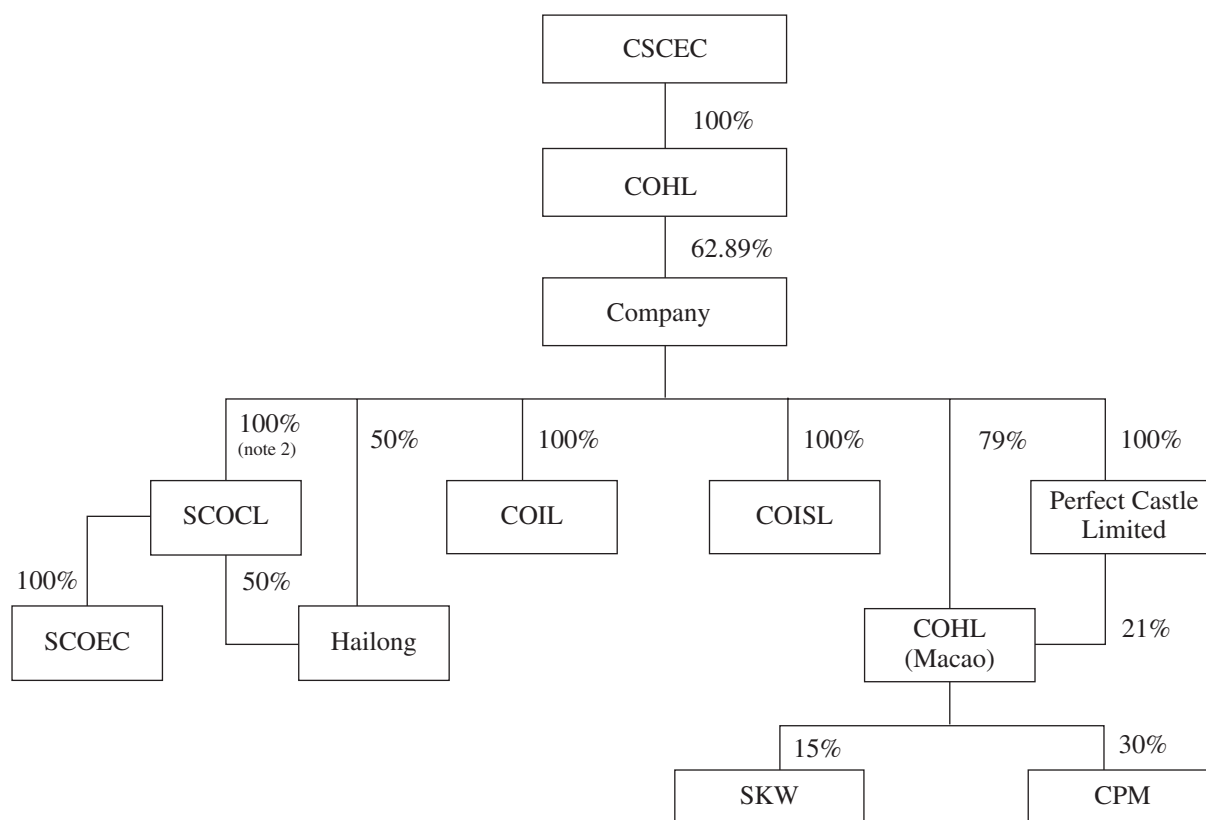
Before Completion



Note 1: Prior to completion of the PRC Acquisition, 75% of the interest in SCOCL is held by COHL directly. The remaining 25% is held by CSCEC, but pursuant to the Vesting Agreement, all rights in relation to those shares are vested in COHL.

LETTER FROM THE BOARD

After Completion



Note 2: Upon completion of the PRC Acquisition, 75% of the interest in SCOCL will be held by the Company directly. The remaining 25% will be held by CSCEC, but all rights in relation to those shares shall be vested in the Company having acquired the same from COHL.

Financial effects of the Acquisition

The Board does not expect any material impact on the earnings and the net assets value (except for the explanation below) immediately following completion of the Proposed Acquisitions but anticipates that the operating results of COIL, COISL, COHL (Macao), SCOCL, SCOEC and Hailong, when consolidated with the financial statements of the Group, can broaden the Group's income base, reduce the operating cost and enhance the net assets value of the Group in the long run.

For the net assets value, owing to the Group having adopted Accounting Guideline No.5 "Merger Accounting for Common Control Business Combinations" ("AG 5") issued by Hong Kong Institute of Certified Public Accountants, the accounting treatment for the combination of the assets acquired from the holding company will be stated at book value while the consideration for each of the Hong Kong Acquisition, Macau Acquisition and PRC Acquisition are determined on a fair value basis. According to the AG5, the assets and liabilities will be consolidated in the consolidated financial statements at the book value and no goodwill will be resulted. The difference between the consideration for the Proposed Acquisitions and the book value of the net assets acquired will be directly charged to reserves of the Group, and only the current assets will be decreased accordingly. The comparative

LETTER FROM THE BOARD

figures in the consolidated financial statements will be retroactively restated as if the combinations were taken place before 1 January 2005. If the Group did not apply AG 5, the assets and liabilities acquired will be stated at fair value and then there will be no financial impact to the net assets of the Group.

Reasons for the Proposed Acquisitions

The Group is insured against risks associated with construction projects (including third party liability), employees' compensation, and damage to vehicles, machinery and property. The bulk of the Group's insurance is maintained with COIL and the majority of COIL's and COISL's respective turnover are generated from sales to the Group. The Hong Kong Acquisition represents a consolidation of the construction and construction-related business of COHL under the Company and supplements the Company's business needs. The Directors believe that the acquisition of COIL and COISL will have a synergistic effect with the existing business of the Group and will facilitate the Company's operations and open new revenue streams.

COHL (Macao) holds 30% interest in CPM, a car park operator, and 15% interest in SKW, a property holding and development company, respectively. The Macau Acquisition will allow the Company to apply the Group's resources in taking advantage of Macau's thriving economy and the increase in property value, and open up a steady revenue stream for the Company, increasing shareholders' value.

SCOCL and SCOEC have the necessary licences to undertake building construction engineering works, foundations engineering works and engineering consultancy services in the PRC. The PRC Acquisition presents a platform for the Company to enter the PRC market and to further the Company's plans to expand its business, by investing in construction related projects in the PRC. The Directors believe that the PRC Acquisition will facilitate the Company's business development and open a gateway to opportunities in the PRC market.

The Directors consider that the Proposed Acquisitions have been made on normal commercial terms and after arm's length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Proposed Acquisitions are in the interest of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Upon Completion, SCOCL will become wholly owned by the Company.

On 22 November 2005, SCOCL entered into the SCOCL Engagement Agreement with COLI, pursuant to which the COLI Group engaged SCOCL as its construction contractor in the PRC upon successful tender of construction contracts for each of the three financial years ending 31 December 2008 subject to the annual cap stipulated in the SCOCL Engagement Agreement. The terms and conditions of the SCOCL Engagement Agreement was announced by COLI on 22 November 2005 and approved by the shareholders of COLI on 29 December 2005. COLI is owned as to approximately 50.12% by COHL and is an associate of COHL. Upon completion of the PRC Agreement, such transactions under the SCOCL Engagement Agreement will constitute connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

The SCOCL Engagement Agreement

Date: 22 November 2005

Parties:

- (1) SCOCL
- (2) COLI

Term

A fixed term not exceeding three years and will expire on 31 December 2008.

Pursuant to the SCOCL Engagement Agreement, the parties agreed that:

- (a) SCOCL may tender for the COLI Group's construction works in the PRC in accordance with the tendering procedure of the COLI's Group from time to time and on the same and normal terms as offered to other independent third party construction contractors; and
- (b) if any contract is granted in favour SCOCL as a result of the above tender, SCOCL may act as construction contractor for the COLI Group in the PRC based on the terms of the successful tender provided that the total contract sum to be awarded by the COLI Group to SCOCL each year shall not exceed HK\$1,600 million for each of the three financial years ending 31 December 2008 (the "**SCOCL Cap**").

The SCOCL Cap is determined with reference to the following factors:

- (i) total contract sum of construction projects in the PRC of the COLI Group in each of the past three years ended 31 December 2004 of approximately HK\$1,651 million, HK\$1,378 million and HK\$3,216 million respectively, including the projects set out in (ii) below;
- (ii) total contract sum of new construction projects awarded to SCOCL each year for the past three years ended 31 December 2004 of nil, approximately HK\$175 million and HK\$143 million respectively, representing nil, approximately 13% and 4% of COLI's new PRC projects for the respective period;
- (iii) total contract sum of new construction projects in the PRC of the COLI Group in each of the three financial years ending 31 December 2008 estimated with reference to the COLI Group's future growth and expansion in its land reserves in the PRC in the three years; and
- (iv) the maximum amount of projects which may be awarded by the COLI Group to SCOCL in the three financial years ending 31 December 2008 should not exceed 15% to 20% of the COLI Group's total contract sum of new construction projects in the PRC as mentioned in (iii) above, such percentage being determined with reference to the percentage level set out in (ii) above, but in any event will not exceed the amount of the SCOCL Cap.

LETTER FROM THE BOARD

Out of the HK\$1,600 million annual SCOCL Cap, the amount of the SCOCL Cap utilised in 2006 and 2007 were HK\$39 million and Nil, respectively.

Reasons for the Continuing Connected Transactions

As the annual cap under the SCOCL Engagement Agreement will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the continuing connected transaction between COLI and SCOCL will upon completion of the PRC Acquisition become non-exempt continuing connected transaction for the Company subject to the requirements of reporting, announcement and approval by the Independent Shareholders pursuant to Rule 14A.35 of the Listing Rules.

The Directors consider that the SCOCL Engagement Agreement will be beneficial to the Shareholders and the Company as it enables the Company to participate in the construction of COLI Group's property development projects upon successful tender, thus allowing the Company to secure a more diverse base of customers for building construction in the PRC.

The Directors consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Company and the terms of the Continuing Connected Transactions and the SCOCL Cap have been negotiated on an arm's length basis and on normal commercial terms between SCOCL and COLI and the terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

GENERAL

The Company is principally engaged in the building construction and civil engineering business in Hong Kong.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Proposed Acquisitions and the Continuing Connected Transactions. China Everbright has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Proposed Acquisitions and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Proposed Acquisitions and the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole.

EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 31 August 2007 or any adjournment thereof is set out on pages 53 to 56 of this Circular for the purpose of considering and, if thought fit, passing, inter-alia, the resolutions in respect of each of the Proposed Acquisitions and the Continuing Connected Transactions.

A form of proxy for use by the Shareholders at the extraordinary general meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's

LETTER FROM THE BOARD

branch share registrar in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to article 66 of the Articles, a poll may be demanded by the chairman of such meeting or by:

- (a) at least 3 Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (b) any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.
- (d) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

The vote of the Independent Shareholders to be taken at the extraordinary general meeting to approve each of the Proposed Acquisitions and the Continuing Connected Transactions will be taken by poll where COHL and its associates will abstain from voting.

RECOMMENDATIONS

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from China Everbright as set out on pages 19 to 20 and 21 to 43 respectively to this Circular.

Your attention is also drawn to the additional information set out in the appendix to this Circular and the notice of the extraordinary general meeting.

By Order of the Board
China State Construction International Holdings Limited
Kong Qingping
Chairman and Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

14 August 2007

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 14 August 2007 (the “Circular”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Proposed Acquisitions and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from China Everbright as set out on pages 21 to 43 of the Circular and the letter from the Board set out on pages 5 to 18 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of China Everbright as stated in its letter of advice, we consider that the terms of the Proposed Acquisitions and the Continuing Connected Transactions are fair and reasonable so far as the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Proposed Acquisitions and the Continuing Connected Transactions be proposed at the extraordinary general meeting.

Yours faithfully,
For and on behalf of

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

Raymond Ho Chung Tai
Independent Non-executive Director

Adrian David Li Man Kiu
Independent Non-executive Director

Raymond Leung Hai Ming
Independent Non-executive Director

Lee Shing See
Independent Non-executive Director

LETTER FROM CHINA EVERBRIGHT

The following is the text of the letter from China Everbright Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions and the Continuing Connected Transactions for inclusion in this circular.



China Everbright Capital Limited

Room 4103-05, Far East Finance Centre, 16 Harcourt Road, Hong Kong

14 August 2007

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed Acquisitions and the Continuing Connected Transactions, details of which are set out in the letter from the Board (“**Letter from the Board**”) in the circular of the Company dated 14 August 2007 (“**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 20 July 2007, the Company entered into (i) the Hong Kong Agreement; (ii) the Macau Agreement; and (iii) the PRC Agreement (collectively, “**Acquisition Agreements**”) with COHL, pursuant to which, the Company has conditionally agreed to purchase (i) the Hong Kong Sale Shares; (ii) the Macau Sale Shares; and the (iii) the PRC Interests from COHL, for a total purchase price of not more than HK\$520 million.

COHL is a connected person of the Company by virtue of its shareholding in the Company, representing approximately 62.89% of the issued share capital of the Company. Therefore, the Proposed Acquisitions constitute connected transactions for the Company. As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the consideration payable under the Proposed Acquisitions exceed 2.5%, the Proposed Acquisitions will be subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. It is noted that as the applicable percentage ratios also exceed 5%, but is less than 25%, the Proposed Acquisitions also constitute discloseable transactions for the Company.

LETTER FROM CHINA EVERBRIGHT

Upon completion (“**Completion**”) of the Proposed Acquisitions, SCOCL will become a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, COLI is owned as to approximately 50.12% by COHL and, thus, is an associate of COHL. Accordingly, transactions between SCOCL and COLI will constitute connected transactions of the Company under the Listing Rules upon Completion. As the annual cap under the SCOCL Engagement Agreement will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the transactions between COLI and SCOCL will become non-exempt continuing connected transactions for the Company upon Completion and will be subject to the requirements of reporting, announcement and approval by the Independent Shareholders.

The Proposed Acquisitions and the Continuing Connected Transactions are conditional upon, inter alia, the approval by the Independent Shareholders in the EGM by way of a poll whereby COHL and its associates will abstain from voting. The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed by the Company to advise the Independent Shareholders in respect of the Proposed Acquisitions, the Continuing Connected Transactions and the transactions contemplated thereunder.

We are a licensed corporation holding a license to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). We shall receive a fee from the Company for the delivery of this letter. We are independent from and not connected with the Company and its subsidiaries or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates, and we are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Proposed Acquisitions and the Continuing Connected Transactions.

Our role as the independent financial adviser to the Independent Board Committee and the Independent Shareholders is to give our opinion as to whether the Proposed Acquisitions and the Continuing Connected Transactions are: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

We hereby confirm that we have performed all necessary steps as required under Rules 13.80 of the Listing Rules (including the notes thereto). Being the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not involved in the negotiations in respect of the terms of the Acquisition Agreements and the SCOCL Engagement Agreement. Our opinions with regard to the Proposed Acquisitions and the Continuing Connected Transactions have been made on the assumption that the terms of the Acquisition Agreements and the SCOCL Engagement Agreement have been fully performed in accordance with the terms thereof.

In arriving at our advice, we have relied on the statements, information and facts supplied, the opinions expressed and the representations made by the Directors and management (“**Management**”) of the Company, including those setting out in the Circular, and assumed that all statements, intentions, opinions and representations made, for which the Company and the Directors are solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be so in all respects up to and including the date of the Circular and that they may be relied upon. We

LETTER FROM CHINA EVERBRIGHT

have also assumed that all statements of intention represented by the Management or the Directors, as set forth in the Circular, will be implemented and that all of the expectations of the Directors can be met. We have also relied on the assumptions described in the Circular and certain information available to the public and we have assumed such information to be accurate and reliable. We consider that we have received and reviewed sufficient information to enable us to form a reasonable basis for our opinion. We have not, however, carried out any independent verification of such information, nor have we conducted an independent investigation into the business and affairs of the Company nor have we conducted any valuation or appraisal of any assets or liabilities, nor have we conducted any form of investigation into the commercial viability of the future prospects of the Company or future prospects of any of the other parties to the aforementioned agreements. We have further assumed that all government, regulatory or other consents and approvals necessary for the effectiveness and implementation of the agreements have been or will be obtained without any adverse effect on the contemplated benefits to the Company. We have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular and we have no reasons to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided. We have sought confirmation from the Directors that no material facts or information have been omitted from the information supplied and/or opinions expressed.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us as of the date of the opinion. We have no obligation to update this opinion to take into account events occurring after this opinion is delivered to the Independent Board Committee and the Independent Shareholders. It should be understood that subsequent developments or changes could occur that, if known at the time we rendered our opinion, would have affected or altered our opinion. We assume no responsibility or liability under such circumstances.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1 The Proposed Acquisitions

1.1 *Business and strategy of the Group*

The Company is principally engaged in the building construction and civil engineering business in Hong Kong.

As stated in the Company's annual report for the financial year ended 31 December 2006 ("**2006 Annual Report**"), the Group has established proven track record in Hong Kong, Macau, Dubai and India. The Group's audited profit attributable to shareholders for the year ended 31 December 2006 increased by 46.2% to HK\$222,182,000. Net assets value per share amounted to HK\$1.95, an increase of 16.1% over 2005.

LETTER FROM CHINA EVERBRIGHT

As stated in the 2006 Annual Report, the Group aims to focus on its core business, to enhance its competitiveness, to maintain its position as an industry leader, and to apply the principle of prudent financial management to strengthen its cash flow management, so as to maximize the shareholders' value. With construction as the core business, the Group shall further expand into other construction-related businesses, thereby balancing market risk and increasing its profitability.

1.2 *Assets to be acquired under the Acquisition Agreements*

(a) *The Hong Kong Acquisition*

Pursuant to the Hong Kong Agreement signed between the Company and COHL on 20 July 2007, the Company agreed to conditionally purchase the Hong Kong Sale Shares, representing 100% of the respective issued and paid up share capital of COIL and COISL from COHL at the price of not more than HK\$400 million. Upon completion of the Hong Kong Acquisition, COIL and COISL will become wholly-owned subsidiaries of the Company and will be treated as such in the consolidation of the Company's accounts.

COIL

COIL is a company incorporated in Hong Kong on 31 October 2001 and is principally engaged in the business of underwriting insurance policies on contractors' all risks, employees' compensation, property damage and general liability. COIL is authorised under the Insurance Companies Ordinance (Chapter 41 of The Laws of Hong Kong) to carry on general insurance business in or from Hong Kong.

As stated in the Letter from the Board, the audited profit before tax and extraordinary items of COIL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$48,555,531 and HK\$36,508,933 respectively. The audited profit after tax of COIL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$42,488,099 and HK\$32,422,505 respectively. The audited net asset value of COIL as at 31 December 2005 and 31 December 2006 prepared in accordance with HKAS were HK\$190,272,967 and HK\$177,598,615 respectively.

COISL

COISL is a company incorporated in Hong Kong on 19 February 1997 and is engaged in the provision of insurance brokerage services in Hong Kong.

As stated in the Letter from the Board, the audited profit before tax and extraordinary items of COISL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$1,766,696 and HK\$2,008,544 respectively. The audited profit after tax of COISL prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were HK\$1,477,033 and HK\$1,710,415 respectively. The audited net asset value of COISL as at 31 December 2005 and 31 December 2006 prepared in accordance with HKAS were HK\$10,919,156 and HK\$12,629,569 respectively.

LETTER FROM CHINA EVERBRIGHT

(b) *The Macau Acquisition*

Pursuant to the Macau Agreement signed between the Company and COHL on 20 July 2007, the Company agreed to conditionally purchase the Macau Sale Shares, representing 79% equity interest of COHL (Macao) and 100% equity interest of Perfect Castle Limited, from COHL at the price of not more than HK\$100 million.

Both Perfect Castle Limited and COHL (Macao) are investment holding companies. The sole asset owned by Perfect Castle Limited is 21% equity interest in COHL (Macao). Upon completion of the Macau Acquisition, Perfect Castle Limited and COHL (Macao) will become wholly-owned subsidiaries of the Company and will be treated as such in the consolidation of the Company's accounts.

The unaudited profit before tax and extraordinary item of COHL (Macao) prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006 were nil and HK\$2,694,553, respectively. The unaudited profit after tax of COHL (Macao) prepared in accordance with HKAS for the two years ended 31 December 2005 and 31 December 2006, were nil and HK\$2,694,553 respectively. The unaudited net asset value as at 31 December 2005 and 31 December 2006, were nil and HK\$2,882,733 respectively.

COHL (Macao) is an investment holding company and its major assets are 30% equity interest in CPM and 15% equity interest in SKW. Upon completion of the Macau Acquisition, CPM will be treated as an interest in an associated company and the equity accounting method will be applied, while SKW will be treated as available for sales investment stated at cost and classified as non-current assets in the balance sheet of the Company.

CPM

CPM is principally engaged in the operation of car parks in Macau. Currently, it owns and operates eight car parks in Macau.

As stated in the Letter from the Board, the unaudited profit before and after tax of CPM prepared in accordance with HKAS for the year ended 31 December 2006 was HK\$15,639,000. The unaudited net asset value of CPM prepared in accordance with HKAS as at 31 December 2006 was approximately HK\$38,938,000.

SKW

SKW is principally engaged in the business of property holding and development in Macau.

As stated in the Letter from the Board, the unaudited profit before and after tax of SKW prepared in accordance with HKAS for the year ended 31 December 2006 was HK\$8,052,000. The unaudited net asset value of SKW prepared in accordance with HKAS as at 31 December 2006 was approximately HK\$348,346,000.

LETTER FROM CHINA EVERBRIGHT

(c) *The PRC Acquisition*

Pursuant to the PRC Agreement signed between the Company and COHL on 20 July 2007, the Company agreed to conditionally purchase the PRC Interests from COHL at the price of not more than HK\$20 million. Upon the completion of the PRC Acquisition, 75% of the interest in SCOCL will be held by the Company directly. The remaining 25% of the interest in SCOCL will be held by CSCEC, but all rights in relation to those shares shall be vested in the Company having acquired the same from COHL.

SCOCL

SCOCL is a company established in the PRC on 10 April 1993 and is principally engaged in acting as main contractor for building construction and contractor for civil engineering works, trading in building materials and investment holding in the PRC. The major licenses held by SCOCL for conducting its construction business include (i) Building Construction Main Contractor Class I (房屋建築工程施工總承包壹級) and (ii) Foundation Engineering Works Contractor Class I (地基及基礎工程專業承包壹級).

Pursuant to the Vesting Agreement, CSCEC agreed, in relation to the 25% SCOCL shares it holds, to assign to COHL all its rights to profits and dividend and to appoint COHL to attend and vote on its behalf at all general meetings of SCOCL, or to vote in accordance with COHL's instructions. The rights in the 25% interest in SCOCL vested in COHL are fully transferable and COHL has an option to acquire the registered interest from CSCEC for RMB1 upon a change in PRC laws so that it is no longer a requirement of SCOCL's construction licence to have a PRC partner.

As stated in the Letter from the Board, CSCEC is further restricted from disposing of its 25% registered interest in SCOCL other than in accordance with COHL's instructions. The Company has obtained the opinion of PRC legal counsel that the Vesting Agreement complies with PRC laws. Accordingly, SCOCL will be treated as a wholly owned subsidiary of the Company upon completion of the PRC Acquisition for the purpose of Chapter 14A of the Listing Rules by reason of CSCEC having vested in COHL its economic interests in the 25% shares under the Vesting Agreement.

As stated in the Letter from the Board, both the audited loss before tax and the loss after tax of SCOCL prepared in accordance with the auditing standards in the PRC for the two years ended 31 December 2005 and 31 December 2006 were HK\$28,469,271 and HK\$35,380,038 respectively. The audited net asset value of SCOCL as at 31 December 2005 and the audited net liabilities value of SCOCL as at 31 December 2006 prepared in accordance with the auditing standards in the PRC, were HK\$20,518,277 and HK\$433,517 respectively.

LETTER FROM CHINA EVERBRIGHT

Since its incorporation in 1993, SCOCL and its subsidiaries have participated in several large-scale construction projects in the PRC, including Shangri-La Futian Hotel (香格里拉大酒店 (深圳福田)).

SCOCL owns 100% equity interest in SCOEC and 50% equity interest in Hailong. The remaining 50% equity interest in Hailong is indirectly held by the Company.

SCOEC

As stated in the Letter from the Board, the principal activity of SCOEC is the provision of engineering consultancy services in the PRC. The important licenses held by SCOEC for conducting its business include the following:

- Consulting Agency Qualification for Engineering Tender Class A (工程招標代理機構甲級資格證書);
- Building Construction Consultancy Class A (房屋建築工程監理甲級);
- Engineering Consultancy License Class B (工程諮詢資格證書乙級); and
- Consultancy Qualification for the 2nd and 3rd classic of Communication Engineering (二、三類通過建設工程監理資質證書).

As stated in the Letter from the Board, the audited profit before tax and extraordinary items of SCOEC for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$2,191,497 and HK\$5,910,013 respectively. The audited profit after tax of SCOEC for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$1,875,291 and HK\$5,023,511 respectively. The audited net asset value of SCOEC as at 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$9,964,191 and HK\$9,719,489 respectively.

Hailong

Hailong is principally engaged in the production of pre-cast structures and is owned as to 50% by the Group and as to 50% by CSCEC. Hailong is one of the suppliers of pre-cast structures to the Group. As advised by the management of the Company, the aggregate values of pre-cast structures purchased from Hailong for the two years ended 31 December 2006 amounted to approximately RMB26.5 million and 55.4 million, respectively.

As stated in the Letter from the Board, both the audited profit before tax and the audited profit after tax of Hailong for the two years ended 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC, were HK\$1,317,199 and HK\$2,150,907 respectively. The audited net assets value of Hailong as at 31 December 2005 and 2006 prepared in accordance with the auditing standards in the PRC were HK\$51,333,327 and HK\$54,222,103 respectively.

LETTER FROM CHINA EVERBRIGHT

Upon completion of the PRC Acquisition, SCOCL, SCOEC and Hailong will become wholly owned by the Company and will be treated as such in the consolidation of the Company's accounts.

1.3 *Rationales of the Proposed Acquisitions*

(a) *Decrease in the amount of the connected transactions between the Group and COHL group*

Given the close relationship between the Group and COHL group, the Group has engaged in various activities with COHL group that constitute continuing connected transactions. As stated in the prospectus ("**Prospectus**") of the Company dated 14 June 2005, such continuing connected transactions include:

- Purchase of pre-cast structures from Hailong by the Group
- Purchase of insurance policies from COIL by the Group
- Lease of properties from COLI by the Group

As disclosed in the Letter from the Board, the majority of COIL's revenue is generated from sales to the Group and its JV companies. According to the information provided by the Group, we noted that the revenue generated by COIL from the sales to the Group and its JV companies amounted to approximately HK\$82.43 million (representing approximately 71.28% of total revenue of COIL) and approximately HK\$62.75 million (representing approximately 73.34% of total revenue of COIL) in 2005 and 2006, respectively.

Similar to COIL, the majority of Hailong's revenue is generated from sales to the Group and its associates. As advised by the Management, approximately 82.3% of Hailong's revenue was generated from the sales to the Group and its associates in 2006.

Upon Completion, Hailong and COIL will become wholly-owned subsidiaries of the Company. Therefore, the business transactions among the Group, Hailong and COIL will no longer be treated as continuing connected transactions in accordance with the Listing Rules. As a result, the amount of continuing connected transactions between the Group and COHL group as a percentage of the total revenue of the Group is expected to be significantly reduced.

In addition, the transactions among the Group, Hailong and COIL will no longer be subject to the requirements of reporting, announcement and approval by the Independent Shareholders upon Completion, therefore, it will provide flexibility to the Group in transacting with Hailong and COIL.

LETTER FROM CHINA EVERBRIGHT

- (b) *Provide the Group with a new and important opportunity to enhance its market position and competitiveness*

Underpinned by (i) continuous growth of the PRC economy; and (ii) rising housing demand arising from the growth of middle class and accelerating urbanization, the PRC construction industry is a steady growing business that has shown strength and potential throughout recent years.

As disclosed in the Prospectus, the Group worked on a few projects in the PRC in the past (the last of which was completed in 2005) as a registered foreign contractor on a project-by-project basis. However, the registration system for foreign contractor in the PRC reformed in 2005. In view of the reformed licensing regime, the Group has not actively developed the PRC construction market since 2005. In addition, the Group does not possess any construction qualification certificate in the PRC before Completion.

As SCOCL and SCOEC possess the necessary licences to undertake building construction engineering works, foundations engineering works and engineering consultancy services in the PRC, and established proven track record in the PRC construction market, the Directors consider that the PRC Acquisition presents a platform for the Group to enter the PRC market and to further the Group's plans to expand its business, by investing in construction related projects in the PRC. As stated in the Letter from the Board, the Directors believe that the PRC Acquisition will facilitate the Group's business development and open a gateway to opportunities in the PRC market.

Given the above, we concur with the Directors' view that the PRC Acquisition is in the interests of the Company and its Independent Shareholders as a whole, although SCOCL incurred net loss in 2005 and 2006.

- (c) *Allow the Group to balance market risk and broaden revenue sources*

The majority of the Company's revenue is generated from the construction contracts in Hong Kong and Macau. The future growth and level of profitability of the construction industry in Hong Kong and Macau are likely to depend primarily upon the continued availability of major construction projects in Hong Kong and Macau. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors which cannot be controlled by the Group.

As stated in the Letter from the Board, through the acquisition of equity interest in CPM (a car park operator in Macau) and SKW (a properties holdings and development company in Macau) under the Macau Acquisition, the Company is allowed to apply the Group's resources in taking advantage of Macau's thriving economy and the increase in property value, and open up a steady revenue stream for the Company, increasing shareholder value.

LETTER FROM CHINA EVERBRIGHT

Taking into account that COIL and Hailong also generate revenues from sales to third parties through the provision of insurance policies and pre-cast structures, respectively, we concur with the Directors' view that the Proposed Acquisitions enable the Group not only to acquire assets which are related to and complimentary to the Group's existing core business, but also to broaden the Group's revenue sources, thereby balancing the market risk to the Group.

Based on the above factors, we are of the view that the Proposed Acquisitions are consistent with the overall corporate strategy of the Group and are in the interests of the Company and its Independent Shareholders as a whole.

1.4 *The consideration, basis of the consideration and payment terms*

(a) *The Hong Kong Acquisition*

As stated in the Letter from the Board, the aggregate consideration for the Hong Kong Sale Shares will be determined with reference to the fair value of COIL and COISL as at 31 December 2006, as determined by Greater China Appraisal Ltd. ("**Greater China Appraisal**"), an independent valuer appointed by the Company, and the management accounts of COIL and COISL as at 31 May 2007. The consideration will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed Hong Kong Acquisition will be funded by internal resources of the Company.

As at the Latest Practicable Date, the Company did not receive the valuation report from Greater China Appraisal, therefore, the purchase price of the Hong Kong Acquisition has not yet been determined. Shareholder should note that the Company will separately announce the amount of the aggregate consideration once it has been determined.

In assessing the fairness of the consideration for the Hong Kong Acquisition, we have, on a best effort basis, conducted a search of companies listed on the Stock Exchange whose principal business is engaged in general/non-life insurance. Based on our search, the only comparable companies we have, to the best of our knowledge, identified are the two comparable

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companies listed below. We have reviewed the P/E multiples and P/B multiples of the comparable companies and the results are summarized in the table below.

Stock code	Name of Comparable Companies	Principal Business	Market capitalization (Note 1) <i>HK\$' million</i>	P/E multiple (Note 2)	P/B multiple (Note 3)
1389	Ming An (Holdings) Co. Ltd	Provide a variety of general insurance products to a broad range of customers in Hong Kong and the PRC	9,039	22.54	2.89
2328	PICC Property and Casualty Co. Ltd.	Provide a broad range of property and casualty insurance products for a wide variety of customers throughout the PRC	33,385	51.66	1.61
			Average	37.10	2.25
			Hong Kong Sale Shares (Note 4)	11.72	2.10

Notes:

1. Market capitalisation as quoted on Bloomberg on the Latest Practicable Date.
2. Calculated based on the closing price of the comparable companies on the Latest Practicable Date divided by their respective basic earnings per share per their respective latest annual reports.
3. Calculated based on the closing price of the comparable companies on the Latest Practicable Date divided by their respective net asset values per share per their respective latest audited financial reports.
4. Based on the maximum purchase price of approximately HK\$400 million.

As illustrated above, the P/E multiple represented by the maximum purchase price for Hong Kong Sale Shares of approximately 11.72 times lies below the average of approximately 37.10 times upon comparison with the market comparables, and falls below the range of approximately 22.54 times and 51.66 times upon comparison with the market comparables.

We also note that the P/B multiple represented by the maximum purchase price for Hong Kong Sale Shares of approximately 2.10 times lies below the average of approximately 2.25 times upon comparison with the market comparables, and falls with the range of approximately 1.61 times and 2.89 times upon comparison with the market comparables.

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Taking into account of the above P/E multiple and P/B multiple analysis, and (i) the consideration was arrived at after arm's length negotiations between the parties to the Hong Kong Agreement; and (ii) the consideration will be determined by reference to the fair value of COIL and COISL as at 31 December 2006, which will be assessed by Greater China Appraisal, we consider the consideration for the Hong Kong Acquisition to be fair and reasonable so far as the Company and the Independent Shareholders are concerned and is on normal commercial terms.

(b) *The Macau Acquisition*

As stated in the Letter from the Board, the aggregate consideration for the Macau Sale Shares will be determined on the basis of its investments in CPM and SKW, as determined by independent valuers appointed by the Company. For CPM, the valuation will be carried out by Greater China Appraisal based on the value of the business by reference to the net profit as at 31 May 2007. For SKW, the valuation will be carried out by DTZ Debenham Tie Leung Limited (“DTZ”) based on the net asset value of SKW as at 31 May 2007, taking into account fair value adjustments of properties for sale and properties under development.

As at the Latest Practicable Date, the Company did not receive the valuation reports from Greater China Appraisal and DTZ, therefore, the purchase price of the Macau Acquisition has not yet been determined. However, based on (i) the historical financial statements of CPM and SKW; and (ii) the draft valuation reports of CPM and SKW, the Management estimates that the purchase price of the equity interests in CPM and SKW will not be more than HK\$24 million and HK\$76 million, respectively. Shareholder should note that the Company will separately announce the amount of the aggregate consideration once it has been determined.

The consideration for Macau Acquisition will be payable by the Company within 14 days of completion and it will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed Macau Acquisition will be funded by internal resources of the Company.

Taking into account that (i) COHL (Macao) is an investment holding company and its major assets are investments in CPM and SKW; and (ii) the aggregate consideration for the Macau Sale Shares will be determined with reference to the fair value of the COHL (Macao)'s equity interests in CPM and SKW, we will assess the fairness and reasonableness of the purchase price for the Macau Acquisition by (i) analyzing the P/E multiples and P/B multiples of CPM and SKW, and (ii) comparing such P/E multiples and P/B multiples with those of the comparable companies.

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CPM

CPM is principally engaged in the operation and management of car parks in Macau. We cannot identify any company listed on the Stock Exchange whose principal business is identical with those of CPM. Alternatively, in assessing the fairness of the consideration for the equity interest in CPM, we have, on a best effort basis, conducted a search of companies listed on overseas stock exchanges whose principal business is engaged on management of car parks. Based on our search, the only comparable companies we have, to the best of our knowledge, identified are the two comparable companies listed below. We have reviewed the P/E multiples and P/B multiples of the comparable companies and the results are summarized in the table below.

Stock code	Name of Comparable Companies	Principal Business	Market capitalization (Note 1) <i>HK\$' million</i>	P/E multiple (Note 1)	P/B multiple (Note 1)
4666 JP	Park24 Co Ltd.	Operate 24-hour automated parking garages, monthly parking lots and parking lot administration in Japan	11,197	21.65	5.59
STAN US	Standard Parking Corp	Provide on-site management services at multi-level and surface parking facilities in the United States and Canada	2,999	11.32	9.12
			Average	16.49	7.35
			30% equity interest in CPM (Note 2)	5.12	2.05

Notes:

1. Quoted on Bloomberg on the Latest Practicable Date.
2. Based on the maximum purchase price of approximately HK\$24 million.

As illustrated above, the P/E multiple represented by the maximum purchase price for CPM of approximately 5.12 times lies below the average of approximately 16.49 times upon comparison with the market comparables, and falls below the range of approximately 11.32 times and 21.65 times upon comparison with the market comparables.

We also note that the P/B multiple represented by the maximum purchase price for CPM of approximately 2.05 times lies below the average of approximately 7.35 times upon comparison with the market comparables, and falls below the range of approximately 5.59 times and 9.12 times upon comparison with the market comparables.

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SKW

SKW is principally engaged in the business of property holding and development in Macau.

In assessing the fairness of the consideration for the equity interest in SKW, we have, on a best effort basis, conducted a search of companies listed on the Stock Exchange whose business is engaged on properties investment and development in Macau. Based on our search, the only comparable companies we have, to the best of our knowledge, identified are the three comparable companies listed below. We have reviewed the P/E multiples and P/B multiples of the comparable companies and the results are summarized in the table below.

Stock code	Name of Comparable Companies	Principal Business	Market capitalization (Note 1) <i>HK\$' million</i>	P/E multiple (Note 2)	P/B multiple (Note 3)
34	Kowloon Development Co. Ltd	Property investment and development, finance and investments, and other businesses	18,848	8.03	1.50
199	Macau Prime Properties Holdings Ltd.	Property development and investment, golf resort and hotel operations in the PRC, trading of motorcycles, securities investment, loan financing services and manufacture and trading of medicine and health products.	1,453	12.84	0.87
242	Shun Tak Holdings Ltd	Property development, investment and management, transportation, hospitality and investment holding	25,542	37.74	2.38
			Maximum	37.74	2.38
			Minimum	8.03	0.87
			Average	19.54	1.58
			15% equity interest in SKW (Note 4)	62.92	1.45

Notes:

1. Market capitalisation as quoted on Bloomberg on the Latest Practicable Date.
2. Calculated based on the closing price of the comparable companies on the Latest Practicable Date divided by their respective basic earnings per share per their respective latest annual reports.
3. Calculated based on the closing price of the comparable companies on the Latest Practicable Date divided by their respective net assets value per share per their latest audited financial report.
4. Based on the maximum purchase price of approximately HK\$76 million.

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As illustrated above, the P/E multiple represented by the maximum purchase price for SKW of approximately 62.92 times lies above the average of approximately 19.54 times upon comparison with the market comparables, and falls above the upper range of approximately 37.74 times upon comparison with the market comparables. Given that (i) the properties development business is asset-based in nature; and (ii) the completed properties held for sales by SKW amounted to approximately HK\$107 million as at 31 December 2006 (representing approximately 30.7% of its net asset as at 31 December 2006) according to the unaudited financial statement of SKW in 2006, we are of the view that P/B multiple is a more appropriate parameter for our comparison purpose.

We note that the P/B multiple represented by the maximum purchase price for SKW of approximately 1.45 times lies below the average of approximately 1.58 times upon comparison with the comparable companies, and falls within the range of approximately 0.87 times and 2.38 times upon comparison with the market comparables.

Taking into account of the above P/E multiple and P/B multiple analysis, and (i) the consideration was arrived at after arm's length negotiations between the parties to the Macau Agreement; and (ii) the consideration will be determined by reference to the fair value of equity interests in CPM and SKW, which will be assessed by Greater China Appraisal and DTZ, respectively, we consider the consideration for the Macau Acquisition to be fair and reasonable so far as the Company and the Independent Shareholders are concerned and is on normal commercial terms.

(c) *The PRC Acquisition*

As stated in the Letter from the Board, the aggregate consideration for the PRC Interests will be determined on the basis of the value of the net assets of SCOCL as at 31 May 2007, including its investments in SCOEC and Hailong, as determined by Zhuhai Accounting Firm, an independent valuer appointed by the Company. As advised by the Company, the purchase price for the PRC Interests will be not more than HK\$20 million.

As at the Latest Practicable Date, the Company did not receive the valuation report from Zhuhai Accounting Firm, therefore, the purchase price of the PRC Interests has not yet been determined. Shareholder should note that the Company will separately announce the amount of the aggregate consideration once it has been determined.

As stated in the Letter from the Board, the purchase price for the PRC Interests will be payable by the Company within 14 days of completion. The consideration will be satisfied by proceeds of the Open Offer. If the Open Offer does not proceed, the proposed PRC Acquisition will be funded by internal resources of the Company.

Given that SCOCL incurred net loss in 2006 and net liabilities as at 31 December 2006, we cannot calculate the P/E multiple and P/B multiple of SCOCL based on its audited financial statement for the year ended 31 December 2006.

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Alternatively, taking into account that the aggregate consideration for the PRC Interests will be determined on the basis of the revalued amount of the net assets of SCOCL as at 31 May 2007, the purchase price for the PRC Interests implies a P/B multiple of approximately 1.0 times based on the net assets value of SCOCL as at 31 May 2007.

In assessing the fairness of the consideration for the PRC Interests, we have, on a best effort basis, conducted a search of companies listed on Stock Exchange whose principal business is engaged in construction and decoration business. Based on our search, the only comparable companies we have, to the best of our knowledge, identified are the 14 comparable companies listed below. We have reviewed the P/B multiples of the comparable companies and the results are summarized in the table below.

Stock code	Name of Comparable Companies	Principal Business	Market capitalization (Note 1) <i>HK\$' million</i>	P/B multiple (Note 2)
190	HKC (Holdings) Ltd.	Property development and investment, alternative energy investment, infrastructure and construction.	12,080	3.15
983	Shui On Construction and Materials Ltd.	Construction and building maintenance, cement operations, property development and investment.	7,136	1.37
498	PYI Corporation Ltd.	Building construction, civil engineering, specialist works, construction materials, engineering and infrastructure services, property leasing and sale of property.	4,925	1.52
2355	Baoye Group Co. Ltd.	Provision of construction service, manufacture and distribution of building materials and property development.	4,496	2.05
711	Chun Wo Holdings Ltd.	Civil engineering, electrical and mechanical engineering foundation and building construction work and property development.	1,435	1.15
404	Hsin Chong Construction Group Ltd.	Building construction, civil engineering, piling and foundations, renovation & fitting-out, building repair maintenance, construction management, property investment, property rental, property development & contractor finance.	929	1.56
577	Paul Y. Engineering Group Ltd.	Building construction, civil engineering and specialist works.	772	1.70
687	Tysan Holdings Ltd.	Foundation piling, machinery trading and leasing; property investment and development, electric & mechanic engineering and building construction.	712	0.57

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Stock code	Name of Comparable Companies	Principal Business	Market capitalization (Note 1) <i>HK\$' million</i>	P/B multiple (Note 2)
406	Yau Lee Holdings Ltd.	Contracting of building construction, maintenance and decoration projects in Hong Kong; plumbing contracts, property investment and the manufacturing and supply of building materials.	538	0.62
896	Hanison Construction Holdings Ltd.	Building construction, interior and renovation works, and supply and installation of building materials, health products, properties investment, properties agency and management and properties development.	408	0.63
15	Vantage International (Holdings) Ltd.	Construction, repair, maintenance, renovation and fitting out services for the public and private sector.	279	0.90
262	Deson Development International Holdings Ltd.	Construction contracting and related business, property development and investment, fitness club and related business.	275	0.66
745	Wing Hong (Holdings) Ltd.	Engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong.	124	0.73
621	Wing Hing International (Holdings) Ltd.	Construction of superstructures, and foundation piling, substructure works, slope improvement works and interior decoration works in Hong Kong.	114	1.07
			Maximum	3.15
			Minimum	0.57
			Average	1.26
			The PRC Acquisition (Note 3)	1.00

Notes:

1. Market capitalisation as quoted on Bloomberg on the Latest Practicable Date.
2. Calculated based on the closing price of the comparable companies on the Latest Practicable Date divided by their respective net assets value per share per their latest audited financial report.
3. The implied P/B multiple for the PRC Acquisition is calculated based on the purchase price for the PRC Interests and the revalued amount of net assets of SCOCL as at 31 May 2007. As advised by the Management, the purchase price for the PRC Interests will be equal to the revalued amount of SCOCL as at 31 May 2007.

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As illustrated above, the implied P/B multiple of approximately 1.0 times lies below the median of approximately 1.26 times upon comparison with the market comparables, and falls within the range of approximately 0.57 times and 3.15 times upon comparison with the market comparables.

Taking into account of the above P/B multiple analysis and (i) the consideration was arrived at after arm's length negotiations between the parties to the PRC Agreement; (ii) the consideration will be determined by reference to the net assets value of SCOCL which will be assessed by Zhuhai Accounting Firm; and (iii) SCOCL and its subsidiaries possess the necessary licences to undertake building construction engineering works, foundations engineering works and engineering consultancy services in the PRC, and established proven track record in the PRC construction market — which are non-monetary strategic assets to the Group in developing the PRC market, we consider the consideration for the PRC Acquisition to be fair and reasonable so far as the Company and the Independent Shareholders are concerned and is on normal commercial terms.

1.5 *Financial impacts of the Acquisition*

(a) *Net assets value and earnings*

Upon completion of the Proposed Acquisitions, COIL, COISL, Perfect Castle Limited, COHL (Macao), SCOCL, SCOEC and Hailong will become wholly-owned subsidiaries of the Company and their results of operation will be consolidated into the consolidated financial statements of the Group.

COHL (Macao) owns 30% equity interest in CPM and 15% equity interest in SKW. Upon completion of the Macau Acquisition, CPM will be treated as an interest in an associated company and the equity accounting method will be applied, while SKW will be treated as available for sales investment stated at cost and classified as non-current assets in the consolidated balance sheet of the Group.

However, shareholders should note that the Group has adopted Accounting Guideline No.5 “Merger Accounting for Common Control Business Combinations” (“AG 5”) issued by Hong Kong Institute of Certified Public Accountants. According to the AG 5, the assets and liabilities acquired under the Proposed Acquisitions will be stated at the book value while the consideration for each of the Hong Kong Acquisition, Macau Acquisition and PRC Acquisition are determined on a fair value basis. According to the AG 5, the assets and liabilities will be consolidated in the consolidated financial statements at the book value and no goodwill will be resulted. The difference between the consideration for the Proposed Acquisitions and the book value of the net assets acquired will be directly charged to reserves of the Group, and only the current assets will be decreased accordingly. The comparative figures in the financial statements will be retroactively restated as if the combinations were taken place before 1 January 2005. If the Group did not apply AG 5, the assets acquired will be stated at fair value and then there will be no financial impact to the net assets of the Group.

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(b) *Working Capital*

As noted from the 2006 Annual Report, the Group had cash reserve of approximately HK\$1.7 billion as at 31 December 2006. On 23 July 2007, the Company announced to raise not less than approximately HK\$999.67 million by way of open offer. The estimated net proceeds of the open offer are approximately HK\$989 million, of which approximately HK\$520 million will be used to finance the Proposed Acquisitions.

Given the above, we consider the Proposed Acquisitions will not materially adversely affect the cash position of the Group.

2 Continuing Connected Transactions

2.1 *Background*

As stated in the Letter from the Board, upon the completion of the PRC Acquisition, SCOCL will become wholly owned by the Company.

On 22 November 2005, SCOCL entered into the SCOCL Engagement Agreement with COLI, pursuant to which the COLI Group engaged SCOCL as its construction contractor in the PRC upon successful tender of construction contracts for each of the three financial years ending 31 December 2008 subject to the annual cap stipulated in the SCOCL Engagement Agreement. The terms and conditions of the SCOCL Engagement Agreement was announced by COLI on 22 November 2005 and approved by the shareholders of COLI on 29 December 2005. COLI is owned as to approximately 50.12% by COHL and is an associate of COHL. As confirmed by the Management, the terms and the conditions of the SCOCL Engagement Agreement will not be amended upon the completion of the PRC Acquisition.

Upon the completion of the PRC Agreement, such transactions under the SCOCL Engagement Agreement will constitute continuing connected transactions of the Company under the Listing Rules. As the annual cap under the SCOCL Engagement Agreement will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the continuing connected transaction between COLI and SCOCL upon completion of the PRC Acquisition will become non-exempt continuing connected transaction for the Company subject to the requirements of reporting, announcement and approval by the Independent Shareholders pursuant to Rule 14A.35 of the Listing Rules.

2.2 *Services to be provided*

Pursuant to the SCOCL Engagement Agreement, SCOCL may continue to tender for COLI Group's construction works in the PRC in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third parties. If any contract is granted in favour of SCOCL as a result of the above tender, SCOCL may act as construction contractor for COLI Group in the PRC based on the terms of the successful tender.

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

In addition, as stated in the Letter from the Board, COLI Group may invite tenders, including SCOCL and other independent construction contractors, for the construction services required by COLI Group. As advised by the Management, COLI Group will then select tenders from whom it considers offering the most attractive terms. As a result, SCOCL may or may not be awarded construction service contracts during the tendering process. If SCOCL is awarded construction service contracts during the tendering process, SCOCL and COLI Group will enter into definitive agreements which specify the fees payable by COLI Group to SCOCL.

2.3 Reasons for, and benefits of, the SCOCL Engagement Agreements

As stated in the Letter from the Board, the Directors consider that the SCOCL Engagement Agreement will be beneficial to the Shareholders and the Company as it enables SCOCL to participate in the construction of COLI Group's property development projects upon successful tender, thus allowing the SCOCL to secure a more diverse base of customers for building construction in the PRC.

As COLI Group is one of the reputable property developers in PRC, we consider that being able to participate in the construction of COLI Group's property development projects upon successful tender allows SCOCL to expand its customer base and to facilitate the growth of SCOCL. In addition, SCOCL's participation in competitive tender for works from the COLI Group can assist SCOCL in keeping abreast with the latest market news and trends, placing SCOCL in a competitively more advantageous position in relation to SCOCL's competitors in view of the changing property and construction market and customers' needs.

Taking into account of the above and (i) the transactions contemplated under the SCOCL Engagement Agreement are in line with the existing business activities of SCOCL; (ii) the SCOCL Engagement Agreement does not impose any contractual obligation to tender for the COLI Group's construction works in the PRC; (iii) SCOCL is required to comply with the tendering procedure of the COLI's Group from time to time and on the same and normal terms as offered to other independent third party construction contractors, we are of the view that the entering into the SCOCL Engagement Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

2.4 Key terms of the SCOCL Engagement Agreement

(a) Term

The SCOCL Engagement Agreement covers a three year period expiring on 31 December 2008.

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(b) *Pricing basis*

Pursuant to SCOCL Engagement Agreement, SCOCL may tender for the COLI Group's construction works in the PRC in accordance with the tendering procedure of the COLI's Group from time to time and on the same and normal terms as offered to other independent third party construction contractors.

As advised by the Directors, SCOCL have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender received by SCOCL, and to decide the contents and price of the proposed tender. All invitation to tender received by SCOCL from COLI Group or other independent third parties will pass through the above tender review process. Therefore, the Directors consider that the pricing basis of the Continuing Connected Transactions is fair and reasonable and on normal commercial terms by way of the above tender review procedures.

Based on the Management's confirmation and representation that the Continuing Connected Transactions will be reviewed and approved in the same manner, we are of the view that adequate measures will be in place to mitigate any conflict of interest between SCOCL and COLI Group regarding the tender submission.

Taking into consideration the above factors and having review the relevant documents, we are of the opinion that the terms of the SCOCL Engagement Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2.5 *SCOCL Cap*

According to the SCOCL Engagement Agreement, if any contract is granted in favour SCOCL as a result of the tender, SCOCL may act as construction contractor for the COLI Group in the PRC based on the terms of the successful tender provided that the total contract sum to be awarded by the COLI Group to SCOCL each year shall not exceed HK\$1,600 million for each of the three financial years ending 31 December 2008.

As stated in the Letter from the Board, The SCOCL Cap is determined with reference to the following factors:

- (i) total contract sum of construction projects in the PRC of the COLI Group in each of the past three years ended 31 December 2004 of approximately HK\$1,651 million, HK\$1,378 million and HK\$3,216 million respectively, including the projects set out in (ii) below;
- (ii) total contract sum of new construction projects awarded to SCOCL each year for the past three years ended 31 December 2004 of nil, approximately HK\$175 million and HK\$143 million respectively, representing nil, approximately 13% and 4% of COLI's new PRC projects for the respective period;

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- (iii) total contract sum of new construction projects in the PRC of the COLI Group in each of the three financial years ending 31 December 2008 estimated with reference to the COLI Group's future growth and expansion in its land reserves in the PRC in the three years; and
- (iv) the maximum amount of projects which may be awarded by the COLI Group to SCOCL in the three financial years ending 31 December 2008 should not exceed 15% to 20% of the COLI Group's total contract sum of new construction projects in the PRC as mentioned in (iii) above, such percentage being determined with reference to the percentage level set out in (ii) above, but in any event will not exceed the amount of the SCOCL Cap.

However, the Shareholders should note that the SCOCL Cap represents the best estimates by the Directors based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. SCOCL may or may not provide construction services to COLI Group up to the level of the SCOCL Cap, if at all, as its engagement by COLI Group is subject to tender procedures which are open to other independent third party contractors.

Although the amount of the SCOCL Cap utilised in 2006 and 2007 were HK\$39 million and nil, respectively, we consider that it is fair and reasonable to maintain the proposed SCOCL Cap at HK\$1,600 million for each of the three financial years ending 31 December 2008 because of the following reasons:

1. According to the SCOCL Engagement Agreement, COLI Group may invite tenders, including SCOCL and other independent construction contractors, for the construction services required by COLI Group. As advised by the Management, COLI Group will then select tenders from whom it considers offering the most attractive terms. In other words, the decision for COLI Group to invite and select SCOCL as its construction contractor are out of the control of the Group.
2. According to the circular issued by COLI on 12 December 2005, we note that the SCOCL Cap was estimated by the management of COLI with reference to COLI Group's future growth and expansion in its land reserves in the PRC for the three years ending 31 December 2008. The SCOCL Cap, which will expire on 31 December 2008, was approved by then independent shareholders of COLI on 29 December 2005. Despite the amount of the SCOCL Cap utilized in 2006 and 2007 were well below the proposed annual cap, the Management does not expect COLI Group will request SCOCL to revise the SCOCL Cap downward. Taking into account the business relationship between SCOCL and COLI Group under the SCOCL Engagement Agreement, it is not in the interest of the Company and the Shareholders to revise the SCOCL Cap without the consent from COLI Group.

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3. According to 2006 annual report of COLI, we further note that COLI recorded significant growth in 2006. The revenue and net profit of COLI has increased by approximately 37.6% and 38.2% to approximately HK\$10.9 billion and approximately HK\$2.3 billion in 2006, respectively. As COLI Group is one of the leading property developers in PRC, we are of the view that a sufficiently large cap for the Continuing Connected Transactions would provide flexibility to the Group to meet the demand when opportunities arise.

On the basis of the aforesaid reasons and factors, we concur with the view of the Directors and are of the view that the SCOCL Cap is reasonable and acceptable. Accordingly, we consider that the Continuing Connected Transactions are expected to be entered into in the ordinary and usual course of business of the Group and the terms of the SCOCL Engagement Agreement, together with the SCOCL Cap, were agreed on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

3 Recommendations

Having considered the above principal factors and reasons, we consider the Proposed Acquisitions and the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Proposed Acquisitions and the Continuing Connected Transactions, as detailed in the notice of EGM set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

1. 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 not contained in this Circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
15,000,000,000 Shares	1,500,000,000.00
<i>Issued and fully paid</i>	
499,834,002 Shares	49,983,400.20

3. DISCLOSURE OF INTERESTS**(a) Disclosure of interests by the Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred

to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long Positions in Shares and underlying Shares*

(a) *In the Company:*

Name of Director	Capacity	Interest in Shares		Interest in underlying shares pursuant to Share Options	Total interest in Shares	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
		Personal interest	Corporate interest			
Kong Qingping	Beneficial Owner	200,000	—	1,200,000	1,400,000	0.28%
Zhou Yong	Beneficial Owner	210,000	—	840,000	1,050,000	0.21%
Yip Chung Nam	Beneficial Owner	272,222	—	600,000	872,222	0.17%
Fu He	Beneficial Owner	150,000	—	600,000	750,000	0.15%
Zhou Hancheng	Beneficial Owner	150,000	—	560,000	710,000	0.14%
Cheong Chit Sun	Beneficial Owner	90,000	—	360,000	450,000	0.09%
Raymond Ho Chung Tai	Beneficial Owner	—	—	200,000	200,000	0.04%
Adrian David Li Man Kiu	Beneficial Owner	—	—	200,000	200,000	0.04%
Raymond Leung Hai Ming	Beneficial Owner	—	—	200,000	200,000	0.04%
Lee Shing See	Beneficial Owner	—	—	200,000	200,000	0.04%

(b) *In COLI (an associated corporation):*

Name of Director	Capacity	Interest in Shares		Interest in underlying shares pursuant to Share Options	Total interest in Shares
		Personal interest	Corporate interest		
Kong Qingping	Beneficial Owner	8,716,000	—	1,344,000	10,060,000
Zhou Yong	Beneficial Owner	1,643,750	—	768,000	2,411,750
Yip Chung Nam	Beneficial Owner	3,400,000	—	800,000	4,200,000
Fu He	Beneficial Owner	400,000	—	800,000	1,200,000
Zhou Hancheng	Beneficial Owner	128,000	—	256,000	384,000
Cheong Chit Sun	Beneficial Owner	160,000	—	240,000	400,000

(ii) *Interests in underlying Shares — share options*

Pursuant to the Company's Share Option Schemes, the Company has granted to certain Directors of the Company Options to subscribe for the Shares, details of which as at the Latest Practicable Date were as follows:

(a) *In the Company:*

Name of Director	Date of grant	Exercisable Period	Exercise price HK\$	Number of Shares subject to outstanding Options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
Kong Qingping	14.09.2005	14.09.2006 to 13.09.2015	1.03	1,200,000	0.24%
Zhou Yong	14.09.2005	14.09.2006 to 13.09.2015	1.03	840,000	0.17%
Yip Chung Nam	14.09.2005	14.09.2006 to 13.09.2015	1.03	600,000	0.12%
Fu He	14.09.2005	14.09.2006 to 13.09.2015	1.03	600,000	0.12%
Zhou Hancheng	14.09.2005	14.09.2006 to 13.09.2015	1.03	560,000	0.11%
Cheong Chit Sun	14.09.2005	14.09.2006 to 13.09.2015	1.03	360,000	0.07%
Raymond Ho Chung Tai	14.09.2005	14.09.2006 to 13.09.2015	1.03	200,000	0.04%
Adrian David Li Man Kiu	14.09.2005	14.09.2006 to 13.09.2015	1.03	200,000	0.04%
Raymond Leung Hai Ming	14.09.2005	14.09.2006 to 13.09.2015	1.03	200,000	0.04%
Lee Shing See	14.09.2005	14.09.2006 to 13.09.2015	1.03	200,000	0.04%

(b) *In COLI (an associated corporation):*

Name of Director	Date of grant	Exercisable Period	Exercise price HK\$	Number of Shares subject to Outstanding Options as at the Latest Practicable Date
Kong Qingping	18.06.2004	18.06.2005 to 17.06.2014	1.13	1,344,000
Zhou Yong	18.06.2004	18.06.2005 to 17.06.2014	1.13	768,000
Yip Chung Nam	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000
Fu He	18.06.2004	18.06.2005 to 17.06.2014	1.13	800,000
Zhou Hancheng	18.06.2004	18.06.2005 to 17.06.2014	1.13	256,000
Cheong Chit Sun	18.06.2004	18.06.2005 to 17.06.2014	1.13	240,000

(b) **Particulars of Directors' Service Contracts**

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not expiring or determinable by the Company within one year without the payment of compensation other than statutory compensation.

(c) **Save as disclosed above, as at the Latest Practicable Date:**

- (i) none of the Directors and chief executive held any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

- (iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which is subsisting at the date of this Circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing businesses

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

Mr. Kong Qingping holds directorship in CSCEC (the Company's ultimate holding company), COHL (the Company's holding company) and COLI (the Company's associated corporation), and/or their respective subsidiaries which are engaged in construction, property development and related business.

As the board of directors of the Group operates independently of the boards of these companies, the Group can operate its business independently of, and at arm's length from, the businesses of these companies.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business that competes or is likely to compete with the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies were interested in 5% or more in the Shares or underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Aggregate interest/in Shares (short positions)
CSCEC	Interest of a controlled corporation/ beneficial owner	414,298,978
COHL	Beneficial owner	414,298,978

Note: COHL is a direct wholly-owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 414,298,978 Shares directly owned by COHL.

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

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following persons and companies (other than the Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Subsidiaries	Name of Substantial Shareholders	Percentage of Shareholdings
China Overseas Installation Works Limited (中國海外安裝工程有限公司)	Shanghai Industrial Equipment Installation Corp. (上海市工業設備安裝公司)	35%

Save as disclosed above, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. 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 2006 (being the date to which the latest published audited financial statements of the Company were made up).

7. QUALIFICATION AND CONSENT OF EXPERT

China Everbright has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice which is contained in this Circular is set out as follows:

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

Save as disclosed in this Circular, China Everbright is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group nor is it interested in, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited located at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Ms. Connie Chiang Yuet Wah, a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (e) The qualified accountant of the Company is Mr. Chan Sim Wang, a member of the Hong Kong Institute of Certified Public Accountants and Fellow of the Association of Chartered Certified Accountants.
- (f) The English text of this Circular will prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the office of the Company in Hong Kong at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of the extraordinary general meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the “Letter from the Independent Board Committee” as set out in this Circular;
- (c) the “Letter from China Everbright” as set out on in this Circular;
- (d) the written consent from China Everbright referred to in paragraph 7 of this Appendix;
- (e) the Hong Kong Agreement;
- (f) the Macau Agreement;
- (g) the PRC Agreement; and
- (h) the SCOCL Engagement Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China State Construction International Holdings Limited (the “**Company**”) will be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 31 August 2007 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the conditional agreement (the “**Hong Kong Agreement**”) dated 20 July 2007 entered into between China Overseas Holdings Limited (“**COHL**”) and the Company, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purposes, pursuant to which the Company and/or its nominees will acquire from COHL the entire issued share capital of China Overseas Insurance Limited and China Overseas Insurance Services Limited and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Hong Kong Agreement.”

(2) “**THAT**

- (a) the conditional agreement (the “**Macau Agreement**”) dated 20 July 2007 entered into between COHL and the Company, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purposes, pursuant to which the Company and/or its nominees will acquire from COHL the 79% of the equity interest in the registered and paid up capital of COHL (Macao) Commercial and Industrial Company Limited and the entire issued and paid up share capital of Perfect Castle Limited, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Macau Agreement.”

(3) **“THAT**

- (a) the conditional agreement (the **“PRC Agreement”**) dated 20 July 2007 entered into between COHL and the Company, a copy of which is tabled at the meeting and marked **“C”** and initialed by the chairman of the meeting for identification purposes, pursuant to which the Company and/or its nominees will acquire from COHL 75% of the equity interest and the 25% economic interest held by COHL in the registered capital of 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) (**“SCOCL”**), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the PRC Agreement.”

(4) **“THAT**

- (a) the agreement dated 22 November 2005 (the **“SCOCL Engagement Agreement”**) entered into between China Overseas Land & Investment Limited (**“COLI”**) and SCOCL, a copy of which is tabled at the meeting and marked **“D”** and initialed by the chairman of the meeting for identification purposes, pursuant to which the COLI Group (as defined in the Circular) engaged SCOCL as its construction contractor in Macau for each of three financial years ending 31 December 2008 (the **“Continuing Connected Transactions”**) and all the transactions contemplated thereunder and the implementation thereof, be and are hereby approved, confirmed and ratified;
- (b) the annual cap amount of HK\$1,600 million in relation to the Continuing Connected Transactions for each of the three financial years ending 31 December 2008 be and is hereby approved, confirmed and ratified;
- (c) the approval in paragraph (a) and (b) of this Resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company to enter into transactions under the SCOCL Engagement Agreement at a price determined by the Directors; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the SCOCL Engagement Agreement.”

By Order of the Board
China State Construction International Holdings Limited
Kong Qingping
Chairman and Non-executive Director

Hong Kong, 14 August 2007

Registered office:

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

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

7. The register of members of the Company will be closed from Tuesday, 28 August 2007 to Friday, 31 August 2007 (both days inclusive), during which period, no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on the day of the extraordinary general meeting are entitled to attend the extraordinary general meeting.