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

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**
- (2) REVISION OF CAPS FOR AND THE RENEWAL OF CONTINUING
CONNECTED TRANSACTIONS IN RELATION TO CONSTRUCTION WORKS**
- (3) SHARE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF
CHINA OVERSEAS PORTS INVESTMENT COMPANY LIMITED
AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**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 7 to 31 of this circular and a letter from the Independent Board Committee is set out on pages 32 to 33 of this circular. A letter from China Everbright, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 72 of this circular.

A notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Tuesday, 16 December 2014 at 11:00 a.m. is set out on pages 77 to 79 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

18 November 2014

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by Ever Power from COHL under the Acquisition Agreement;
“Acquisition Agreement”	the agreement relating to the Acquisition entered into by the Company, Ever Power and COHL on 28 October 2014;
“associates(s)”; “connected persons(s)”; “controlling shareholder(s)”; “percentage ratio(s)”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the Board of Directors;
“Business Day”	a day other than a Saturday, on which banks are open in Hong Kong to the general public for business;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a wholly owned subsidiary of CSCECL;
“COHL Group”	COHL and its subsidiaries from time to time (other than the Group and the COLI Group);
“COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688) and a non wholly owned subsidiary of COHL;
“COLI Group”	COLI and its subsidiaries from time to time;
“COLI Works Cap”	the maximum total contract sum of the construction contracts that may be awarded by the COLI Group to the Group (as construction contractor of the COLI Group) for each year under the New CSC Group Engagement Agreement;
“COP”	China Overseas Ports Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of COHL as at the date of the Acquisition Agreement;
“COP Group”	COP, its subsidiaries and its joint ventures;

DEFINITIONS

“Company”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311) and a non wholly owned subsidiary of COHL;
“Completion”	completion of the sale and purchase of the Sales Shares and the Sale Loan in accordance with the terms of the Acquisition Agreement;
“Consideration”	the consideration payable under the Acquisition Agreement in the amount of HK\$1,310,000,000;
“Consideration Shares(s)”	117,278,000 Shares to be issued at the Issue Price to COHL (or its nominee) to satisfy the Consideration;
“Contractors”	collectively, construction sub-contractor, project management contractor, project consultant and/or construction material supplier;
“CSC Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the CSCECL Group to the Group for each year under the New CSCECL Sub-construction Engagement Agreement;
“CSC Sub-construction Engagement Transactions”	the engagement by the CSCECL Group of the Group as Contractors for the CSCECL Group’s construction works as described under the sub-section headed “CSC Sub-construction Engagement Transactions” in this circular;
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate holding company of the Company;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC (which is held more than 50% by CSCEC) and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668);
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group, the COHL Group and the COLI Group) from time to time;

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“CSCECL Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group for each year under the New CSCECL Sub-construction Engagement Agreement;
“CSCECL Sub-construction Engagement Transactions”	the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works as described under the sub-section headed “CSCECL Sub-construction Engagement Transactions” in this circular;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares);
“Enlarged Group”	the Group as enlarged by the COP Group immediately upon Completion;
“Ever Power”	Ever Power Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
“Far East”	Far East Global Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 830) and a non wholly owned subsidiary of the Company;
“Far East Group”	Far East and its subsidiaries from time to time;
“Group”	the Company and its subsidiaries (excluding the Far East Group) from time to time;
“HK\$	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

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“Independent Board Committee”	an independent committee of the Board comprising all Independent Non-executive Directors, namely Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, to advise the Independent Shareholders in respect of (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares);
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares), and a licensed corporation registered under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities;
“Independent Shareholders”	in respect of the resolutions related to the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), Shareholders other than CSCECL and its associates; and in respect of the resolutions related to the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares), Shareholders other than COHL and its associates;
“Issue Price”	HK\$11.17 per Share;

DEFINITIONS

“Last Trading Day”	27 October 2014, being the last full trading day on which the Shares were traded on the Stock Exchange prior to the date of the Acquisition Agreement;
“Latest Practicable Date”	14 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be;
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“New CSC Group Engagement Agreement”	the engagement agreement entered into between COLI and the Company on 31 October 2014 in respect of the engagement of members of the Group by members of the COLI Group as construction contractor of the COLI Group for COLI Group’s construction works in the PRC, Hong Kong and Macau from time to time;
“New CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 28 October 2014 in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions;
“PRC”	the People’s Republic of China, which for the purpose of this circular exclude Hong Kong, Macau and Taiwan;
“Previous CSC Group Engagement Agreement”	the engagement agreement entered into between COLI and the Company on 18 May 2012 in respect of the engagement of the Group by the COLI Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group;
“Previous CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 20 September 2011 in respect of continuing connected transactions of the Company involving (i) the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works; and (ii) the engagement by the CSCECL Group of the Group as Contractors for CSCECL Group’s construction;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Loan”	the unsecured and non-interest bearing shareholder’s loan repayable on demand owing by COP to COHL as at Completion, and in the amount of HK\$450,000,000 as at the date of the Acquisition Agreement;

DEFINITIONS

“Sale Shares”	64,100,000 ordinary share of US\$1.00 each, being the entire issued capital of COP and held by COHL as at the date of the Acquisition Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Transactions”	collectively, the transactions contemplated under (i) the New CSCECL Sub-construction Engagement Agreement, (ii) the New CSC Group Engagement Agreement, and (iii) the Acquisition Agreement; and
“%”	per cent..

Unless otherwise specified in this circular, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB0.79 = HK\$1.00. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Executive Directors:

Mr. Zhou Yong (*Chairman and Chief Executive Officer*)
Mr. Tian Shuchen
Mr. Zhou Hancheng
Mr. Pan Shujie
Mr. Hung Cheung Shew
Mr. Wu Mingqing

Registered Office:

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

Non-executive Director:

Mr. Li Jian

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

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

Independent Non-executive Directors:

Dr. Raymond Ho Chung Tai
Mr. Adrian David Li Man Kiu
Dr. Raymond Leung Hai Ming
Mr. Lee Shing See

18 November 2014

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**
- (2) REVISION OF CAPS FOR AND THE RENEWAL OF CONTINUING
CONNECTED TRANSACTIONS IN RELATION TO CONSTRUCTION WORKS**
- (3) SHARE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF
CHINA OVERSEAS PORTS INVESTMENT COMPANY LIMITED
AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to:

- (1) the announcement of the Company dated 28 October 2014 in respect of, among other things, that on 28 October 2014, the Company and CSCECL entered into the New CSCECL

LETTER FROM THE BOARD

Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 subject to the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap respectively;

- (2) the announcement of the Company dated 31 October 2014 in respect of, among other things, that on 31 October 2014, COLI and the Company entered into the New CSC Group Engagement Agreement, whereby (i) COLI and the Company agreed to terminate the Previous CSC Group Engagement Agreement upon the taking effect of the New CSC Group Engagement Agreement; and (ii) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time for the period commencing from 1 January 2015 and ending on 31 December 2017 subject to the revised caps, i.e. the COLI Works Cap; and
- (3) the announcement of the Company dated 28 October 2014 in respect of, among other things, that on 28 October 2014, the Company, Ever Power (a wholly owned subsidiary of the Company) and COHL entered into the Acquisition Agreement, whereby Ever Power conditionally agree to acquire and COHL conditionally agree to sell 100% of the issued share capital of COP and the shareholder's loan in the amount of HK\$450,000,000 at the Consideration of HK\$1,310,000,000. The Consideration shall be satisfied by the issue of 117,278,000 Consideration Shares to COHL at the Issue Price of HK\$11.17 per Consideration Share (with the balance to be satisfied in cash).

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

- the particulars of (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares);
- the letter from the Independent Board Committee with their view on (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares); and

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- the letter from China Everbright with their advice on (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares) to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

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

Reference is made to the announcement dated 20 September 2011 and the circular dated 7 October 2011 of the Company in relation to the Previous CSCECL Sub-construction Engagement Agreement entered into between the Company and CSCECL which expired on 31 October 2014.

On 28 October 2014, the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

CSCECL Sub-construction Engagement Transactions

The Directors expect that the Group will continue to invite the CSCECL Group to participate in competitive tender as construction sub-contractor, project management contractor, project consultant and/or construction material supplier (collectively, “**Contractors**”) for the Group’s construction works from time to time. Accordingly, under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL agreed that, for a term of three years commencing from 1 January 2015 and ending on 31 December 2017:

- (a) the CSCECL Group may tender for the Group’s construction works as Contractors in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group’s construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the financial year ending 31 December

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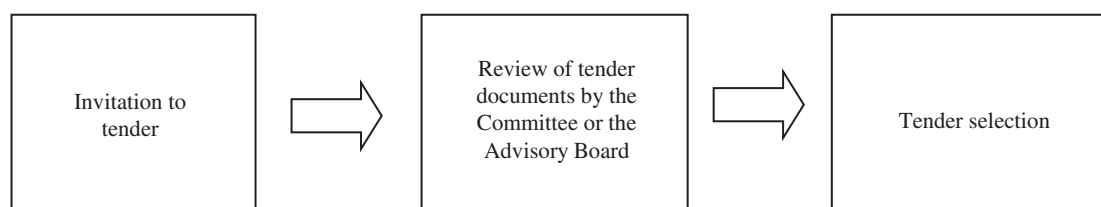
2015 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772), for the financial year ending 31 December 2016 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772) and for the financial year ending 31 December 2017 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772) (i.e. the CSCECL Sub-construction Engagement Cap); and

- (c) the construction fees payable by the Group to the CSCECL Group will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

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

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

The procedure generally involves three stages: (i) invitation to tender; (ii) review of tender documents; and (iii) tender selection. For amount of contract sum of less than HK\$650,000, the Company's regional management team will form a committee (the "**Committee**") in reviewing the tender documents. For amount of contract sum of more than or equal to HK\$650,000, the review of the tender documents will be conducted by the Group's sub-contracting advisory board (the "**Advisory Board**"), comprising not less than eight members, which include Directors who are not employees and directors of the CSCECL Group or the COHL Group, the directors, management staff and supervisor of the relevant member of the Group and the finance personnel of the Group. In both cases, the members of the Committee or Advisory Board shall not be employees or directors of the CSCECL Group or the COHL Group and shall have no relationship with the CSCECL Group and the COHL Group.



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

LETTER FROM THE BOARD

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

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

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

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

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

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

Calculation of the CSCECL Sub-construction Engagement Cap

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

- (a) total contract sum of construction projects of the Group engaging the CSCECL Group in the period between 1 November 2011 and 31 December 2011 of RMB5,007,235,913 (equivalent to approximately HK\$6,338,273,308), for each of the two years ended 31 December 2013 amounted to RMB750,862,852 (equivalent to approximately HK\$950,459,306) and RMB1,134,678,244 (equivalent to approximately HK\$1,436,301,575), and in the period between 1 January 2014 to 30 September 2014 of RMB3,981,760,705 (equivalent to approximately HK\$5,040,203,424);

LETTER FROM THE BOARD

- (b) the growth of the construction markets in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 estimated by the Directors based on their expectation that with the launch and in-depth implementation of “The Twelfth Five Year Plan”, the PRC construction market will benefit from the PRC Government’s development policy for infrastructure construction and housing and the great effort put in by the PRC Government in realizing the construction target of housing; and
- (c) the construction projects to be awarded by the Group in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 as estimated by the Directors, which is based on the amount of construction work expected to be awarded to Contractors according to the Group’s internal list of all projects planned to be carried out in the PRC in 2015, and the estimation that the amount of construction work and number of projects will be more or less the same in 2016 and 2017.

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

CSC Sub-construction Engagement Transactions

The Directors also expect that the CSCECL Group will continue to invite the Group to participate in competitive tender as Contractors for the CSCECL Group’s construction works from time to time. Accordingly, under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 January 2015 and ending on 31 December 2017:

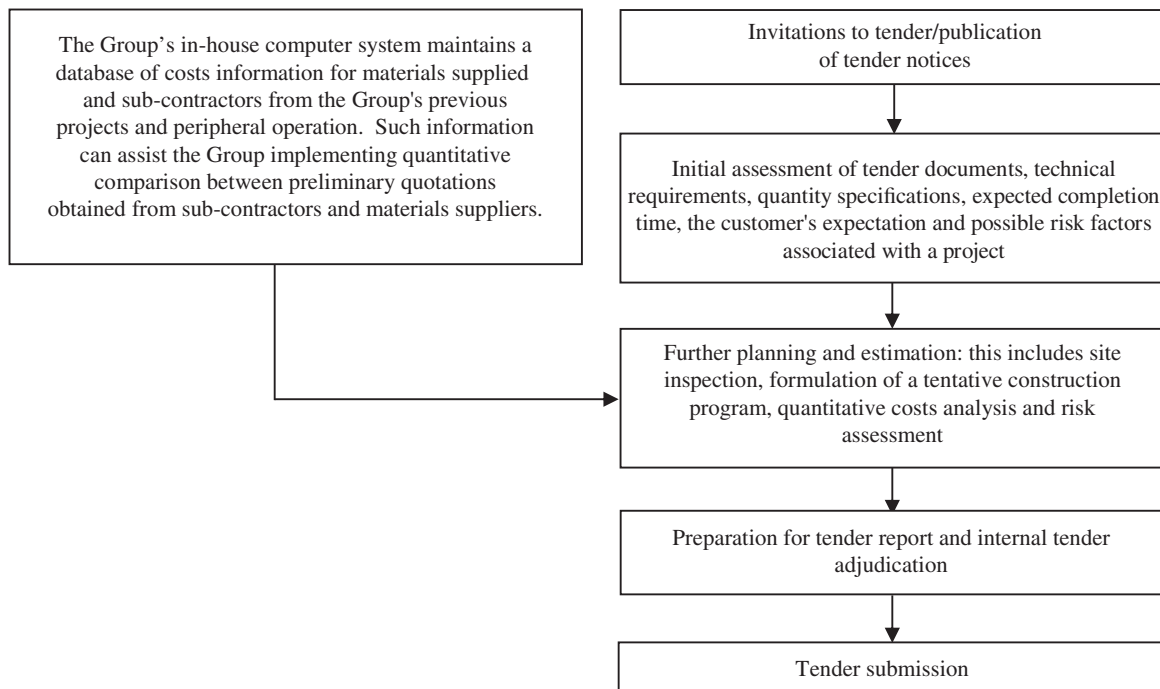
- (a) the Group may tender for the CSCECL Group’s construction works as Contractors in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group’s construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the financial year ending 31 December 2015 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354), for the financial year ending 31 December 2016 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354) and for the financial year ending 31 December 2017 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354) (i.e. the CSC Sub-construction Engagement Cap); and
- (c) the construction fees payable by the CSCECL Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

LETTER FROM THE BOARD

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

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

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



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

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

LETTER FROM THE BOARD

Group will review the details of the tender to be submitted for bidding including the price analysis of each item in the tender for both tenders to be submitted to connected persons or independent third parties, and compare them with previous tenders submitted to both connected persons and independent third parties, so as to ensure that the terms and prices of the tender to be submitted are not more favourable than those submitted to independent third parties.

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

Calculation of the CSC Sub-construction Engagement Cap

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

- (a) total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2015 and ending on 31 December 2017, estimated with reference to the CSCECL Group’s future growth and expansion for such period, which is based on the estimated amount of revenue of the CSCECL Group in 2015 and accordingly the construction work expected to be awarded to Contractors, and the estimation that such amount of revenue and construction work will be more or less the same in 2016 and 2017; and
- (b) the growth of the construction markets in the PRC in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 estimated by the Directors based on their expectation that with the launch and in-depth implementation of “The Twelfth Five Year Plan”, the PRC construction market will benefit from the PRC Government’s development policy for infrastructure construction and housing and the great effort put in by the PRC Government in realizing the construction target of housing.

The Group has not been engaged in any construction projects of the CSCECL Group in the period between 1 November 2011 and 30 September 2014.

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

REASONS FOR THE CSCECL SUB-CONSTRUCTION ENGAGEMENT TRANSACTIONS AND CSC SUB-CONSTRUCTION ENGAGEMENT TRANSACTIONS

As the Previous CSCECL Sub-construction Engagement Agreement entered into between the Company and CSCECL expired on 31 October 2014, the Company and CSCECL have entered into the New CSCECL Sub-construction Engagement Agreement.

LETTER FROM THE BOARD

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

The CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in CSCECL Group's construction works in the PRC as Contractors. In addition, the Directors consider that the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions will allow the Group to draw on the substantial construction experiences and resources of the CSCECL Group in the PRC whereby creating favourable conditions for the Group's business development in the PRC.

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

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

OTHERS

References are made to:

- (i) a "Build-Transfer" construction agreement entered into between the Company and COHL on 28 October 2014, details of which are set out in the announcement of the Company dated 28 October 2014;

LETTER FROM THE BOARD

- (ii) an engagement agreement entered into between Far East and CSCECL on 28 October 2014, details of which are set out in the announcement jointly issued by the Company and Far East dated 28 October 2014;
- (iii) the New CSC Group Engagement Agreement;
- (iv) a master design consultancy services agreement entered into between the Company and COLI on 19 August 2013, details of which are set out in the announcement jointly issued by the Company and COLI dated 19 August 2013; and
- (v) a master connection services agreement entered into between the Company and COLI on 18 May 2012, details of which are set out in the announcement jointly issued by the Company and COLI dated 18 May 2012.

For clarification purposes, each abovementioned arrangements will not be subject to the provisions of the New CSCECL Sub-construction Engagement Agreement and each of the relevant caps under the abovementioned arrangements for each year/period is separate and distinct from the CSCECL Sub-construction Engagement Cap and/or the CSC Sub-construction Engagement Cap.

GENERAL

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

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

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

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded to the CSCECL Group for each year under the New CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Sub-construction Engagement Cap, exceed 5%, the CSCECL Sub-construction Engagement Transactions contemplated under the New CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded to the Group for each year under the New CSCECL Sub-construction Engagement Agreement, i.e. the CSC Sub-construction Engagement Cap, exceed 5%, the CSC Sub-construction Engagement Transactions contemplated under the New CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

LETTER FROM THE BOARD

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

(2) REVISION OF CAPS FOR AND THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO CONSTRUCTION WORKS

Reference is made to the announcement jointly issued by COLI and the Company dated 18 May 2012 in relation to, among other things, the Previous CSC Group Engagement Agreement entered into between COLI and the Company which will expire on 30 June 2015.

Pursuant to the Previous CSC Group Engagement Agreement, the Group may tender for the construction works in the PRC, Hong Kong and Macau of the COLI Group provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK\$400 million, for each of the two years ending 31 December 2014 shall not exceed HK\$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK\$400 million.

In order to revise the caps for the continuing connected transactions under the Previous CSC Group Engagement Agreement and renew the transactions thereunder, on 31 October 2014, COLI and the Company entered into the New CSC Group Engagement Agreement under which COLI and the Company agreed to, among others, terminate the Previous CSC Group Engagement Agreement upon the taking effect of the New CSC Group Engagement Agreement.

In the event that the New CSC Group Engagement Agreement does not become effective, the Previous CSC Group Engagement Agreement will remain in full force and binding on COLI and the Company.

The Directors confirm that the Company does not need to pay COLI any compensation as a result of the termination of the Previous CSC Group Engagement Agreement.

The Directors also confirm that the revision of the caps for the continuing connected transactions under the Previous CSC Group Engagement Agreement and the renewal of the transactions thereunder were occasioned by an expected increase in business transactions between the COLI Group and the Group and that the termination of the Previous CSC Group Engagement Agreement will not cause any material adverse impact to the Group due to the entering into of the New CSC Group Engagement Agreement.

LETTER FROM THE BOARD

THE NEW CSC GROUP ENGAGEMENT AGREEMENT

Date

31 October 2014

Parties

1. COLI; and
2. the Company.

Continuing Connected Transactions in relation to Construction Works

The Directors expect that the COLI Group will continue to invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time. In this connection, on 31 October 2014, COLI and the Company entered into the New CSC Group Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 whereby the parties agreed that:

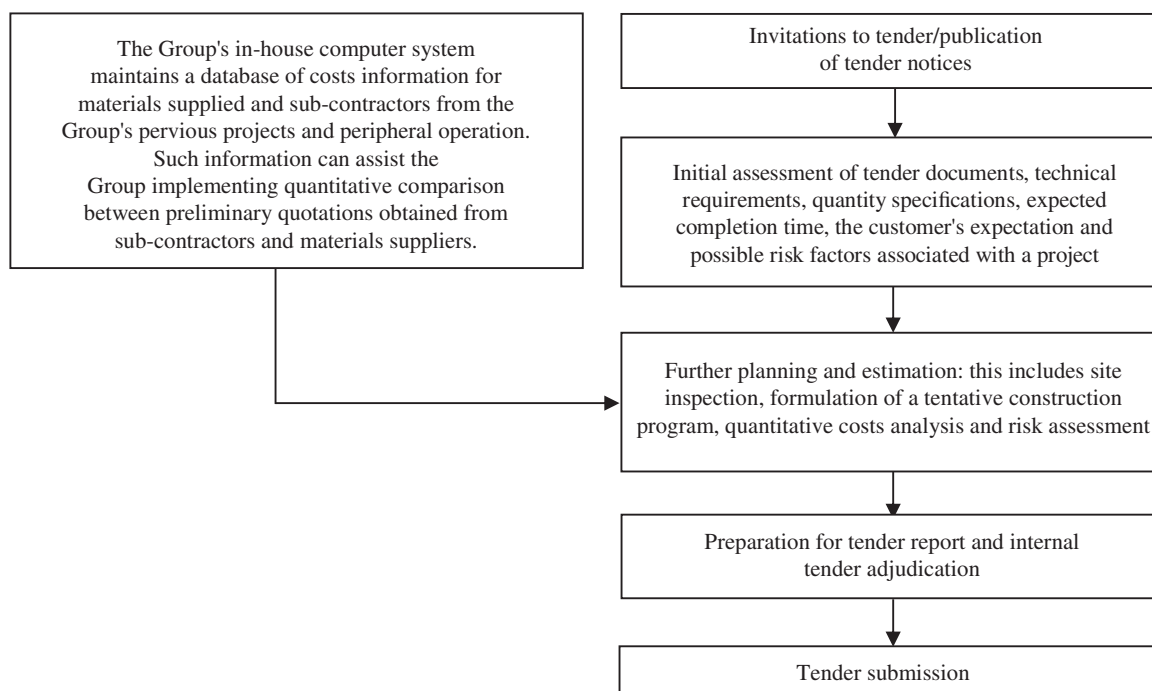
- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for the financial year ending 31 December 2015 shall not exceed HK\$3,000 million, for the financial year ending 31 December 2016 shall not exceed HK\$3,000 million and for the financial year ending 31 December 2017 shall not exceed HK\$3,000 million (i.e. the COLI Works Cap); and
- (c) the construction fees payable by the COLI Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

Pricing basis of the tenders submitted by the Group

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

LETTER FROM THE BOARD

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



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

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

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

Pricing basis of the tenders granted by COLI Group

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

LETTER FROM THE BOARD

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

1. Invitation for Tenders

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

2. Tendering and Selection of bids

- (i) Tendering: the tender documents with price quotations shall be submitted in a sealed envelope. All tender correspondence and registration are standardised by the COLI Group.
- (ii) Opening of tenders: the tenders will be opened in the presence of an officer from the financial department of the regional office or from the human resources department of the member of the COLI Group. The supervising officer will execute the tendering documents which will be confirmed and signed by all parties present at the opening.

LETTER FROM THE BOARD

- (iii) Selection of tenders: based on the COLI Group's established system of tendering, the winning bid will usually be the one conforming to the technical requirements with a reasonable and minimum price offered. The selection of tenders is determined collectively by the decision-making body in a meeting where contents of the proposed tender, and the contractor's capability and risk of default are given full consideration. The relevant letter of award will be issued once the final decision is made in the meeting of the decision-making body based on the final tender amount.
3. To ensure that the tender exercise is open and fair, professional consultants are usually employed to prepare an evaluation report to review the proposed tender and recommend contractors for property projects in Hong Kong and Macau.

Tendering Procedure



LETTER FROM THE BOARD

Calculation of the COLI Works Cap

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

- (a) total contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group in the period between 1 July 2012 and 31 December 2012 of approximately HK\$21.3 million, for the year ended 31 December 2013 of approximately HK\$86.6 million, and in the period between 1 January 2014 and 30 September 2014 of approximately HK\$3.3 million;
- (b) total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the year ended 31 December 2013 of approximately HK\$42,154.0 million, and in the period between 1 January 2014 and 30 September 2014 of approximately HK\$26,093.9 million; and
- (c) the total estimated contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 January 2015 and ending on 31 December 2017, including a new project with an estimated sub-contracting value of over HK\$2,000 million and other potential projects, estimated with reference to the COLI Group's future growth and expansion in its land reserves and the Group's construction works capacity in the PRC, Hong Kong and Macau for such period.

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

Condition Precedent

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

Reasons for the Transactions

The COLI Group is principally engaged in property development and investment, real estate agency and management, and treasury operation. The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses.

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

LETTER FROM THE BOARD

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

OTHERS

References are made to:

- (i) an engagement agreement entered into between Far East and CSCECL dated 28 October 2014, details of which are set out in the announcement dated 28 October 2014 jointly issued by the Company and Far East;
- (ii) an engagement agreement entered into between the Company and CSCECL dated 28 October 2014, details of which are set out in the announcement of the Company dated 28 October 2014;
- (iii) a "Build-Transfer" construction agreement entered into between the Company and COHL dated 28 October 2014, details of which are set out in the announcement of the Company dated 28 October 2014;
- (iv) a master design consultancy services agreement entered into between the Company and COLI on 19 August 2013, details of which are set out in the announcement dated 19 August 2013 jointly issued by the Company and COLI; and
- (v) a master connection services agreement entered into between the Company and COLI on 18 May 2012, details of which are set out in the announcement dated 18 May 2012 jointly issued by the Company and COLI.

For clarification purposes, each of the abovementioned arrangements will not be subject to the provisions of the New CSC Group Engagement Agreement and each of the relevant caps thereunder for each year/period is separate and distinct from the COLI Works Cap.

LISTING RULES IMPLICATION

COHL is interested in approximately 53.18% of the issued share capital of COLI and approximately 57.00% of the issued share capital of the Company. Accordingly, members of the COLI Group are connected persons of the Group. The transactions contemplated under the New CSC Group Engagement Agreement between members of the COLI Group on the one hand and members of the Group on the other hand, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since the applicable percentage ratios as defined under the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New CSC Group Engagement Agreement (i.e. the COLI Works Cap) exceed 5%, the transactions contemplated under the New CSC Group Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements.

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

(3) SHARE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF CHINA OVERSEAS PORTS INVESTMENT COMPANY LIMITED

On 28 October 2014, the Company, Ever Power (a wholly owned subsidiary of the Company) and COHL entered into the Acquisition Agreement, whereby Ever Power conditionally agree to acquire and COHL conditionally agree to sell 100% of the issued share capital of COP and the shareholder's loan in the amount of HK\$450,000,000 at the Consideration of HK\$1,310,000,000. The Consideration shall be satisfied by the issue of 117,278,000 Consideration Shares to COHL at the Issue Price of HK\$11.17 per Consideration Share (with the balance to be satisfied in cash).

THE ACQUISITION

The principal terms of the Acquisition Agreement are as follows:

Date

28 October 2014

Parties

- (a) COHL as seller;
- (b) Ever Power as purchaser; and
- (c) the Company.

LETTER FROM THE BOARD

Subject matter of the Acquisition Agreement

- (a) the Sale Shares, representing 100% of the total issued share capital in COP; and
- (b) the Sale Loan in the amount of HK\$450,000,000.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of HK\$1,310,000,000 comprises:

- (a) HK\$450,000,000 for the Sale Loan, being the face value of the total amount of the Sale Loan; and
- (b) HK\$860,000,000 for the Sale Shares.

The Consideration shall be satisfied at Completion in the following manners:

- (i) HK\$1,309,995,260 shall be satisfied by the issue of a total of 117,278,000 Consideration Shares at the Issue Price of HK\$11.17 per Consideration Share to COHL; and
- (ii) the balance, being HK\$4,740, shall be paid by Ever Power to COHL in cash.

The Consideration was determined based on arm's length negotiation between the parties with reference to the amount of the Sale Loan on a dollar-for-dollar basis, and the financial position and business prospect of the COP Group, details of which are set out in the paragraph headed "Reasons for and the Benefits of the Acquisition" below, and having taken into consideration the amount of the unaudited profit after tax of the COP Group during the period from 1 October 2013 to 30 September 2014 of approximately HK\$54,800,000. The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

The Consideration would be satisfied by the issue of the Consideration Shares to COHL at an Issue Price of HK\$11.17 per Consideration Share, which represents:

- (a) a discount of approximately 4.37% to the closing price of HK\$11.68 on the Latest Practicable Date;
- (b) a premium of approximately 2.85% over the closing price of HK\$10.86 per Share on the Last Trading Day;
- (c) a premium of approximately 1.82% over the average closing price of HK\$10.97 per Share for the last five trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 1.73% over the average closing price of HK\$10.98 per Share for the last 10 trading days up to and including the Last Trading Day.

LETTER FROM THE BOARD

The Issue Price was arrived at after arm's length negotiations with reference to the prevailing market price of the Shares.

The 117,278,000 Consideration Shares represent approximately 3.01% of the issued share capital of the Company prior to the issue of the Consideration Shares and approximately 2.92% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares will be issued pursuant to a specific mandate subject to the Independent Shareholder's approval at the EGM.

The Consideration Shares shall at all times rank pari passu among themselves and with the Shares in issue as at the date of issue of the Consideration Shares.

The Company has made an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. There is no restriction which apply to the subsequent sale of the Consideration Shares.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfillment (or waiver, as the case may be) of the following conditions:

- (a) the sale and purchase of the Sale Shares, the Sale Loan and the issue of the Consideration Shares having been approved by the Independent Shareholders;
- (b) the listing committee of the Stock Exchange granting listing approval for, and permission to deal in, the Consideration Shares to be issued pursuant to the Acquisition Agreement;
- (c) there being no material adverse change in the business, operations, assets, profits or prospects of the COP Group since 31 December 2013;
- (d) all warranties given by COHL in respect of the COP Group remaining true and correct at all times as from the signing of the Acquisition Agreement up to Completion, as if they were made on and as of Completion; and
- (e) all necessary legal and government approvals, authorizations, filings and registrations (excluding the approvals mentioned in paragraphs (a) and (b) above) and third party consents required of COHL and/or the COP Group having been obtained to effect the sale and purchase of the Sale Shares and the Sale Loan.

If the above conditions have not been fulfilled or waived by Ever Power (other than conditions set out in paragraphs (a) and (b) above which may not be waived) on or before 31 March 2015, the Acquisition Agreement shall immediately terminate and all rights and liabilities by any party under the Acquisition Agreement shall cease (except for any accrued rights and obligations).

LETTER FROM THE BOARD

The waiver of conditions precedent represents a contractual right reserved by Ever Power and will only be exercised under exceptional circumstances. As at the Latest Practicable Date, the Company did not foresee any exceptional circumstance would take place. Ever Power had no intention to waive any conditions precedent as at the Latest Practicable Date, and would only proceed with Completion upon satisfaction of all conditions precedent, which have not been fulfilled as at the Latest Practicable Date.

Completion

Completion shall take place on the third Business Day after the day on which the conditions set out in paragraphs (a) or (b) is fulfilled, whichever is the later (or such other date as may be agreed between the parties).

Impact on the shareholding structure of the Company

COHL and its associates are interested in 2,218,813,659 Shares, representing approximately 57% of the issued share capital of the Company as at the Latest Practicable Date. The table below illustrates the shareholding structure of the Company (1) as at the Latest Practicable Date; and (2) on issue of the Consideration Shares as at Completion, assuming in all cases that there are no other changes to the share capital of the Company:

	As at the Latest Practicable Date		On issue of the Consideration Shares as at Completion, assuming in all cases that there are no other changes to the share capital of the Company	
	Number of Shares held	Approximate percentage to the total number of issued shares of the Company	Number of Shares held	Approximate percentage to the total number of issued shares of the Company
COHL and its associates ^(Note 1)	2,218,813,659	57.00%	2,336,091,659	58.26%
Directors ^(Note 2)	12,582,249	0.33%	12,582,249	0.31%
Public Shareholders	<u>1,661,003,019</u>	<u>42.67%</u>	<u>1,661,003,019</u>	<u>41.43%</u>
Total	<u><u>3,892,398,927</u></u>	<u><u>100.00%</u></u>	<u><u>4,009,676,927</u></u>	<u><u>100.00%</u></u>

Notes:

1. Amongst the total number of 2,218,813,659 Shares, 2,122,675,308 Shares were held by COHL while 96,138,351 Shares were held by Silver Lot Development Limited, a wholly owned subsidiary of COHL.

LETTER FROM THE BOARD

2. The Directors, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, held 2,273,780; 3,300,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 913,569 and 913,569 Shares respectively.

INFORMATION ON THE COP GROUP

The COP Group is principally engaged in port operations in the PRC and the provision of logistics services in Shenzhen of the PRC.

The unaudited consolidated net asset value of COP as at 30 June 2014 was approximately HK\$656,326,000. The unaudited consolidated profits before and after taxation and extraordinary items of COP for the year ended 31 December 2012 were approximately HK\$25,900,000 and approximately HK\$25,701,000 respectively. The unaudited consolidated profits before and after taxation and extraordinary items of COP for the year ended 31 December 2013 were approximately HK\$45,875,000 and approximately HK\$42,184,000 respectively. The unaudited consolidated profits before and after taxation and extraordinary items of COP for the six months period ended 30 June 2014 were approximately HK\$29,438,000 and approximately HK\$26,547,000 respectively.

Upon Completion, COP will become a wholly owned subsidiary of the Company and accordingly, the financial results of the COP Group will be consolidated into the consolidated financial statements of the Company.

The original acquisition costs of COP to COHL was HK\$1,328,000,000.

INFORMATION ON THE GROUP AND THE COHL GROUP

The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. Ever Power is a wholly owned subsidiary of the Company and is principally engaged in investment holding.

The COHL Group has been engaging in investments holding and property development.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition can further consolidate the position of the Group as the platform for infrastructure investments and operations management of its holding company and expand the operating assets portfolio of the Group which generate stable sources of income.

In view of (i) the proven profitable track record and significant improvement of financial performance during the first half of 2014 of the COP Group, (ii) the positive business outlook of the logistics and port market in the PRC, and (iii) the increasing amount of throughput of the Laizhou Port, one of the main ports operated by the COP Group, the Directors consider that the COP Group's business has good growth potential which will enhance the rapid growth of the Group.

LETTER FROM THE BOARD

The Acquisition can improve the financial structure of the Group, as contributed by the strong assets base of the COP Group such as its warehousing facilities for rental income purpose and also its interests in a number of joint ventures, and lower its net gearing ratio by enlarging the shareholder's equity of the Company.

The satisfaction of the Consideration which is mainly by the issue of Consideration Shares reflects support from the holding company of the Group.

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) are of the view that the Acquisition Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group after arm's length negotiation, and the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

COHL is the controlling shareholder of the Company and thus a connected person of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of the transactions contemplated under the Acquisition Agreement are more than 0.1% but less than 5% and the Consideration will be satisfied by, among others, the issue of Consideration Shares for which listing will be sought, the transactions contemplated under the Acquisition Agreement (including the issue of the Consideration Shares) constitute a share transaction and connected transaction for the Company under the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Completion is conditional upon, among other things, the satisfaction of the conditions of the Acquisition Agreement, and the Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.

EXTRAORDINARY GENERAL MEETING

Set out on pages 77 to 79 of this circular is a notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Tuesday, 16 December 2014 at 11:00 a.m. at which all ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

LETTER FROM THE BOARD

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

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's Articles of Association. As at the Latest Practicable Date, CSCECL and its associates, in aggregate holding 2,218,813,659 shares of the Company, representing approximately 57% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap). In addition, as at the Latest Practicable Date, COHL and its associates, in aggregate holding 2,218,813,659 shares of the Company, representing approximately 57% of the issued share capital of the Company, will abstain from voting at the EGM on the resolutions relating to the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

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

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 32 and 33 in this circular which contains its recommendation to the Independent Shareholders in relation to (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 34 to 72 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

LETTER FROM THE BOARD

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that:

- (1) the New CSCECL Sub-construction Engagement Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (2) the New CSC Group Engagement Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the COLI Works Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (3) the Acquisition Agreement has been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the issue of the Consideration Shares) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors recommend the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully
By Order of the Board
China State Construction International Holdings Limited
Zhou Yong
Chairman and Chief Executive Officer

LETTER FROM 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)

18 November 2014

To the Independent Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
(2) REVISION OF CAPS FOR AND THE RENEWAL OF CONTINUING
CONNECTED TRANSACTIONS IN RELATION TO CONSTRUCTION WORKS
AND
(3) SHARE TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF
CHINA OVERSEAS PORTS INVESTMENT COMPANY LIMITED**

We refer to the circular dated 18 November 2014 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

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

LETTER FROM INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 31 of the Circular and the text of a letter of advice from China Everbright, as set out on pages 34 to 72 of the Circular, both of which provide details of (i) the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the New CSC Group Engagement Agreement and the transactions contemplated thereunder (together with the COLI Works Cap), and (iii) the Acquisition Agreement and the transactions contemplated thereunder (together with the issue of the Consideration Shares).

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

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

Yours faithfully,

For and on behalf of

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

Raymond Ho Chung Tai

Independent Non-executive Director

Adrian David Li Man Kiu

Independent Non-executive Director

Raymond Leung Hai Ming

Independent Non-executive Director

Lee Shing See

Independent Non-executive Director

LETTER FROM CHINA EVERBRIGHT

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



18 November 2014

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

Dear Sirs,

SHARE TRANSACTION AND CONNECTED TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 18 November 2014 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed at the Company’s announcements dated 20 September 2011 and 18 May 2012, (i) the Company and CSCECL entered into the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ended on 31 October 2014; and (ii) the Company and COLI entered into the Previous CSC Group Engagement Agreement for a term of three years commencing from 1 July 2012 and ending on 30 June 2015, respectively.

As the Previous CSCECL Sub-construction Engagement Agreement expired on 31 October 2014, on 28 October 2014, the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

LETTER FROM CHINA EVERBRIGHT

In order to revise the caps for the continuing connected transactions under the Previous CSC Group Engagement Agreement and renew the transactions thereunder, on 31 October 2014, COLI and the Company entered into the New CSC Group Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 under which COLI and the Company agreed to, among others, terminate the Previous CSC Group Engagement Agreement upon the taking effect of the New CSC Group Engagement Agreement.

In addition, on 28 October 2014, the Company, Ever Power (a wholly owned subsidiary of the Company) and COHL entered into the Acquisition Agreement, whereby Ever Power conditionally agree to acquire and COHL conditionally agree to sell 100% of the issued share capital of COP and the shareholder's loan in the amount of HK\$450,000,000 at the Consideration of HK\$1,310,000,000. The Consideration shall be satisfied by the issue of 117,278,000 Consideration Shares to COHL at the Issue Price of HK\$11.17 per Consideration Share (with the balance of HK\$4,740 to be satisfied in cash).

As (i) CSCECL is the intermediate holding company of the Company; and (ii) COHL is interested in approximately 53.18% of the issued share capital of COLI and approximately 57.00% of the issued share capital of the Company as at the Latest Practicable Date, COHL, members of the CSCECL Group, members of the COLI Group are connected persons of the Company. Therefore, transactions under the New CSCECL Sub-construction Engagement Agreement and New CSC Group Engagement Agreement constitute continuing connected transactions (“**Continuing Connected Transactions**”) of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Acquisition Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in respect of the (i) maximum total contract sum that may be awarded for each year under the New CSC Group Engagement Agreement (i.e. the COLI Works Cap); and (ii) maximum total contract sum that may be awarded to/ from CSCECL Group for each year under the New CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Sub-construction Engagement Cap, exceed 5%, the transactions contemplated under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under the Listing Rules in respect of the transactions contemplated under the Acquisition Agreement are more than 0.1% but less than 5% and the Consideration will be satisfied by, among others, the issue of Consideration Shares for which listing will be sought, the transactions contemplated under the Acquisition Agreement (including the issue of the Consideration Shares) constitute share transaction and connected transaction for the Company under the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM CHINA EVERBRIGHT

The Independent Board Committee, comprising all of the four independent non-executive Directors, has been formed to consider whether (i) the terms of the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transactions under the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement, including the COLI Works Cap, the CSC Sub-construction Engagement Cap, the CSCECL Sub-construction Engagement Cap (collectively, “**Annual Caps**”), are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Mr. Alvin Kam, for and on behalf of China Everbright Capital Company Limited, signed the opinion letter from the independent financial adviser contained in COLI’s circular dated 6 May 2013 in respect of renewal of non-exempt continuing connected transactions between COLI and CSCECL. The past engagement was limited to providing independent advisory services to independent board committee and independent shareholders of the COLI pursuant to the Listing Rules. Save for the above, as at the Latest Practicable Date, Everbright Capital did not have any relationships or interests with the Company, COHL, members of the CSCECL Group and members of the COLI Group that could reasonably be regarded as relevant to the independence of Everbright Capital. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, COHL, members of the CSCECL Group, members of the COLI Group or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between (a) Everbright Capital and (b) the Group, COHL, members of the CSCECL Group and members of the COLI Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement as detailed in the Circular.

BASIS OF OUR OPINION

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

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

LETTER FROM CHINA EVERBRIGHT

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the transactions contemplated under the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(I) THE ACQUISITION AGREEMENT

(A) Background of the Acquisition

With reference to the announcement of the Company dated 28 October 2014, the Company, Ever Power (a wholly owned subsidiary of the Company) and COHL entered into the Acquisition Agreement, whereby Ever Power conditionally agree to acquire and COHL conditionally agree to sell 100% of the issued share capital of COP and the shareholder's loan in the amount of HK\$450,000,000 at the Consideration of HK\$1,310,000,000. The Consideration shall be satisfied by the issue of 117,278,000 Consideration Shares to COHL at the Issue Price of HK\$11.17 per Consideration Share (with the balance of HK\$4,740 to be satisfied in cash).

Upon Completion, COP will become a wholly owned subsidiary of the Company and accordingly, the financial results of the COP Group will be consolidated into the consolidated financial statements of the Company.

1. *Background and financial information of the Group*

The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. Ever Power is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

According to the Company's 2013 annual report, for the year ended 31 December 2013, the Group recorded revenue of HK\$27,192 million and a profit attributable to owners of the Company for the year of HK\$2,772 million, representing a year-on-year increase of 24.1% and 30.1% respectively.

During the six months ended 30 June 2014, the revenue of the Group was HK\$14,259 million (the corresponding period in 2013: HK\$11,509 million), representing a year-on-year increase of about 23.9%. The unaudited profit attributable to the owners of the Company for the period was HK\$1,465 million (the corresponding period in 2013: HK\$1,173 million), representing a year on year increase of 24.9%, according to Company's 2014 interim report.

As a major infrastructure investment and operation platform for CSCCEL to participate in infrastructure investment and operation in the PRC, the Group continued participating in investments in its infrastructure business portfolio including the Build-Transfer ("BT"), Build-Operate-Transfer ("BOT") and "Transfer-Operate-Transfer" ("TOT") arrangements of various transport infrastructure facilities and direct ownership and operation of a thermoelectric plant.

LETTER FROM CHINA EVERBRIGHT

During the first half of 2014, while the toll road projects in Shanxi had been substantially completed, the Group's infrastructure investment portfolio has maintained its steady growth as the contribution from the BT projects in Zhengzhou has increased to a significant level since its commencement in 2013. In addition, contribution from the Group's infrastructure investment project in Wuhan, Taiyuan and Nanchang and the Thermal Power Plant in Shenyang continued to bring in steady contribution to Group's infrastructure investment portfolio. As a result, the Group's infrastructure investment portfolio has recorded a steady growth in both revenue and gross profit of approximately 24.2% and 18.9% to HK\$2,639 million and HK\$686 million during the first half of 2014, respectively.

In addition, during the first half of 2014, the Group has received buy-back payment of approximately HK\$1,880 million (including the attributable share of such payment received by its joint venture investments). As advised by the Management, the Group will continue exploring new investment opportunities that will leverage the Group strategic advantages and achieve satisfactory investment return to Shareholders.

2. *Background and financial information of the COP Group*

The COP Group is principally engaged in port operations in the PRC and the provision of logistics services in Shenzhen, the PRC.

According to the information provided by the Management, COP is an investment holding company which owns 100% equity interest in China Overseas Logistics (Shenzhen) Corporation Limited (中海物流(深圳)有限公司) ("**Shenzhen Logistics**") and 60% equity interest in China Overseas Port Services (Laizhou) Corporation Limited (中海港務(萊州)有限公司) ("**Laizhou Port Services**"). As advised by the Management, Shenzhen Logistics is a wholly-owned subsidiary of COP, and Laizhou Port Services is a joint venture of COP under the accounting policy of COP.

Shenzhen Logistics is a company incorporated in the PRC with limited liability. The principal business activity of Shenzhen Logistics and its subsidiaries is the provision of logistic service in Shenzhen. Currently, Shenzhen Logistics owns and operates three warehouses with aggregate gross floor areas of approximately 80,973 m² located in Futian (福田) and Yantian (鹽田) of Shenzhen, the PRC.

Laizhou Port Services is a company incorporated in the PRC with limited liability. Laizhou Port Services is the operator of Laizhou Port (萊州港) located in Laizhou (west of Yantai, Shandong province). Laizhou port, being a deep water oil terminal port along the Bohai Sea rim (環渤海經濟圈), have with 12 berths, of which 7 berths dedicated to handling a petrochemical cargo and 5 berths capable of handling other general cargo. Designed capacity of Laizhou Port Services is 30 million ton/year, and expected throughput in 2014 is 19 million ton/year. Laizhou Port Services also provides a wide range of port-related services, ranging from basic port services, such as stevedoring and storage services, to ancillary and extended services such as logistics services.

LETTER FROM CHINA EVERBRIGHT

Set out below are the combined key financial information on the COP based on their respective unaudited financial statements for the two years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended		Six months
	31 December		ended
	2012	2013	30 June
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	2014
			<i>(HK\$'000)</i>
Revenue	149,250	88,872	23,654
Share of results of jointly controlled entities	46,302	52,250	35,818
Profits before taxation and extraordinary items	25,900	45,875	29,438
Profits after taxation and extraordinary items	25,701	42,184	26,547

We noted from the above table that the revenue of COP decreased from approximately HK\$149.3 million in 2012 to approximately HK\$88.9 million in 2013, and further decreased to approximately HK\$23.7 million during the first half of 2014. As advised by the Management, such decrease was mainly attributable to the decrease of (i) rental income of COP's warehouses; and (ii) revenue generated by COP's highway freight transportation business ("**Transportation Business**").

As advised by the Management, the rental income of COP's warehouses decreased by 16.4% from approximately HK\$44.0 million in 2012 to approximately HK\$36.8 million in 2013 due to the discontinuation of rental contracts from some customers. Meanwhile, the revenue generated by Transportation Business decreased by 84.6% from approximately HK\$42.1 million in 2012 to approximately HK\$6.5 million in 2013. Because of unsatisfactory operational performance of the Transportation Business during the past few years, which incurred net loss of approximately HK\$5 million and approximately HK\$4.2 million during the two years ended 31 December 2013, COP disposed the Transportation Business to an independent third party in May 2013 at a cash consideration of approximately HK\$9.6 million ("**Disposal**"), and such consideration was determined with reference to the net assets value of Transportation Business as at 30 April 2013. To the best knowledge to the Management, there was a loss of approximately HK\$875,000 arising from the Disposal.

Benefited from the steady growth of cargo throughput and effective cost control measures, the revenue and profit of Laizhou Port Services have increased sustainably during the past few years. As a result, COP's share of results of Laizhou Port Services increased by 12.8% from approximately HK\$46.3 million in 2012 to approximately HK\$52.3 million in 2013. During the first half of 2014, COP's share of results of Laizhou Port Services amounted to approximately HK\$35.8 million, representing approximately 68.6% of the total COP's share of results of Laizhou Port Services in 2013.

COP's profits after taxation and extraordinary items had been increasing by approximately 64.1% from approximately HK\$25.7 million in 2012 to approximately HK\$42.2 million in 2013. We were advised by the Management that the growth of after-tax profit of COP in 2013 was mainly attributable to (i) the increase of COP's share of results of Laizhou Port Services as discussed above; and (ii) the decrease of direct operating expenses, administrative expenses and finance cost, partially

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offset by the net loss of the Transportation Business of approximately HK\$4.2 million in 2013. COP's profits after taxation and extraordinary items increased by approximately 56.8% from approximately HK\$16.9 million during the first half of 2013 to approximately HK\$26.5 million during the same period of 2014. Such significant increases mainly reflected the disposal of loss-making Transportation Business in 2013, and the increase of COP's share of results of Laizhou Port Services due to its effective cost control measures and raising utilisation of the port operation.

After discussion with the Management, we were advised that most of the profit of COP will be contributed by its share of results of Laizhou Port Services over the next few years.

As stated in the Letter from the Board, the unaudited consolidated net asset value of COP as at 30 June 2014 was approximately HK\$656,326,000.

3. *Industry Outlook*

(i) *Port industry of the PRC*

Driven by China's robust economic growth and rapid industrialization, the total throughput of China's coastal ports had grown from 4,295 million tons in 2008 to 6,652 million tons in 2012, representing a CAGR of 11.6%. Container, coal and metal ore are the top three cargo types by throughput, accounting for 26.5%, 20.8% and 16.7%, respectively, of the total throughput of China's coastal ports in 2012.

Crude oil is also a key cargo type for China's coastal ports and recorded a total throughput of 368 million tons in 2012, accounting for 5.5% of the total throughput of China's coastal ports in the same year. The National Coastal Port Layout Planning issued by the Ministry of Transport categorizes China's coastal ports into five regional groups, namely the Bohai Rim, Yangtze River Delta, Pearl River Delta, Southeast Coastal and Southwest Coastal port regions, based on geographic location, regional economic development, transport network, key cargo types and other port characteristics.

Bohai Rim, Yangtze River Delta and Pearl River Delta are the three most significant port regions, collectively accounting for 86.2% of the total throughput of China's coastal ports in 2012. The Bohai Rim port region is the largest among China's five coastal port regions by total cargo throughput in 2012. Benefitting from its large hinterland that stretches beyond the Bohai Rim and into northeastern and northwestern China, the Bohai Rim port region contributed 45.2% of the total throughput tonnage of China's coastal ports in 2012. Given their proximity to heavy industries, Bohai Rim ports handle large amounts of metal ore and coal. Coal, metal ore and container contributed 24.6%, 21.2% and 19.6%, respectively, of Bohai Rim ports' total throughput in 2012.

Petroleum is China's second largest energy source and accounted for approximately 19% of China's energy consumption in 2012, according to National Bureau of Statistics of China. Similar to other energy sources, demand for crude oil is also driven by China's continued industrialization and urbanization. According to the National Bureau of Statistics of China, imported crude oil accounted for 58% of the total crude oil consumption in China in 2012. Northern China, the Yangtze River Provinces and South China accounted for 60.1%, 23.1%, 16.8%, respectively, of China's total crude oil consumption in 2011.

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China's crude oil consumption generated 368.2 million tons of crude oil throughput for China's coastal ports in 2012, including 251.2 million tons of imported crude oil via seaborne transportation, which represented 68.2% of total crude oil throughput of China's coastal ports. Coastal ports in the Bohai Rim port region, located close to both the production and consumption regions for crude oil, handled 50.1% of crude oil throughput of China's coastal ports, followed by 25.1% for Yangtze River Delta and 10.5% for Pearl River Delta.

(ii) *Logistics industry of the PRC*

Globally, Asia Pacific was the largest logistics market in 2012, accounting for 34% of total global logistics spend and 36% of third-party logistics global spend. The logistics spend in Asia (excluding Japan) was estimated at US\$2.3 trillion in 2012, the largest among all regions. The majority of this spend was in Greater China which was estimated at US\$1.6 trillion with Asia Pacific (excluding Greater China and Japan) at US\$0.8 trillion. For a single country, China's logistics spend was the highest in the world at US\$1.5 trillion in 2012, compared to US\$1.3 trillion for the United States, and was equivalent to more than half of the total Asia Pacific region. Greater China and Asia Pacific (excluding Greater China and Japan) are expected to be the fastest growing regions in terms of logistics spend during the period from 2012 to 2015.

According to an independent research report entitled Global Third-Party Logistics Market Information Report, dated 6 December 2013, prepared by Armstrong & Associates, Inc., this is expected to be primarily driven by strong growth in private domestic consumption of general merchandise, including a range of fast-moving consumer goods for daily consumption, as well as luxury items. This growth reflects a number of factors including strong economic growth, encouraging demographics, sustained urbanisation and growth of the middle-class. Growth in GDP and demand for logistics are expected to be fastest in Greater China and Asia Pacific (excluding Greater China and Japan) from 2012 to 2015 and are expected to be supported by spending momentum from Asia, which has a young population. In 2010, approximately 45% of Asia's 4.2 billion people were aged 20-49, an age group that tends to have the highest disposable income and spending capacity. This percentage will remain largely unchanged between 2010 and 2020. Within Asia, China is a key market given its large population and government policies aimed at ongoing economic and infrastructure development to promote internal consumption.

In light of the analysis above, we are of the view that COP Group would benefit from the positive outlook of the PRC port and logistics market and hence the Acquisition is fair and reasonable and in the interest of the Company and Shareholders as a whole.

(B) Reasons for and benefits of the Acquisition

We note that the reasons for and benefits of the Acquisition, as explained by the Board, are as follows:

- the Acquisition can further consolidate the position of the Group as the platform for infrastructure investments and operations management of its holding company and expand the operating assets portfolio of the Group which generate stable sources of income.

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- the COP Group's business has good growth potential which will enhance the rapid growth of the Group.
- the Acquisition can improve the financial structure of the Group and lower its net gearing ratio by enlarging the shareholder's equity of the Company upon the issue of the Consideration Shares.

Having regard to (i) the business nature of the Group and the COP Group, in particular, the Group's proven track record on the infrastructure investment in the PRC; (ii) the Acquisition will enable the Group to diversify its infrastructure investment portfolio to the ports and logistics industry of the PRC; (iii) the proven profitable track record of COP Group and the significant improvement of its financial performance during the first half of 2014; and (iv) the positive business outlook of the logistics and port market in the PRC as detailed in the section headed "Industry Outlook" above, we concur with the Directors' view that the Acquisition is consistent with the Group's business strategy and is in the interests of the Company and the Independent Shareholders as a whole.

(C) The Acquisition Agreement

Date: 28 October 2014

Parties: (a) COHL as seller;
(b) Ever Power as purchaser; and
(c) the Company.

Subject matter: (a) the Sale Shares, representing 100% of the total issued share capital in COP; and
(b) the Sale Loan in the amount of HK\$450,000,000.

Consideration: Pursuant to the Acquisition Agreement, the Consideration of HK\$1,310,000,000 comprises:
(a) HK\$450,000,000 for the Sale Loan, being the face value of the total amount of the Sale Loan; and
(b) HK\$860,000,000 for the Sale Shares.

The Consideration shall be satisfied at Completion in the following manners:

- HK\$1,309,995,260 shall be satisfied by the issue of a total of 117,278,000 Consideration Shares at the Issue Price of HK\$11.17 per Consideration Share to COHL; and
- the balance, being HK\$4,740, shall be paid by Ever Power to COHL in cash.

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The Consideration was determined based on arm's length negotiation between the parties with reference to the amount of the Sale Loan on a dollar-for-dollar basis, and the financial position and business prospect of the COP Group, and having taken into consideration the amount of unaudited profit after tax of the COP Group during the period from 1 October 2013 to 30 September 2014 of approximately HK\$54.8 million. The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As stated in the Letter from the Board, COP was acquired by COHL on 21 October 2008 at the original acquisition costs of HK\$1,328,000,000.

Conditions Precedent: Completion shall be subject to and conditional upon the fulfillment (or waiver, as the case may be) of the following conditions:

- (a) the sale and purchase of the Sale Shares, the Sale Loan and the issue of the Consideration Shares having been approved by the Independent Shareholders;
- (b) the listing committee of the Stock Exchange granting listing approval for, and permission to deal in, the Consideration Shares to be issued pursuant to the Acquisition Agreement;
- (c) there being no material adverse change in the business, operations, assets, profits or prospects of the COP Group since 31 December 2013;
- (d) all warranties given by COHL in respect of the COP Group remaining true and correct at all times as from the signing of the Acquisition Agreement up to Completion, as if they were made on and as of Completion; and
- (e) all necessary legal and government approvals, authorizations, filings and registrations (excluding the approvals mentioned in paragraphs (a) and (b) above) and third party consents required of COHL and/or the COP Group having been obtained to effect the sale and purchase of the Sale Shares and the Sale Loan.

If the above conditions have not been fulfilled or waived by Ever Power (other than conditions set out in paragraphs (a) and (b) above which may not be waived) on or before 31 March 2015, the Acquisition Agreement shall immediately terminate and all rights and liabilities by any party under the Acquisition Agreement shall cease (except for any accrued rights and obligations).

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The waiver of conditions precedent represents a contractual right reserved by Ever Power and will only be exercised under exceptional circumstances. As at the Latest Practicable Date, the Company did not foresee any exceptional circumstance would take place. Ever Power had no intention to waive any conditions precedent as at the Latest Practicable Date, and would only proceed with Completion upon satisfaction of all conditions precedent, which have not been fulfilled as at the Latest Practicable Date.

(D) **Principal factors considered regarding the Consideration**

Consideration for the Sale Loans

Having considered that the Sale Loans of HK\$450 million are interest-free loans without any option right and the fair value of the Sale Loans should have been fairly reflected by their face value, we consider that the consideration for the Sale Loans, which will be equal to the face value of the Sale Loans as at the date of the Announcement, is fair and reasonable.

As advised by the Management, Laizhou Port Services has strong balance sheet with net cash over HK\$576 million. Taking into account of working capital position of Laizhou Port Services and unutilised banking facilities of COP and Laizhou Port Services, the Management considers that COP has sufficient financial resources for the repayment of the Sale Loans of HK\$450 million.

Consideration for the Sale Shares

As mentioned above, it is expected by the Management that most of the profit of COP will be contributed by its share of results of Laizhou Port Services over the next few years.

In assessing the fairness and reasonableness of the Consideration, we have conducted analyses by applying the price to earning ratio analysis (“**PE ratio(s)**”) and price to book ratio analysis (“**PB ratio(s)**”) of a number of comparable companies as set out below.

In selecting the sample of comparison purpose, we target those companies which (i) are in similar business in nature of the COP Group and are principally engaged in port-related services in the PRC; and (ii) shares are listed on the Stock Exchange.

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Under these criteria, we have identified 7 companies as the samples (“**Comparable Companies**”). The list of the Comparable Companies is an exhaustive list, and we considered that the Comparable Companies are fair and representative samples. We have compared the respective PE ratios and PB ratios of the Comparable Companies with COP, details of which are set out in the below table:

Company name	Stock code	Market capitalization (Note 1) (i) <i>HK\$ (million)</i>	Profit attributable to shareholders for the preceding financial year/ period (Notes 2 & 4) (ii) <i>HK\$ (million)</i>		Equity attributable to owners for the preceding financial year/ (Notes 3 & 4) (iii) <i>HK\$ (million)</i>		PE ratio (iv) = (i)/(ii)	PB ratio (v) = (i)/(iii)
China Merchants	0144.HK	61,774.1	4,213.0	64,069.0	14.66	0.96		
COSCO Pacific	1199.HK	29,757.2	5,480.9	36,083.7	5.43	0.82		
Qinhuangdao Port	3369.HK	19,463.8	2,257.6	14,230.4	8.62	1.37		
Dalian Port	2880.HK	10,932.2	802.8	17,102.4	13.62	0.64		
Tianjin Port Dev	3382.HK	10,899.7	811.1	11,454.1	13.44	0.95		
QD Port Intl	6198.HK	14,820.7	1,905.6	13,541.9	7.78	1.09		
Xiamen Port	3378.HK	5,643.2	422.6	5,810.7	13.35	0.97		
				Minimum	5.43	0.64		
				Maximum	14.66	1.37		
				Average	10.99	0.97		
COP (using net consideration of HK\$860 million as basis)					20.39	1.31		

Notes:

- The market capitalization is calculated based on the closing price of the Comparable Companies as stated in the websites of the Stock Exchange on 28 October 2014, being the date of the Acquisition Agreement.
- The profit attributable to shareholders of the Comparable Companies for the preceding financial year are extracted from the respective latest financial result announcements and/ or annual reports published prior to 28 October 2014.
- The equity attributable to owners of the Comparable Companies for the preceding financial year are extracted from the respective latest interim/ annual financial result announcements and/or interim/ annual reports published prior to 28 October 2014.
- The figures are translated into HK\$ at closing exchange rates of RMB1: HK\$1.27 as at 28 October 2014 as stated in the website of Bloomberg.
- The profit attributable to shareholders for the year ended 31 December 2013 and the equity attributable to the owners as at 30 June 2014 of COP is extracted from the Letter from the Board. The net consideration under the Acquisition Agreement of approximately HK\$860 million, representing the Consideration of HK\$1,310 million minus the Sales Loan of HK\$450 million which will be transferred from COHL to the Company after the Completion.

PE Ratio Analysis

As illustrated above, the PE ratio of the Comparable Companies ranges from approximately 5.43 times to 14.66 times with an average PE ratio of approximately 10.99 times. The implied PE ratio of the COP is approximately 20.39 times, which is higher than those of the Comparable Companies.

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As advised by the Management, based on the latest unaudited management accounts of COP Group, the profits after taxation and extraordinary items of COP is expected not less than HK\$60 million (“**2014 Estimated Profit**”) for the year ending 31 December 2014, representing a year-on-year growth of 42.2%, compared with approximately HK\$42.2 million in 2013. Based on our discussion with the Management and our review on the unaudited management account of COP and Laizhou Port Services during the nine months ended 30 September 2014, we noted that the unaudited net profit of Laizhou Port Services was approximately HK\$103 million, and COP’s share of results of Laizhou Port Services was approximately HK\$61.8 million during the first nine months of 2014. Furthermore, we were further advised that the revenue of Laizhou Port Services during the three months ending 31 December 2014 has been secured by signing relevant leasing contracts with its customers. Having considered the above, we are of the view that the bases adopted by the Management in determining the 2014 Estimated Profit are fair and reasonable.

Based on data retrieved from Bloomberg, the 2014 forward PE ratios of the Comparable Companies range from 7.7 times to 15.2 times, with average of 11.9 times. Based on the 2014 Estimated Profit, the implied forward PE ratios of COP will be 14.3 times, which is within the range of 2014 forward PE ratios of the Comparable Companies. However, implied forward PE ratios of COP is higher than, and closed to the high-end of, the average of the 2014 forward PE ratios of the Comparable Companies.

Based on the below reasons and factors, we consider the relative high implied forward PE ratios of COP, compared with those of the Comparable Companies, are justifiable and acceptable:

- As stated in the paragraph headed “Background and financial information of the COP Group” above, because of unsatisfactory operational performance of the Transportation Business during the past few years, which incurred net loss of approximately HK\$5 million and approximately HK\$4.2 million during the two years ended 31 December 2013, COP disposed the Transportation Business to an independent third party in 2013. To the best knowledge to the Management, there was a loss of approximately HK\$875,000 arising from the Disposal. As advised by the Management, the financial performance of COP Group was no longer been affected by the Transportation Business upon the Disposal, and the financial performance of COP Group is expected to be improved gradually because of the Disposal and the growth of COP’s share of results of Laizhou Port Services over the next few years; and
- the above estimation from the Management on the financial performance of COP Group is supported by the significant improvement on COP’s profitability upon the Disposal. During the first half of 2014, COP’s profits after taxation and extraordinary items increased by approximately 56.8% from approximately HK\$16.9 million during the first half of 2013 to approximately HK\$26.5 million during the same period of 2014. Such significant increases mainly reflected the disposal of loss-making Transportation Business and the increase of COP’s share of results of Laizhou Port Services due to its effective cost control measures and raising utilisation of the port operation. The Management considers that Laizhou Port Services can sustain a high level of earnings over the next few years to justify the fair and reasonable consideration valuation.

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PB Ratio Analysis

As illustrated above, the PB ratio of the Comparable Companies ranges from approximately 0.64 times to 1.37 times with an average PB ratio of approximately 0.97 times. The implied PB ratio of the COP is approximately 1.31 times, which is within the range of PB ratio of the Comparable Companies.

However, implied PB ratio of COP is higher than, and closed to the high-end of, the average of the PB ratios of the Comparable Companies. Based on the below reasons and factors, we consider the relative high implied PB ratio of COP, compared with those of the Comparable Companies, are justifiable and acceptable:

- as advised by the Management, based on the latest unaudited management accounts of COP Group, the profits after taxation and extraordinary items of COP is expected not less than HK\$60 million for the year ending 31 December 2014, representing a year-on-year growth of 42.2%, compared with approximately HK\$42.2 million in 2013. The expected significant improvement on COP Group's net profit in 2014 will increase the retained earnings and net asset value of COP accordingly; and
- As advised by the Management, the financial performance of COP Group was no longer affected by the Transportation Business upon the Disposal, and the financial performance of COP Group is expected to be improved gradually because of the Disposal and the growth of COP's share of results of Laizhou Port Services. As a result, the retained earnings and net asset value of COP is expected to be further improved over the next few years.

Having considered that above, in particular:

1. as stated in the Letter from the Board, the Consideration was determined based on arm's length negotiation between the parties with reference to the amount of the Sale Loan on a dollar-for-dollar basis, and the financial position and business prospect of the COP Group, instead of the historical financial performance of COP Group in 2013;
2. the financial performance of COP Group was no longer affected by the loss-making Transportation Business upon the Disposal, and the financial performance of COP Group, including its profitability and net asset values, are expected to be improved gradually because of the Disposal and the growth of COP's share of results of Laizhou Port Services over the next few years;
3. as advised by the Management, based on the latest unaudited management accounts of COP Group, the profits after taxation and extraordinary items of COP is expected not less than HK\$60 million for the year ending 31 December 2014, representing a year-on-year growth of 42.2%, compared with approximately HK\$42.2 million in 2013;
4. except for cash balance of HK\$4,740, the Consideration will be settled by the issue of Consideration Shares, and the premium of the Issue Price to the last closing price, 5-day average and 10-day average are within the range of the Comparable Transactions; and

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5. the Consideration Shares that will be issued to COHL are priced at a premium of approximately 155.6% to the unaudited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$4.37, calculated based on the equity attributable to the owners of the Company of HK\$17,011 million as at 30 June 2014 and 3,892,398,927 Shares in issue on 30 June 2014,

we consider that the consideration for the Sale Shares is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

Issue of the Consideration Shares

The Issue Price of HK\$11.17 per Consideration Share was determined based on arm's length negotiations between the Company and COHL with reference to the prevailing market price at the date of the Acquisition Agreement, and represents:

1. a discount of approximately 4.37% to the closing price of HK\$11.68 on the Latest Practicable Date;
2. a premium of approximately 2.85% to the closing price of HK\$10.86 per Share on the Last Trading Day;
3. a premium of approximately 1.82% to the average closing price of HK\$10.97 per Share for the last five trading days up to and including the Last Trading Day;
4. a premium of approximately 1.73% to the average closing price of HK\$10.98 per Share for the last 10 trading days up to and including the Last Trading Day; and
5. a premium of approximately 155.6% to the unaudited consolidated net assets value attributable to the Shareholders per Share of approximately HK\$4.37, calculated based on the equity attributable to the owners of the Company of HK\$17,011 million as at 30 June 2014 and 3,892,398,927 Shares in issue on 30 June 2014.

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(i) *Analysis of the historical share price performance*

The chart below shows the Issue Price and the closing price of the Shares during the period starting from 2 January 2014 up to and including the 28 October 2014, being the date of the Acquisition Agreement (“**Review Period**”):



As shown in the above chart, (i) the highest closing price of the Shares during the Review Period was HK\$14.70 on 14 January 2014 and 23 January 2014, respectively; and (ii) the lowest closing price of the Shares during the Review Period was HK\$10.62 on 16 October 2014 respectively.

The Issue Price of HK\$11.17 represents a discount of approximately 24.0% to such highest closing price of the Shares and represents a premium of approximately 5.2% over such lowest closing price of the Shares during the Review Period.

The average closing price of the Shares during the Review Period was HK\$13.07, and the Issue Price represents a discount of approximately 14.54% to the average closing price of the Shares during the Review Period.

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(ii) *Price comparison of issuance of new shares/convertible securities to satisfy all or part of consideration for the notifiable transactions*

Set out below is data on transactions (the “**Comparable Transactions**”) which we find comparable to some degree by virtue of issuance of new shares/convertible securities to satisfy all or part of consideration to their respective connected person(s) or independent third parties for the major transaction or very substantial acquisition by companies listed on the Stock Exchange during the period from 1 January 2014 to the date of Acquisition Announcement. The companies set out in the table below may have different businesses, financial conditions and background that may provide some reference with respect to the basis of determination of the Issue Price.

Date of announcement	Company	Principal business		% of existing share capital as at the relevant date of announcement	Premium/(Discount) of the issue price over/(to) the closing/average closing price on or before the relevant date of announcement		
		Listed company	Target company		Last trading day	5 trading days	10 trading days
27-Jan-14	Shenzhen Investment Ltd. (604)	Property development, property investment, property management, infrastructure construction and operation, transportation services and modern agriculture	Property development and investment, property management, garden design and construction, manufacture and sale of agricultural products	20.44%	21.3%	17.0%	16.7%
27-Feb-14	Enterprise Development Holdings Limited (1808)	Provision of integrated business software solutions and trading of listed securities	Research and development, manufacturing, sales, distribution and marketing of condoms, currently under the brand name of “Safedom” in PRC	113.8%	(27.3)%	(26.9)%	(22.0)%
7-Apr-14	China Railsmedia Corporation Limited (745)	Advertising business and building construction related works	Film and media related business	47.4%	9.6%	(22.8)%	(32.6)%

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Date of announcement	Company	Principal business		% of existing share capital as at the relevant date of announcement	Premium/(Discount) of the issue price over/(to) the closing/average closing price on or before the relevant date of announcement		
		Listed company	Target company		Last trading day	5 trading days	10 trading days
16-Apr-14	CITIC Pacific Limited (267)	Special steel, iron ore mining and property development in mainland China	Financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and others	582.4%	6.5%	11.1%	14.8%
15-May-14	Hsin Chong Construction Group Ltd. (404)	Building construction and civil, mechanical and electrical installation as well as real estate and facility management services, to real estate development and property investments	Property development	237.6%	11.0%	11.9%	12.5%
2-Jul-14	Hainan Meilan International Airport Company Limited (357)	Aeronautical and nonaeronautical businesses	Consolidated services consultation, logistics information, merchandise demonstration services and development and sales of real estate, duty free merchandise sales and shopping services	39.5%	0.1%	0.7%	0.6%
15-Aug-14	Juda International Holdings Limited (1329)	Production of chemicals	Property development	369.1%	(20.8)%	(19.1)%	(19.1)%
22-Aug-14	North Mining Shares Company Limited (433)	Exploitation, exploration and trading of mineral resources and property management operations	Exploration and exploitation of potassium resources and sale of its end products including potassium sulphate, superfine calcium silicate and kaolin	18.6%	5.8%	6.7%	6.4%

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Date of announcement	Company	Principal business		% of existing share capital as at the relevant date of announcement	Premium/(Discount) of the issue price over/(to) the closing/average closing price on or before the relevant date of announcement		
		Listed company	Target company		Last trading day	5 trading days	10 trading days
12-Sep-14	Sinopec Yizheng Chemical Fibre Company Limited (1033)	Production and distribution of chemical fibre and petrochemical products	Provisions of oil engineering and oilfield technical services	153.7%	83.1%	82.0%	85.1%
				Highest	83.1%	82.0%	85.1%
				Lowest	(27.3)%	(26.9)%	(32.5)%
				Average	9.9%	6.7%	6.9%
				Issue Price	2.85%	1.82%	1.73%

Nine Comparable Transactions, which constitute either major transaction or very substantial acquisition of the relevant companies, are identified since the beginning of 2014. To our best knowledge, the above list of the Comparable Transactions is exhaustive, fair and representative. The issue prices of the Comparable Transactions were determined with reference to, amongst others, their respective trading price of shares prior to the signing of the agreements, ranging from a discount of 27.3% to a premium of 83.1%, a discount of 26.9% to a premium of 82.0% and a discount of 32.5% to a premium of 85.1% to/over their respective last closing price, 5-day average and 10-day average. The premium of the Issue Price to the last closing price, 5-day average and 10-day average are within the range of the Comparable Transactions. Given a rather wide range of premium of over 80% and discounts of over 20% represented by the Comparable Transactions and the different businesses and circumstances in which the relevant companies operated and acquired, we do not find this information useful in making our recommendation but, in our view, the premium offered are not out of line with those of the Comparable Transactions.

(E) Financial impacts of the Acquisition

(1) *Effects on earnings and net asset value*

Upon Completion, the COP Group will become wholly owned subsidiaries of the Company and the financial information of member companies of the COP Group will be consolidated into the consolidated financial statements of the Company.

As COP Group's operations have been profitable, the Group's turnover and profitability will be improved immediately upon the Completion. In light of the above and the expected positive outlook of the port and logistics industry in the PRC, the Management expects that the Acquisition will have a positive impact to the long-term profitability of the Group upon the Completion.

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(2) *Effect on net asset value*

According to the Company's 2014 interim report, the Company's unaudited net asset values was approximately HK\$17.2 billion. As stated in the Letter from the Board, the unaudited consolidated net asset value of COP as at 30 June 2014 was approximately HK\$656,326,000. Given that the unaudited net asset value of COP was insignificant to the Company's net asset value as at 30 June 2014, we considers that the Acquisition will not have any material negative impacts on the net assets position of the Group upon the completion of Acquisition.

(3) *Effect on cash/ working capital*

With reference to the 2014 Interim Report, the Group's net gearing ratio (calculated as net debt divided by total equity) was approximately 33.8% as at 30 June 2014. Given that the total equity will be increased upon the issue of the Consideration Shares under the Acquisition, it is expected that the net gearing ratio of the Group would be decreased upon Completion.

Moreover, except for cash consideration of HK\$4,740 to be satisfied in cash, almost all of the Consideration will be settled by the issue of the Consideration Shares. Therefore, we consider that the Acquisition would not lead to any immediate material change in the Group's working capital position.

(4) *Dilution of shareholding of the Shareholders*

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Completion (assuming no further issue of Shares between the Latest Practicable Date and the date of Completion):

Name of Shareholders	Shareholding as at the Latest Practicable Date		Shareholding immediately upon the Completion of	
	Number of Shares	%	Number of Shares	%
COHL and its associates (<i>Note 1</i>)	2,218,813,659	57.00%	2,336,091,659	58.26%
Directors (<i>Note 2</i>)	12,582,249	0.33%	12,582,249	0.31%
Public Shareholders:	<u>1,661,003,019</u>	<u>42.67%</u>	<u>1,661,003,019</u>	<u>41.43%</u>
Total	<u><u>3,892,398,927</u></u>	<u><u>100.00%</u></u>	<u><u>4,009,676,927</u></u>	<u><u>100.00%</u></u>

Notes:

1. Amongst the total number of 2,218,813,659 Shares, 2,122,675,308 Shares were held by COHL while 96,138,351 Shares were held by Silver Lot Development Limited, a wholly-owned subsidiary of COHL.
2. The Directors, Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, held 2,273,780; 3,300,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 913,569 and 913,569 Shares respectively.

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Upon Completion, the existing Independent Shareholders' holdings would be diluted by approximately 2.9%, from approximately 42.67% to approximately 41.43%.

After taking into account that (i) as COP's operations have been profitable, the Group's earning will be improved immediately upon the Completion; (ii) the Acquisition will enable the Group to diversify its infrastructure investment portfolio to the ports and logistics industry of the PRC; (iii) COP would be benefited from the positive business outlook of the PRC port and logistics market as detailed in the section headed "Industry Outlook" above; and (iv) the issue of the Consideration Shares under the Acquisition will not incur cash outflow of the Group, we consider that this level of dilution to Independent Shareholders are justifiable and acceptable.

In view of (i) the positive effect on the earnings of the Group; (ii) no material impact on the net asset value and working capital position of the Group; (iii) the net gearing ratio of the Group would be decreased upon Completion due to the issue of the Consideration Shares under the Acquisition; and (iv) the acceptable level of the shareholding dilution to the Shareholders, we are of the view that the Acquisition will have an overall positive financial effect on the Group in the long run and be in the interests of the Company and the Shareholders as a whole.

(II) THE NEW CSC GROUP ENGAGEMENT AGREEMENT AND THE NEW CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

(A) Background of and reasons for the transactions ("Continuing Connected Transactions") under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement

The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. According to the annual reports and interim reports of the Company, the total revenue from construction contracts and construction contracts under service concession arrangements represented approximately 88.24%, 87.05% and 87.46% of the Company's total revenue during the two years ended 31 December 2013 and the first half of 2014, respectively.

The COLI Group is principally engaged in property development and investment, real estate agency and management, and treasury operation. During its normal course of business, COLI Group may invite the Group to participate in competitive tender for the COLI Group's construction works in the PRC, Hong Kong and Macau from time to time.

The CSCECL Group is principally engaged as contractors in the PRC construction market. It is one of the largest state-owned construction groups in the PRC operating in major provinces and cities in the PRC. It has operation outside PRC, including Africa, Middle East, South-east Asia and the United States and has extensive experience in the PRC construction industry. The CSCECL Group has a vast number of professional personnel experienced in construction. During its normal course of business, the Group may invite the CSCECL Group to participate in competitive tender as construction

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sub-contractor, project management contractor, project consultant and/or construction material supplier (collectively, “**Contractors**”) for the Group’s construction works from time to time. Meanwhile, the CSCECL Group, may invite the Group to participate in competitive tender as Contractors for the CSCECL Group’s construction works from time to time.

Pursuant to the Previous CSC Group Engagement Agreement, the Group may tender for the construction works in the PRC, Hong Kong and Macau of the COLI Group provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for the period between 1 July 2012 and 31 December 2012 shall not exceed HK\$400 million, for each of the two years ending 31 December 2014 shall not exceed HK\$800 million, and for the period between 1 January 2015 and 30 June 2015 shall not exceed HK\$400 million. In order to revise the caps for the continuing connected transactions under the Previous CSC Group Engagement Agreement and renew the transactions thereunder, on 31 October 2014, COLI and the Group entered into the New CSC Group Engagement Agreement under which COLI and the Group agreed to, among others, terminate the Previous CSC Group Engagement Agreement upon the taking effect of the New CSC Group Engagement Agreement.

As the Previous CSCECL Sub-construction Engagement Agreement expired on 31 October 2014, on 28 October 2014, the Company and CSCECL entered into the New CSCECL Sub-construction Engagement Agreement to renew the Previous CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017.

As stated in the Letter from the Board, the Management considers that, through the New CSC Group Engagement Agreement, the Group is able to participate in the construction works of the COLI Group upon successful tender, and it allows the Group to secure a more diverse base of customers for building construction. Meanwhile, through New CSCECL Sub-construction Engagement Agreement, the Group considers that sub-contracting its construction, project management and/or project consultancy works, and/or procuring project construction material from suppliers for its construction works would be more efficient and effective, the CSCECL Sub-construction Engagement Transactions contemplated under the New CSCECL Sub-construction Engagement Agreement provides the Company with the option to engage the CSCECL Group (subject to successful tender) as Contractors for its construction works. The Directors believe that such arrangement will benefit the Group by leveraging the substantial experience and the specific construction qualifications of the CSCECL Group, and by better cost and time efficiency in managing its construction projects.

In addition, the CSCECL Group has been engaging in many construction works in various cities of the PRC. The Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in CSCECL Group’s construction works in the PRC as Contractors. The Directors also consider that the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions will allow the Group to draw on the substantial construction experiences and resources of the CSCECL Group in the PRC whereby creating favourable conditions for the Group’s business development in the PRC.

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Shareholders should note that the above agreements do not impose any contractual obligation for the Group to tender for construction works of the COLI Group or the CSCECL Group. As confirmed by the Management, they have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from the COLI Group, the CSCECL Group or other independent third parties as described in the Letter from the Board.

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

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

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

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

(1) *New CSC Group Engagement Agreement*

The principal terms of the New CSC Group Engagement Agreement are as follows:

Date: 31 October 2014

Parties: COLI and the Company

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- Transaction nature: Under the New CSC Group Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 whereby the parties agreed that:
- (a) the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors;
 - (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for the COLI Group's construction works in the PRC, Hong Kong and Macau based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COLI Group to the Group for the financial year ending 31 December 2015 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354), for the financial year ending 31 December 2016 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354) and for the financial year ending 31 December 2017 shall not exceed RMB3,000 million (equivalent to approximately HK\$3,797,468,354) (i.e. the CSC Sub-construction Engagement Cap); and
 - (c) the construction fees payable by the COLI Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.
- Pricing basis: The price and terms of the tenders submitted by the Group to COLI Group for the COLI Group's construction works in the PRC, Hong Kong and Macau are subject to the standard and systematic tender submission procedure maintained by the Group, which applies for tender submitted to both connected persons and independent third parties of the Group, in order to ensure that the price and terms of the proposed tender submitted by the Group to COLI Group is no more favourable than those submitted to independent third parties.

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(2) *New CSCECL Sub-construction Engagement Agreement*

The principal terms of the New CSCECL Sub-construction Engagement Agreement are as follows:

Date:	28 October 2014
Parties:	CSCECL and the Company
Transaction nature:	<i>CSCECL Sub-construction Engagement Transactions</i>

Under the New CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 whereby the parties agreed that:

- (a) the CSCECL Group may tender for the Group's construction works as Contractors in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the financial year ending 31 December 2015 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772), for the financial year ending 31 December 2016 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772) and for the financial year ending 31 December 2017 shall not exceed RMB15,000 million (equivalent to approximately HK\$18,987,341,772) (i.e. the CSCECL Sub-construction Engagement Cap); and
- (c) the construction fees payable by the Group to the CSCECL Group will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

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CSC Sub-construction Engagement Transactions

Under the New CSCECL Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 January 2015 and ending on 31 December 2017:

- (a) the Group may tender for the CSCECL Group's construction works as Contractors in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 November 2011 and 31 December 2011 is nil, for each of the two financial years ending 31 December 2013 shall not exceed HK\$3,000 million, and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK\$3,000 million (i.e. the CSC Sub-construction Engagement Cap); and
- (c) the construction fees payable by the CSCECL Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

Pricing basis:

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

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

CSCECL Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement

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

Given that:

- (a) standard and systematic tender review procedure has been maintained by the Group, which applies for tender obtained from both connected persons and independent third parties;
- (b) the members of the Committee or Advisory Board in relation to tender review procedure shall not be employees or directors of the CSCECL Group or the COHL Group, and as advised by the Management, the Group's tender review procedures are in line with the market practice;
- (c) The Committee or Advisory Board will shortlist at least 3 tenders and make the final decision with reference to the certain selection criteria, including quality of works, measures on environmental protection, safety and workers' health undertake, time management and project management plan, financial arrangement and financial ability, material and supply management; and past cooperation with the Group, if any; and
- (d) in determining the pricing terms, the Committee or Advisory Board will also review the cost information for materials and pricing information of previous tenders submitted to the Group in assessment of the pricing terms,

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

We have reviewed the selected samples of tender documents submitted by the CSCECL Group and independent contractors, and selected samples of score sheets prepared by the Committee or Advisory Board, which were gathered randomly during the first nine months of 2014, and noted that CSCECL Group was selected as the vendor following the tender process as it got the highest score in total.

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In light of above, in particular that the tender documents submitted by the CSCECL Group and independent contractors will be reviewed and evaluated by the Committee or Advisory Board based on the same standard and systematic tender review procedure applicable to tender obtained from both connected persons and independent third parties, and the results of our due diligence review, we consider that the terms and conditions of the CSCECL Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New CSC Group Engagement Agreement

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

Given that:

- (a) standard and systematic tender submission procedure has been maintained by the Group, which applies for tender submitted to both connected persons and independent third parties;
- (b) In preparing and assessing the tender documents, the Group will take into account factors including the technical requirements, quantity specifications, expected completion time, the customer's expectations and the possible risk factors associated with the project. The Group will then perform site inspection, form a tentative construction program and conduct quantitative costs analysis and risk assessment. In determining the pricing terms, the Group will review the costs information maintained by its in-house computer database for materials supplied and sub-contractors from the Group's previous projects and peripheral operation. These information will assist the Group to conduct quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials; and
- (c) the committee members ("**Review Committee**") who participate in the Group's tender submission procedures shall not be employees or directors of the CSCECL Group or the COHL Group, and as advised by the Management, the Group's tender submission procedures are in line with the market practice,

we consider that the Review Committee have sufficient independence capabilities to review terms of CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New CSC Group Engagement Agreement.

To ascertain whether the tender submission procedure has been implemented by the Group to review the feasibility and profitability of invitations to tender received, we have reviewed some sample tender reports of the Group which had been reviewed by the Review Committee. We further understand that the Review Committee may approve or reject an invitation to tender based on the

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analysis result of the tender review process. In addition, the Review Committee is also responsible to decide the contents and pricing term of the proposed tender. If any contract is granted in favour of the Group as a result of the competitive tender, the relevant project owners will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works based on the terms of the successful tender.

As the tender documents submitted by the Group will be reviewed and evaluated by the Review Committee based on the same standard and systematic tender submission procedure applicable to tender submitted to both connected persons and independent third parties, and the results of our due diligence review, we consider that the terms and conditions of the CSC Sub-construction Engagement Transactions under the New CSCECL Sub-construction Engagement Agreement and transactions under the New CSC Group Engagement Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

In conclusion, having considered the aforesaid, together with (i) adequate measures have been in place to mitigate any conflict of interest between the Group, the COLI Group and the CSCECL Group regarding the tender submission/review procedures based on the Management's confirmation and representation; and (ii) the Continuing Connected Transactions will be implemented through competitive tenders, we concur with the Directors' view that the pricing bases for and the terms of the New CSCECL Sub-construction Engagement Agreement and the New CSC Group Engagement Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(C) Review of the Continuing Connected Transaction by the auditors

The auditors of the Company have performed a review of the Continuing Connected Transactions for the two financial years ended 31 December 2012 and 2013 (the "**Past Transactions**"). We noted from the 2012 and 2013 annual reports of the Company ("**Annual Reports**") and understood from the Management that the auditors confirmed that the Past Transactions (a) had received the approval of the Board; (b) were, in all material respects, in accordance with the pricing policies of the Group; (c) had been entered into, in all material respects, in accordance with terms of the relevant agreements governing them; and (d) had not exceeded the relevant annual caps. Accordingly, we consider that the Group has established a good track record on compliance matters in relation to the Continuing Connected Transactions.

Given the above and (i) the independent non-executive Directors will continue to, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions contemplated under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement are conducted on normal and commercial terms; and (ii) the auditor of the Company will continue to, review transactions contemplated under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement in accordance with Rule 14A.56 of the Hong Kong Listing Rule, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement in order to protect the interests of the Company and the Independent Shareholders.

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(D) The Annual Caps

The Continuing Connected Transactions are subject to the Listing Rules' requirements and conditions as discussed in detail under the section headed "Reporting requirements and conditions of the Continuing Connected Transactions" below. In particular, the Continuing Connected Transactions are subject to the Annual Caps.

Review of historical figures

The table below sets out (i) the historical transaction amounts of the Previous CSC Group Engagement Agreement and the Previous CSCECL Sub-construction Engagement Agreement during the past few years ("Relevant Periods") and (ii) the existing annual caps ("Existing Annual Caps") under the Previous CSC Group Engagement Agreement and the Previous CSCECL Sub-construction Engagement Agreement:

Historical transaction amounts

	Period between 1 November 2011 and 31 December 31 2011	Year ended December 31 2012	Year ended December 2013	Nine months ended 30 September 2014
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Previous CSCECL Sub-construction Engagement Agreement				
• CSCECL Sub-construction Engagement Transactions	6,338.3	950.5	1,436.3	5,040.2
• CSC Sub-construction Engagement Transactions (<i>Note</i>)	Nil	Nil	Nil	Nil

Note: The Group has not been engaged in any construction projects of the CSCECL Group in the period between 1 November 2011 and 30 September 2014.

	Period between 1 July 2012 and 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2014
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Previous CSC Group Engagement Agreement	21.3	86.6	3.3

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The Existing Annual Caps

	Period between 1 November 2011 and 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Ten months ended 31 October 2014
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Previous CSCECL Sub-construction Engagement Agreement				
• CSCECL Sub-construction Engagement Transactions	13,000	8,000	10,000	12,000
• CSC Sub-construction Engagement Transactions (<i>Note</i>)	Nil	3,000	3,000	3,000

	Period between 1 July 2012 and 31 December 2012	Year ended 31 December 2013	Year ending 31 December 2014	Six months ending 30 June 2015
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Previous CSC Group Engagement Agreement	400	800	800	400

Assessment of the Annual Caps

The table below sets out the Annual Caps under the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement:

	Year ending 31 December		
	2015	2016	2017
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
New CSCECL Sub-construction Engagement Agreement			
• CSCECL Sub-construction Engagement Transactions	18,987.3	18,987.3	18,987.3
• CSC Sub-construction Engagement Transactions	3,797	3,797	3,797
New CSC Group Engagement Agreement	3,000	3,000	3,000

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

(i) The CSCECL Sub-construction Engagement Cap:

- total contract sum of construction projects of the Group engaging the CSCECL Group in the period between 1 November 2011 and 31 December 2011 of RMB5,007,235,913 (equivalent to approximately HK\$6,338,273,308), for each of the two years ended 31 December 2013 amounted to RMB750,862,852 (equivalent to approximately HK\$950,459,306) and RMB1,134,678,244 (equivalent to approximately HK\$1,436,301,575), and in the period between 1 January 2014 to 30 September 2014 of RMB3,981,760,705 (equivalent to approximately HK\$5,040,203,424);
- the growth of the construction markets in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 estimated by the Directors based on their expectation that with the launch and in-depth implementation of “The Twelfth Five Year Plan”, the PRC construction market will benefit from the PRC Government’s development policy for infrastructure construction and housing and the great effort put in by the PRC Government in realizing the construction target of affordable housing; and
- the construction projects to be awarded by the Group in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 as estimated by the Directors, which is based on the amount of construction work expected to be awarded to Contractors according to the Group’s internal list of all projects planned to be carried out in the PRC in 2015, and the estimation that the amount of construction work and number of projects will be more or less the same in 2016 and 2017.

(ii) The CSC Sub-construction Engagement Cap:

- the total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2015 and ending on 31 December 2017, estimated with reference to the CSCECL Group’s future growth and expansion for such period, which is based on the estimated amount of revenue of the CSCECL Group in 2015 and accordingly the construction work expected to be awarded to Contractors, and the estimation that such amount of revenue and construction work will be more or less the same in 2016 and 2017; and
- the growth of the construction markets in the PRC in the three-year period commencing from 1 January 2015 and ending on 31 December 2017 estimated by the Directors based on their expectation that with the launch and in-depth implementation of “The Twelfth Five Year Plan”, the PRC construction market will benefit from the PRC Government’s development policy for infrastructure construction and housing and the great effort put in by the PRC Government in realizing the construction target of housing.

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(iii) The COLI Works Cap:

- The historical contract sum awarded by the COLI Group to the Group as construction contractor for the construction works in the PRC, Hong Kong and Macau of the COLI Group (i) in the period between 1 July 2012 and 31 December 2012, (ii) for the year ended 31 December 2013; and (iii) in the period between 1 January 2014 and 30 September 2014;
- total contract sum of construction projects of the COLI Group in the PRC, Hong Kong and Macau for the year ended 31 December 2013 of approximately HK\$42,154.0 million, and in the period between 1 January 2014 and 30 September 2014 of approximately HK\$26,093.9 million; and
- the total estimated contract sum of new construction projects of the COLI Group in the PRC, Hong Kong and Macau in the three-year period commencing from 1 January 2015 and ending on 31 December 2017, including a new project, namely the Kai Tak Development project with an estimated sub-contracting value of over HK\$2,000,000,000 and other potential projects, estimated with reference to the COLI Group's future growth and expansion in its land reserves and the Group's construction works capacity in the PRC, Hong Kong and Macau for such period.

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

(i) The CSCECL Sub-construction Engagement Cap:

- Rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote relevant construction in civil constructions, housing and transportation, and construction market demand will grow steadily. Benefited from the launch and in-depth implementation of "The Twelfth Five Year Plan", the PRC Government has put great effort in realizing the construction target of affordable housings. Leveraged with the Group's expertise and more than 30 years track record in the construction of public housing in Hong Kong, the Group's affordable housing business expanded steadily in scale and has become the largest sector of the Group in the PRC. Riding on the favorable government policy, the Group continued to expand its presence of affordable housing and infrastructure investment businesses in new geographical locations in the PRC. Under rapid development, this segment has delivered substantial growth in revenue and gross profit of approximately 57.4% and 57.1% respectively in 2013;
- In 2013, the contract value of new affordable housing projects awarded to the Group reached a record height to approximately HK\$15,075 million. During the year, the Group's expertise in the field was further recognised as the Group was awarded the designation as 'National Housing Industrialisation Demonstration Base' (國家住宅產

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業化示範基地) and as ‘Housing Industrialisation Demonstration Base of Shenzhen’ (深圳市住宅產業化示範基地) by Ministry of Housing and Urban-Rural Development of the People’s Republic of China (國家住房和城鄉建設部) and Shenzhen Science and Technology Innovation Committee (深圳市科技創新委員會) respectively. The Management believes such honors would enhance the Group’s marketing ability for new projects; and

- According to the Company’s 2014 Interim Report, for the first half of 2014, the Group has secured a contract value of HK\$14,500 million from newly signed projects in the PRC, including Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province, Affordable Housing Phase IV in Shushan District Industrial Park, Hefei City, Anhui Province, Phase II of the Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province and BT Project for rerouting Lianjiang-Jin’an section of National Highway G104 in Fuzhou City, Fujian Province. During its normal course of business, the Group plans to invite tenders, including the CSCECL Group and other independent construction contractors, for the construction services required by the Group over the next three years. As advised by the Management, as at the Latest Practicable Date, the Group had around 25 construction and development projects in the PRC, with total contract values of approximately RMB14.6 billion, which will invite tender for the construction services in 2015. The Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity for the Group to strengthen and further develop its construction related business and qualifications in the PRC through its participation in CSCECL Group’s construction works in the PRC as Contractors.

Having considered the aforesaid, in particular:

1. the CSCECL Sub-construction Engagement Cap of approximately HK\$ \$18,987.3 million for each of the three years ending 31 December 2017 is mainly estimated by the Management with reference to total contract values of the Group’s construction contracts on hand as at the Latest Practicable Date. As advised by the Management, as at the Latest Practicable Date, the Group had around 25 construction and development projects in the PRC, with total contract values of approximately RMB14,600 million or approximately HK\$18,481 million, which plans to invite tender for the construction services in 2015;
2. CSCECL Group, which have a strong presence and proven track record in the PRC construction market, may tender for the Group’s above construction works as Contractors over the next three years; and

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3. Benefited from PRC government's development policy for infrastructure construction and affordable housings, the Group has secured a contract value of HK\$14,500 million from newly signed projects in the PRC during the first half of 2014. The Management expects that the Group's construction business and infrastructure investment in the PRC will continue to grow sustainably over the next few years, as a result, the Group's demand for sub-construction service offered by CSCECL Group or other independent contactors will continue to increase during the three years ending 31 December 2017,

we consider that bases adopted by the Management in determining the CSCECL Sub-construction Engagement Cap are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) The CSC Sub-construction Engagement Cap:

As advised by the Management, the aggregate amount of total contract sum awarded to the Group by the CSCECL Group (excluding the COHL Group) under the Previous CSCECL Sub-construction Engagement Agreement from 1 November 2011 to the Latest Practicable Date was nil. In order to ascertain the reasonableness of the CSC Sub-construction Engagement Cap, we further discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the CSC Sub-construction Engagement Cap, and understand that such estimation is mainly based on the following factors:

- As some of the Group's construction contracts may be granted to CSCECL through the New CSCECL Sub-construction Engagement Agreement, the Management expects that CSCECL may invite qualified subcontractors, including the Group's construction arm in the PRC, tender for certain parts of such construction works as subcontractors in accordance with the tendering procedure of the CSCECL Group from time to time;
- The CSCECL Group is one of the largest state-owned construction groups in the PRC. According to its latest result announcement, the operation revenue of CSCECL during the nine months ended 30 September 2014 amounted to approximately RMB566.0 billion, up approximately 17.8% from the same period of 2013. During the first nine months of 2014, the total contract sums of new construction projects amounted to approximately RMB987.4 billion, up approximately 7.4% from the same period of 2013; and
- Rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote relevant construction in civil constructions, housing and transportation, and construction market demand will grow steadily. Benefited from the positive market environment in the PRC, the Management expects that the total estimated contract sum of new construction projects of the CSCECL Group in the three-year period commencing from 1 January 2015 and ending on 31 December 2017, will continue to grow, and as a result, it will increase the demand for subcontract services from the Group and/or independent contractors. The Management considers that the CSC Sub-construction Engagement Cap provide the Group flexibility to participate in the tender of the CSCECL Group from time to time over the next three years.

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In addition, after discussion with the Management, we understand that the CSC Sub-construction Engagement Cap of approximately HK\$3,797 million for each of the three years ending 31 December 2017 has been negotiated and approved by CSCECL Group after taking into accounts of (i) the total new contract value of CECECL, including the preliminary development timetable of such new projects; and (ii) the capacity of the Group for acting as the subcontractor of CSCECL Group's construction projects.

According to the latest financial results of CSCECL, during the first nine months of 2014, we noted that the total contract sums of new construction projects of CSCECL amounted to approximately RMB987.4 billion, up approximately 7.4% from the same period of 2013.

In light of the above, and the CSC Sub-construction Engagement Cap have been negotiated and approved by CSCECL Group, we consider that bases adopted by the Management in determining the CSC Sub-construction Engagement Cap are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) The COLI Works Cap:

- According to COLI's 2013 annual report, COLI Group acquired two land parcels at the former Kai Tak Airport for commercial/residential development ("**Kai Tak Project**") under the "Hong Kong Property for Hong Kong People" measure at a consideration of HK\$4.54 billion. With land areas of 7,771 sq m and 8,585 sq m, respectively, and a plot ratio of 5, the projects will provide a total gross floor area ("**GFA**") of 81,780 sq m. For each project, the COLI Group planned to build 2 blocks of residential buildings with 32 storeys, 6-7 blocks with 5 storeys and underground car parks, providing 558 and 634 residential units respectively, to be sold only to permanent residents of Hong Kong;
- According to annual reports and interim reports of COLI, it has continued to follow the land market closely, in order to explore opportunities for the acquisition and exploitation of prime land resources. In 2013, 23 parcels of land were acquired by the COLI Group (excluding China Overseas Grand Oceans Group Limited "**COGO**") in 16 cities in mainland China, including the newly entered Harbin, Fuzhou and Wuxi. These land parcels provided an aggregate GFA of 12.03 million sq m (interest attributable to the Group of 11.60 million sq.m.). COGO acquired 13 land parcels in eight mainland cities and added GFA of 4.56 million sq m of land to its land reserve; and
- During the first half of 2014, the COLI Group acquired ten land parcels in nine mainland cities, adding total GFA of 6.85 million sq.m. to its land reserve. As at 30 June 2014, the total land bank of the COLI Group was 41.55 million sq.m. and the total land bank of COGO was 13.06 million sq.m.. In the second half of 2014, the COLI Group will continue to seize opportunities to expand its land bank at low cost and determine its investment scale according to the sales performance and financial resources on hand.

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Having considered the aforesaid, in particular:

1. the COLI Works Cap of approximately HK\$3,000 million for each of the three years ending 31 December 2017 is mainly estimated by the Management with reference to expected aggregate subcontracting value of the Kai Tak Project. As advised by the Management, based on the estimation of the Group's tender team on the development timetable of the Kai Tak Project, they estimated that the expected aggregate subcontracting value of the Kai Tak Project will be not less than HK\$2,000 million, and the tender procedures for Kai Tak Development Project is expected to commence in 2015 by stages of development; and
2. in addition to the business opportunities arising from the Kai Tak Project, the Group may tender for the COLI Group's construction works in the PRC, Hong Kong and Macau in accordance with the tendering procedures of the Group from time to time. In order to support sustainable development of its properties development business, COLI, being one of the leading properties developers in the PRC, acquired ten land parcels in nine mainland cities, adding total GFA of 6.85 million sq m to the land reserve during the first half of 2014. Having considered that the sustainable growth of the properties development project of COLI Group, the Management expect that COLI Group's demand for sub-contracting service offered by the Group or other independent contactors will continue to increase during the three years ending 31 December 2017, although it is extremely difficult for the Management to predict accurately the growth of COLI Group's future demand for sub-contracting service. As confirmed by the Management, the Group has maintained stable and long-term business relationship with COLI Group, and the Group may tender for the COLI Group's construction works in accordance with the tendering procedures of the Group from time to time over the next few years,

we consider that bases adopted by the Management in determining the COLI Works Cap are fair and reasonable so far as the Independent Shareholders are concerned.

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

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

- (a) each year the independent non-executive directors must review the Non-exempt continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the listed issuer's group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole;

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

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

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RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transactions contemplated under the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement, including the Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Acquisition Agreement, the New CSC Group Engagement Agreement and the New CSCECL Sub-construction Engagement Agreement, including the Annual Caps, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Executive Director

RESPONSIBILITY STATEMENT

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

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

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

Long positions in shares and underlying shares of the Company

Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 2,273,780; 3,300,000; 2,605,138; 167,471; 581,584; 913,569; 913,569; 913,569 and 913,569 shares of the Company respectively. In addition, Mr. Zhou Yong held 959,247 share options of the Company. All the shares and share options held by the directors in the capacity of beneficial owners.

The share options were granted on 14 September 2005 and the exercise price per share option is HK\$0.2254 (The exercise price per option on 14 September 2005 was HK\$1.03. The exercise price was adjusted to HK\$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK\$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK\$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK\$0.2254 immediately after the completion of rights issue on 16 May 2011.). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually (the "Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).

Long positions in shares and underlying shares in associated corporation

Mr. Hung Cheung Shew held 37,095 shares in COLI (an associated corporation of the Company); and 30,000 shares in Far East (a non wholly owned subsidiary of the Company). All the shares held by the director in the capacity of beneficial owner.

Mr. Li Jian held 330,000 shares in CSCECL (an intermediate holding company of the Company). All the shares held by the director in the capacity of beneficial owner.

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

As at the Latest Practicable Date, save as disclosed in the section headed “Competing Business Interests of Directors” below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited accounts of the Company were made up.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

Mr. Zhou Yong held directorships in the Company's holding company, and/or its subsidiaries which are engaged in construction, property development and related business.

Mr. Wu Mingqing held directorships in the subsidiaries of the Company's holding company which are engaged in property development and related business.

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

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

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

EXPERT

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

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

- (b) As at the Latest Practicable Date, China Everbright had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) China Everbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) As at the Latest Practicable Date, China Everbright did not have any direct or indirect interest in any assets which have, since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up), been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(e) The letter of China Everbright is given as of the date of this circular for incorporation herein.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 16 December 2014 (except Saturdays and Sundays) and will be available for inspection at EGM:-

- (a) the Acquisition Agreement;
- (b) the New CSCECL Sub-construction Engagement Agreement;
- (c) the Previous CSCECL Sub-construction Engagement Agreement;
- (d) the New CSC Group Engagement Agreement;
- (e) the Previous CSC Group Engagement Agreement;
- (f) a “Build-Transfer” construction agreement entered into between COHL and the Company dated 28 October 2014, details of which are set out in the announcement of the Company dated 28 October 2014.
- (g) a master design consultancy services agreement entered into between the Company and COLI on 19 August 2013, details of which are set out in the announcement jointly issued by the Company and COLI dated 19 August 2013;
- (h) a master connection services agreement entered into between the Company and COLI on 18 May 2012, details of which are set out in the announcement jointly issued by the Company and COLI dated 18 May 2012;
- (i) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (j) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from China Everbright” of this circular; and
- (k) the letter of consent from the expert referred to under the section headed “Expert” in this appendix.

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 on Tuesday, 16 December 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the New CSCECL Sub-construction Engagement Agreement (as defined in the circular of the Company dated 18 November 2014 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the CSCECL Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 January 2015 and 31 December 2017 be and is hereby approved;
- (iii) the CSC Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 January 2015 and 31 December 2017 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

2. “**THAT:**

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

(ii) the COLI Works Cap (as defined in the Circular) for the period between 1 January 2015 and 31 December 2017 be and is hereby approved; and

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

3. **“THAT:**

(A) the Acquisition Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, including the allotment and issuance of 117,278,000 new shares (the “**Consideration Shares**”) of HK\$0.025 each in the share capital of the Company for the aggregate issue price of HK\$1,309,995,260 to China Overseas Holdings Limited (or its nominee), be and are hereby approved, confirmed and ratified;

(B) the directors of the Company be and are hereby authorized and granted a specific mandate to allot and issue the Consideration Shares to China Overseas Holdings Limited (or its nominee) in accordance with the terms and conditions of the Acquisition Agreement; and

(C) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized to exercise all the powers of the Company and take all steps as might in his/her opinion be desirable, necessary or expedient in relation to the allotment and issuance of the Consideration Shares as well as all the transactions contemplated under the Acquisition Agreement, including without limitation to the execution, amendment, supplementing, delivery, submission and implementation of any further documents or agreements.”

By Order of the Board

China State Construction International Holdings Limited

Zhou Yong

Chairman and Chief Executive Officer

Hong Kong, 18 November 2014

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A form of proxy for use at the meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorized to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Forms of proxy sent electronically or by any other data transmission process will not be accepted.
- (5) Where there are joint registered holders of any shares, any one of such joint registered 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 registered holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from Monday, 15 December 2014 to Tuesday, 16 December 2014 both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 12 December 2014.