
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF,
AND SHAREHOLDER'S LOAN TO, THE TARGET**

**(II) CONNECTED TRANSACTION:
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON**

AND

(III) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 37 of this circular.

A notice convening the EGM to be held on Friday, 17 June 2016 at 11:00 a.m. at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong is set out on pages 48 to 50 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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 practicable and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

30 May 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	21
APPENDIX I — PROPERTY VALUATION REPORT	38
APPENDIX II — GENERAL INFORMATION	44
NOTICE OF EXTRAORDINARY GENERAL MEETING	48

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 11 May 2016 entered into between the Purchaser, the Vendor, the Company (as Purchaser’s guarantor), COLI (as Vendor’s guarantor) in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Completion Date”	the 5th Business Day immediately following the day on which all the conditions as set out in the section headed “The Acquisition — Conditions” in the letter from the Board have been satisfied and/or waived or such other date as the Vendor and the Purchaser may agree in writing on which the Acquisition Completion takes place
“Acquisition Consideration”	the aggregate consideration payable by the Purchaser for the Sale Share and the Sale Loan under the Acquisition Agreement (as adjusted in accordance with the terms and conditions of the Acquisition Agreement)
“Advocate Properties”	Advocate Properties Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (or days) (other than Saturday or Sunday) on which banks in Hong Kong are open to conduct business generally
“BVI”	British Virgin Islands
“COLI”	China Overseas Land & Investment Limited, 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), being the Vendor’s guarantor under the Acquisition Agreement
“COLI Group”	COLI and its subsidiaries (including the Target Group) from time to time

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)
“Completion Accounts”	the unaudited consolidated accounts of the Target Group as at the Acquisition Completion Date prepared and as agreed or determined by the Purchaser and the Vendor in accordance with the terms of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSCEC”	China State Construction Engineering Corporation, a state-owned corporation established and organised and existing under the laws of the PRC, being the ultimate holding company of the Company
“CSCECL”	China State Construction Engineering Corporation Limited, a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668)
“Deferred Payment”	has the meaning ascribed to it under the section headed “The Acquisition — Payment of Acquisition Consideration” in the letter from the Board
“Deposit”	has the meaning ascribed to it under the section headed “The Acquisition — Payment of Acquisition Consideration” in the letter from the Board
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company convened to be held for the Independent Shareholders to consider and, if thought fit, approve, the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate)
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the Independent Shareholders in respect of the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, a wholly-owned subsidiary of Investec Bank PLC, and a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate)
“Initial Consideration”	has the meaning ascribed to it under the section headed “The Acquisition — Consideration” in the letter from the Board
“Knight Frank”	Knight Frank Petty Limited, a firm of qualified valuer, and an independent third party
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	25 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Long Stop Date”	23 June 2016 or such later date as may be respectively agreed between the relevant parties to the Acquisition Agreement and the Subscription Agreement
“On Success”	On Success Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target
“PRC”	People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Property”	2,519 equal undivided 2,557th parts or shares of and in all that piece or parcel of ground registered in the Land Registry as Inland Lot No. 8780 and of and in the building and other structures erected on the land now known as China Overseas Building at No. 139 Hennessy Road and No. 138 Lockhart Road, Hong Kong together with the sole and exclusive right and privilege to hold use occupy and enjoy the whole of the building (including (i) the non-industrial development (excluding the common areas) and reserved shares and (ii) the common areas, but excluding the station entrance) (the non-industrial development, the common areas, the station entrance and the reserved shares are all respectively defined in the deed of mutual covenant and management agreement registered in the Land Registry by Memorial No. UB8360908)
“Proposed Transactions”	collectively, the Acquisition and the Subscription
“Purchaser”	Total Joy Global Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	such amount equals to the face value of the entire sum of shareholder’s loan owing by the Target to the Vendor as at the Acquisition Completion Date
“Sale Share”	1 ordinary share of US\$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate proposed to be sought from the Independent Shareholders at the EGM for the allotment and issue of an aggregate of 431,824,639 Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which is interested, directly and indirectly, in approximately 57.59% and 61.18% of the issued share capital of the Company and COLI respectively, being the subscriber under the Subscription Agreement

DEFINITIONS

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 11 May 2016 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Completion Date”	the 5th Business Day immediately following the day on which all the conditions as set out in the section headed “The Subscription — Conditions” in the letter from the Board have been satisfied or waived or such other date as the Company and the Subscriber may agree in writing and the Subscription Completion is to occur
“Subscription Price”	HK\$11.14 per Subscription Share
“Subscription Shares”	an aggregate of 431,824,639 new Shares to be subscribed by the Subscriber pursuant to the terms and conditions of the Subscription Agreement and each a “Subscription Share”
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target”	Precious Deluxe Global Limited, a company incorporated in the BVI with limited liability
“Target Group”	collectively, the Target and the Target Subsidiaries
“Target Group Net Liabilities”	the adjusted net liabilities of the Target Group, being the consolidated total assets of the Target Group (other than the value of the Property) less the consolidated total liabilities of the Target Group (other than the Sale Loan and deferred taxation) as shown in the unaudited consolidated management accounts of the Target Group as at 30 April 2016 or (as the case may be) as at the Acquisition Completion Date to be contained in the Completion Accounts
“Target Subsidiaries”	collectively, Advocate Properties and On Success
“Vendor”	Great Rises Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of COLI
“%”	per cent.
“sq. ft.”	square feet

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

Independent Non-executive Directors:

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

Registered office:

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

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

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

30 May 2016

To the Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF,
AND SHAREHOLDER'S LOAN TO, THE TARGET
AND
(II) CONNECTED TRANSACTION:
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON**

INTRODUCTION

Reference is made to the announcement of the Company dated 11 May 2016 in relation to the Acquisition and the Subscription. The Board announced that on 11 May 2016 (after trading hours):

- (a) the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Company (as guarantor of the Purchaser) and COLI (as guarantor of the Vendor) entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target, and the Sale Loan, at the Initial Consideration of HK\$4,810,526,473 (subject to adjustment); and

LETTER FROM THE BOARD

- (b) the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscriber, 431,824,639 Subscription Shares at the Subscription Price of HK\$11.14 per Subscription Share.

The purpose of this circular is to provide you with, among other things, (i) the particulars of the Acquisition Agreement and the Subscription Agreement; (ii) the letter from the Independent Board Committee with its view on the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandate) after having considered the advice of the Independent Financial Adviser in relation thereto; (iii) the letter from the Independent Financial Adviser with its advice to the Independent Board Committee and the Independent Shareholders; (iv) details of valuation on the Property; and (v) notice of the EGM to be convened to consider and, if thought fit, approve the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate).

THE ACQUISITION

Set out below are the principal terms of the Acquisition Agreement:

Date

11 May 2016 (after trading hours)

Parties

- (i) the Purchaser (an indirect wholly-owned subsidiary of the Company), as the purchaser;
- (ii) the Vendor (an indirect wholly-owned subsidiary of COLI), as the vendor;
- (iii) the Company (as the guarantor of the Purchaser); and
- (iv) COLI (as the guarantor of the Vendor).

The Vendor is a limited liability company incorporated in the BVI and is an investment holding company. COLI, being an indirect holding company of the Vendor, is a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange.

The Company and COLI were respectively joined as a party to the Acquisition Agreement to guarantee the performance and observance by the Purchaser and by the Vendor of all of their respective obligations and undertakings under the Acquisition Agreement.

Assets to be acquired

The Sale Share, representing the entire issued share capital of the Target, and the Sale Loan, free from all encumbrances together with all rights attached thereto, including the right to receive all dividends and other distributions declared, made or paid, on or after the Acquisition Completion Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Property is the only major asset of the Target Group.

Consideration

The Acquisition Consideration shall be an amount equal to HK\$4,810,526,473 (“**Initial Consideration**”), subject to adjustment as set out in sub-paragraph (c) of the section headed “The Acquisition — Payment of Acquisition Consideration” below. The Initial Consideration is (i) HK\$4,835,000,000, the value of the Property agreed between the Vendor and the Purchaser, each having considered the valuation by its own agent, minus (ii) HK\$24,473,527, being the amount of the Target Group Net Liabilities as set out in the unaudited consolidated management accounts of the Target Group as at 30 April 2016 (“**Estimated Target Group Net Liabilities**”).

The Acquisition Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and taking into account factors including mainly, the Estimated Target Group Net Liabilities, the amount of Sale Loan of HK\$960,078,755 as at 30 April 2016 and the market valuation of the Property as appraised by Knight Frank, the independent property valuer of the Company.

Payment of Acquisition Consideration

The Acquisition Consideration shall be paid in cash in the following manner:

- (a) within 5 Business Days following the date of the Acquisition Agreement, the Purchaser shall pay to the Vendor an amount of HK\$240,526,324 (“**Deposit**”), being 5% of the Initial Consideration;
- (b) at the Acquisition Completion, the Purchaser shall pay to the Vendor an amount of HK\$2,164,736,913, being 45% of the Initial Consideration;
- (c) within 5 Business Days after agreement or determination of the Completion Accounts:
 - (i) if the Target Group Net Liabilities determined according to the Completion Accounts is less than the Estimated Target Group Net Liabilities, the Purchaser shall pay to the Vendor the amount of such difference; or
 - (ii) if the Target Group Net Liabilities determined according to the Completion Accounts is more than the Estimated Target Group Net Liabilities, the Vendor shall pay to the Purchaser the amount of such difference; and
- (d) within 3 calendar months following the Acquisition Completion Date, the Purchaser shall pay to the Vendor an amount of HK\$2,405,263,236 (“**Deferred Payment**”), being 50% of the Initial Consideration.

LETTER FROM THE BOARD

The Deferred Payment is subject to the following terms:

- (i) if the Purchaser pays the Deferred Payment to the Vendor within 1 calendar month following the Acquisition Completion Date, no interest shall accrue on the Deferred Payment;
- (ii) if the Purchaser pays the Deferred Payment to the Vendor after 1 calendar month but within 3 calendar months following the Acquisition Completion Date, the Purchaser shall pay interest at the rate of 3.4% per annum on the Deferred Payment from the Acquisition Completion Date until the actual date of payment; and
- (iii) if the Purchaser does not pay the Deferred Payment to the Vendor within 3 calendar months following the Acquisition Completion Date (or if any party fails to pay any sum due and payable by it under the Acquisition Agreement on the due date of payment), the defaulting party shall pay interest at the rate of 3% per annum above the prime rate of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong Dollars on the outstanding sum from the due date of payment until the actual date of payment.

COLI is authorised by the Vendor to accept payment of any part of the Acquisition Consideration for and on behalf of the Vendor.

Conditions

Completion of the Acquisition is conditional on the satisfaction and/or waiver of the following conditions on or before the Long Stop Date:

- (a) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated therein at the EGM as required by and in accordance with the Listing Rules;
- (b) the conditions precedent under the Subscription Agreement having been satisfied and/or waived (as the case may be) (save for the condition requiring the Acquisition Agreement to become unconditional); and
- (c) the warranties given by the Vendor and COLI pursuant to the Acquisition Agreement remaining true and accurate in all material respects and not misleading in any material respect before and on the date on which Acquisition Completion would otherwise have taken place if it were not for this condition.

The Purchaser may, as the Acquisition proceeds, in its absolute discretion at any time waive in writing the above condition (c) after taking into account the best interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no intention to waive the above condition (c) and none of the above conditions has been satisfied and/or waived.

LETTER FROM THE BOARD

Acquisition Completion

Subject to the simultaneous completion of the Subscription Agreement, the Acquisition Completion shall take place on the Acquisition Completion Date.

Upon the Acquisition Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Termination and refund of Deposit

If the Acquisition Agreement is terminated in accordance with its terms, all rights and obligations of the parties thereto will cease immediately upon termination, except that:

- (a) (i) if the Acquisition Agreement is terminated as a result of any conditions set out in the section headed “The Acquisition — Conditions” not having been satisfied and/or waived on or before the Long Stop Date in which case the Acquisition Agreement will terminate automatically, or (ii) if the Purchaser elects to terminate the Acquisition Agreement when the Vendor is unable or unwilling to comply with its relevant obligations under the Acquisition Agreement to proceed to Acquisition Completion, then the Deposit paid by the Purchaser shall be returned to the Purchaser within 5 Business Days from the date of such termination without any interest or cost;
- (b) if the Vendor elects to terminate the Acquisition Agreement when the Purchaser is unable or unwilling to comply with its relevant obligations under the Acquisition Agreement to proceed to Acquisition Completion, then the Deposit shall be forfeited to the Vendor as liquidated damages on the date of termination; and
- (c) termination of the Acquisition Agreement shall not affect or prejudice the then accrued rights and obligations of the parties to the Acquisition Agreement (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by any party to the Acquisition Agreement).

THE SUBSCRIPTION

Set out below are the principal terms of the Subscription Agreement:

Date

11 May 2016 (after trading hours)

Parties

- (i) the Company; and
- (ii) the Subscriber.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Subscriber is a company incorporated in Hong Kong with limited liability, which is interested, directly and indirectly, in approximately 57.59% of the issued share capital of the Company, and the Subscriber is a wholly-owned subsidiary of CSCECL which is, in turn, a subsidiary of CSCEC.

Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue to the Subscriber, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price free from all encumbrances and together with all rights and benefits attached to such Subscription Shares as at the Subscription Completion Date, subject to the terms and conditions of the Subscription Agreement.

The 431,824,639 Subscription Shares (of an aggregate nominal value of approximately HK\$10,795,616) to be allotted and issued under the Subscription represent (i) approximately 10.65% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The consideration for the Subscription is HK\$4,810,526,478.46 (representing HK\$11.14 per Subscription Share), which will be settled by cash by the Subscriber at the Subscription Completion. The Subscription Price represents:

- (i) a discount of approximately 2.11% to the closing price of HK\$11.38 per Share as quoted on the Stock Exchange as at 11 May 2016, being the date of the Subscription Agreement;
- (ii) a premium of approximately 13.56% over the closing price of HK\$9.81 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iii) a premium of approximately 112.60% over the audited consolidated net asset value of the Company per Share attributable to owners of the Company of approximately HK\$5.24 as at 31 December 2015.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to, among other matters, the prevailing market prices of the Shares. The Directors (including the independent non-executive Directors whose views have been set out in this circular after considering the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

The Subscription Completion is conditional upon:

- (a) the Independent Shareholders having approved the Subscription Agreement and the transactions contemplated thereunder or in connection therewith, including the issue and allotment of the Subscription Shares, at the EGM (or any adjournment thereof) as required by and in accordance with the Listing Rules;

LETTER FROM THE BOARD

- (b) the approval for the listing of, and permission to deal in, all the Subscription Shares on the Main Board of the Stock Exchange having been granted by the Listing Committee of the Stock Exchange;
- (c) the conditions precedent under the Acquisition Agreement having been satisfied or waived (as the case may be) (save for the condition requiring the Subscription Agreement to become unconditional);
- (d) any consents, approvals and compliance with such other conditions as may be required under the Listing Rules and/or by the Stock Exchange having been obtained;
- (e) the continued listing and trading of the Shares on the Stock Exchange, save for any temporary suspension of not exceeding 10 consecutive trading days (or such longer period as the Subscriber may reasonably accept in writing); and no notice having been received from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will be withdrawn as a result of the Subscription Completion;
- (f) if so required, the consents, licences, authorisations, waivers, orders, grants, confirmations, permissions, exemptions, registrations, filings and other approvals necessary in connection with the implementation of the Subscription Agreement having been obtained from appropriate governments, courts, other regulatory bodies, banks, financial institutions or other third parties and not having been revoked prior to the Subscription Completion;
- (g) the representations, warranties and undertakings given by the Company pursuant to the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect on the date of the Subscription Agreement and at the Subscription Completion as if repeated at the Subscription Completion; and
- (h) the representations, warranties and undertakings given by the Subscriber pursuant to the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect on the date of the Subscription Agreement and at the Subscription Completion as if repeated at the Subscription Completion.

The Subscriber may in its absolute discretion at any time waive in writing any of the above conditions (e) and (g) (or any part thereof). The Company may in its absolute discretion at any time waive in writing the above condition (h) (or any part thereof). The Subscriber or (as the case may be) the Company will, as the Subscription proceeds, exercise its right of waiver according to the then circumstances and in the case of the Company, after taking into account the best interest of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no intention to waive the aforesaid condition (h) and the Subscriber has informed the Company that it has no intention to waive the aforesaid conditions (e) and (g). If the above conditions are not fulfilled in all respects or waived by the Subscriber or the Company on or before the Long Stop Date, the Subscription Agreement shall terminate immediately and be of no further effect and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof.

As at the Latest Practicable Date, none of the above conditions has been satisfied and/or waived.

LETTER FROM THE BOARD

Subscription Completion

Subject to the simultaneous completion of the Acquisition Agreement, the Subscription Completion shall take place on the Subscription Completion Date.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the Subscription Completion Date.

Application for listing

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Specific Mandate

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not carried out any fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon Subscription Completion is set out as below:

Shareholders	As at the Latest Practicable Date		Immediately after Subscription Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
The Subscriber and its associate	2,336,091,659 ^(Note 1)	57.59	2,767,916,298	61.67
Directors	13,541,496	0.33	13,541,496	0.30
Public Shareholders	1,706,681,467	42.08	1,706,681,467	38.03
	<u>4,056,314,622</u>	<u>100.00</u>	<u>4,488,139,261</u>	<u>100.00</u>

Notes:

- (1) Amongst such number of shares, 2,239,953,308 Shares were held as beneficial owner by the Subscriber and 96,138,351 Shares were held by a wholly-owned subsidiary of the Subscriber as at the Latest Practicable Date.

LETTER FROM THE BOARD

- (2) Figures are calculated on the assumption that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Date.

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

The Target is a company incorporated in the BVI with limited liability and its principal business activity is investment holding. The principal business activity of Advocate Properties is investment holding while the principal business activity of On Success is property investment. As at the Latest Practicable Date, the Target, through Advocate Properties, indirectly owns the entire issued share capital of On Success, which in turn owns the Property.

The Property is situated in the Wanchai district in Hong Kong. The Property comprises the entire building known as China Overseas Building with a total gross floor area of approximately 217,754 sq. ft. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Target does not have any business other than the holding of the entire issued share capital of Advocate Properties (which is in turn the immediate holding company of On Success), which, apart from holding the Property through On Success, does not have any other business.

The market value of the Property as at 30 April 2016 appraised by the Company's independent property valuer is HK\$5,020 million.

The unaudited consolidated net assets of the Target Group as at 30 April 2016 was approximately HK\$2,370 million.

The net profits (before and after taxation) of the Target for the two financial years immediately preceding the Acquisition are unavailable as the Target was incorporated on 16 November 2015. Set out below is a summary of certain unaudited consolidated financial information of Advocate Properties for the two years ended 31 December 2015:

	For the years ended	
	31 December	
	2014	2015
	<i>HK\$' million</i>	<i>HK\$' million</i>
Net profit before taxation and extraordinary items	83	440
Net profit after taxation and extraordinary items	75	436

The substantial increase in consolidated net profit of Advocate Properties before and after taxation and extraordinary items for the year ended 31 December 2015 as compared to the corresponding period of 2014 was mainly attributable to the increase in gain arising from change in fair value of the Property.

LETTER FROM THE BOARD

The original acquisition cost of Advocate Properties (which, through On Success, holds the land at which the Property is located) to the COLI Group in 1989 was approximately HK\$115 million.

The Acquisition Agreement does not provide for any profit guarantee arrangement, or any option or similar right under which the Purchaser and/or the Group would be entitled to sell the Sale Share back to the Vendor.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The Property will be sold to the Purchaser subject to, and with the benefit of, existing tenancies of the Property. After the Acquisition Completion, the Group will enjoy rental income from the Property which will have a positive effect on the earnings of the Company. Upon completion of the Proposed Transactions, the total consolidated assets of the Company is expected to increase by approximately HK\$3,950 million and there will not be any material impact on the consolidated liabilities of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS AND USE OF PROCEEDS

The COLI Group is principally engaged in property development and investment and other operations. The Group is principally engaged in building construction, civil engineering works, infrastructure investments and project consultancy businesses. The Subscriber and its subsidiaries (excluding the COLI Group, the Group and other listed subsidiaries) are principally engaged in investments holding and property development.

Located in one of the prime commercial districts in Hong Kong, the Property is a Grade A office building where the head office and principal place of business of the Group in Hong Kong are currently located. The Directors believe that the Acquisition will enable the Company to enhance the development of the business of the Group, strengthen its brand name and give a positive corporate image to the Shareholders, customers and other stakeholders of the Group by owning the entire building where the headquarter of the Company is located. The Directors also believe that the Group is able to benefit from the stable investment income and the further value appreciation of the Property.

In an attempt to strengthen the capital base and net gearing ratio of the Group, the Directors have considered, and compared the feasibilities of, possible financing methods (including bank borrowing, open offer, rights issue and the Subscription). After due enquiries and consideration, the Directors concluded that the Subscription is the most cost-effective and beneficial way for the Group to raise additional fund and increase the financial capacity for the development of its infrastructure investment business in the PRC as compared with other alternative means of financing given the facts that (i) bank borrowing would result in the Company being subject to additional interest expenses, further increase the gearing ratio and likely require the Group to provide collateral or pledge of assets; and (ii) fund raising by ways of open offer or rights issue would require lengthy discussion with potential commercial underwriters and inevitably incur commission. Moreover, the Subscription reflects the Subscriber's strong support of and confidence in the future business development of the Group.

LETTER FROM THE BOARD

Upon completion of the Subscription, the aggregate gross proceeds from the Subscription will be HK\$4,810,526,478.46 and the aggregate net proceeds from the Subscription (after deducting related expenses of approximately HK\$600,000 in connection with the Subscription which will be borne by the Company) are estimated to be approximately HK\$4,809,926,478, representing a net issue price of approximately HK\$11.139 per Subscription Share. The entire amount of the net proceeds from the Subscription is intended to be used by the Group for general corporate purposes (including financing the Acquisition and its infrastructure projects in the PRC).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is a shareholder of each of the Company and COLI interested in approximately 57.59% and 61.18% of the issued share capital of the Company and COLI respectively. Accordingly, both of the Subscriber (by virtue of it being the controlling shareholder of the Company) and COLI (by virtue of it being an associate of the Subscriber) are connected persons of the Company under Chapter 14A of the Listing Rules.

As regards the Acquisition, as the highest applicable ratio under Rule 14.07 of the Listing Rules is more than 5% but less than 25% and the total consideration for the Acquisition is more than HK\$10,000,000, the Acquisition constitutes (i) a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As regards the Subscription, as the highest applicable ratio under Rule 14.07 of the Listing Rules is more than 5% but less than 25% and the total consideration for the Subscription is more than HK\$10,000,000, the Subscription constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

Set out on pages 48 to 50 of this circular is a notice convening the EGM to be held on Friday, 17 June 2016 at 11:00 a.m. at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement, the Subscription Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandate).

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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 practicable and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Thursday, 16 June 2016 to Friday, 17 June 2016, both days inclusive, during which period no transfer of shares will be registered, for determining Shareholders' right to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 June 2016.

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 resolutions to be proposed at the EGM in accordance with the articles of association of the Company. In view of the Subscriber's material interest in the Proposed Transactions, the Subscriber, being the controlling shareholder of the Company, and its associate(s) will abstain from voting on the resolutions relating to the Proposed Transactions at the EGM. As at the Latest Practicable Date, the Subscriber and its associate, in aggregate holding 2,336,091,659 Shares, representing approximately 57.59% of the issued share capital of the Company, will abstain from voting at the EGM. None of the Directors has a material interest in the Acquisition or the Subscription and thus no Director is required to abstain from voting on the board resolutions approving the Acquisition and the Subscription. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate). Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from the Independent Financial Adviser as set out on pages 19 to 20 and pages 21 to 37 respectively of this circular.

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

The Directors (including the independent non-executive Directors whose views have been set out in this circular after considering the advice of the Independent Financial Adviser) consider that the Proposed Transactions (including the grant of the Specific Mandate), though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the Acquisition Agreement are on normal commercial terms and fair and reasonable. The Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement, the

LETTER FROM THE BOARD

Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate). You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully

By Order of the Board

China State Construction International Holdings Limited

Zhou Yong

Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 May 2016

To the Independent Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF,
AND SHAREHOLDER'S LOAN TO, THE TARGET
AND
(II) CONNECTED TRANSACTION:
PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON**

We refer to the circular of the Company dated 30 May 2016 (“Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate). Investec Capital Asia Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 6 to 18 of the Circular which contains, among other things, information in connection with the Acquisition Agreement and the Subscription Agreement, as well as the letter from the Independent Financial Adviser set out on pages 21 to 37 of the Circular which contains its advice and recommendation in the same respect.

Having taken into account the advice and recommendation of the Independent Financial Adviser and the principal factors and reasons considered by the Independent Financial Adviser, we consider that the Proposed Transactions (including the grant of the Specific Mandate), though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully
For and on behalf of

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

Raymond Ho Chung Tai
Independent Non-executive Director

Raymond Leung Hai Ming
Independent Non-executive Director

Adrian David Li Man Kiu
Independent Non-executive Director

Lee Shing See
Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from Investec setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder for inclusion in this circular.



Investec Capital Asia Ltd
Room 3609, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

30 May 2016

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

Dear Sirs,

(I) DISCLOSEABLE AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND SHAREHOLDER'S LOAN TO, THE TARGET

AND

(II) CONNECTED TRANSACTION: PROPOSED ISSUE OF NEW SHARES TO A CONNECTED PERSON

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transactions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 30 May 2016 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 11 May 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor, the Company and COLI entered into the Acquisition Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target, together with the Sale Loan, at the Initial Consideration of HK\$4,810,526,473 (subject to adjustment).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the same date, the Company and the Subscriber have entered into a Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscriber, 431,824,639 Subscription Shares at the Subscription Price of HK\$11.14 per Subscription Share.

As at the date of the Acquisition Agreement and the Subscription Agreement, the Subscriber is a shareholder of each of the Company and COLI interested in approximately 57.59% and approximately 61.18% of the issued share capital of the Company and COLI, respectively. Accordingly, both of the Subscriber (by virtue of it being the controlling shareholder of the Company) and COLI (by virtue of it being an associate of the Subscriber) are connected persons of the Company under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25% for the Company and the total consideration for the Acquisition is more than HK\$10,000,000, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a non-exempted connected transaction of the Company under Chapter 14A of the Listing Rules. On this basis, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Moreover, as the highest applicable ratio under Rule 14.07 of the Listing Rules in respect of the Subscription is more than 5% but less than 25% and the total consideration for the Subscription is more than HK\$10,000,000, the Subscription constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the Subscriber's material interest in the Proposed Transactions, the Subscriber, being the controlling shareholder of the Company, and its associate(s) will abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, the Subscriber and one of its associates held an aggregate of 2,336,091,659 Shares. To the best of the Directors' knowledge, information and belief, except for the aforesaid persons, no other shareholder of the Company is required to abstain from voting on the resolutions to approve the Proposed Transactions at the EGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of (i) six executive Directors, namely Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew and Mr. Wu Mingqing; and (ii) four 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.

The Independent Board Committee 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, has been established to advise the Independent Shareholders in respect of the Proposed Transactions and whether the Proposed Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Proposed Transactions for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions. Save for our appointment as the Independent Financial Adviser, we did not act as an independent financial advisor to the Group in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto 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. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, COLI, the Target and their respective shareholders and subsidiaries or affiliates or the prospects of the markets in which they respectively operate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information

1.1 Information on the Group

The principal activities of the Group are construction and related activities as well as infrastructure investment projects and operation. Revenue of the Group represents revenue arising from construction contracts, facade contracting business, infrastructure investment projects, infrastructure operation, project consultancy services, sales of building materials, machinery leasing, logistics services and insurance contracts. Set out below is the revenue of the Group for the two years ended 31 December 2015 extracted from the annual report of the Company for the year ended 31 December 2015 (the “2015 Annual Report”).

	For the year ended 31 December	
	2015	2014
	HK\$'million	
Revenue from construction contracts	21,676.3	17,506.7
Revenue from infrastructure investment projects (<i>Note 1</i>)	13,008.0	14,097.9
Revenue from facade constructing business	1,784.4	1,382.0
Revenue from infrastructure operation (<i>Note 2</i>)	946.0	922.0
Others (<i>Note 3</i>)	498.5	531.0
Total revenue	<u>37,913.2</u>	<u>34,439.6</u>

Notes:

- (1) Revenue from infrastructure investment projects comprised of revenue generated from the provision of construction services under Build-Transfer model and the corresponding interest income.
- (2) Revenue from infrastructure operation comprised of revenue from thermoelectricity business and toll road operation.
- (3) Revenue from others mainly comprised of revenue from project consultancy services, sales of building materials, machinery leasing, logistics services and insurance contracts.

Total revenue of the Group increased from approximately HK\$34,439.6 million for the year ended 31 December 2014 to approximately HK\$37,913.2 million for the year ended 31 December 2015, representing an increase of approximately 10.1%. Such increase was mainly attributable to the increase in revenue from construction contracts of approximately HK\$4,169.6 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the breakdowns of revenue of the Group by geography and the segment results of the Group for the two years ended 31 December 2015 extracted from the 2015 Annual Report.

	Segment revenue		Segment results	
	For the year ended		For the year ended	
	31 December		31 December	
	2015	2014	2015	2014
	<i>HK\$'million</i>			
Hong Kong	16,183.6	15,284.8	833.4	899.0
Mainland China	14,631.0	15,516.9	3,528.4	3,305.6
Macau	5,314.2	2,255.9	730.8	328.3
Overseas	—	—	(28.4)	(53.6)
FEG Group	1,784.4	1,382.0	19.0	(115.0)
Total revenue	37,913.2	34,439.6	5,083.2	4,364.3

As set out in the table above, revenue generated in Hong Kong accounted for approximately 44.4% and 42.7% of the total revenue of the Group for the years ended 31 December 2014 and 2015, respectively. Whereas, segment results for Hong Kong accounted for approximately 20.6% and 16.4% of the total segment result of the Group for the years ended 31 December 2014 and 2015, respectively.

Set out below is a summary of the Company's consolidated statements of financial position as extracted from the 2015 Annual Report:

	As at 31 December	
	2015	2014
	<i>HK\$'million</i>	
Total assets	70,064.5	66,579.1
Bank balances and cash	8,015.2	7,452.4
Total liabilities	48,817.5	46,581.4
Total borrowings	17,773.2	14,818.9
Total equity	21,247.0	19,997.7

As at 31 December 2015, the Group's total bank balances and cash amounted to approximately HK\$8,015.2 million, representing an increase of approximately 7.6% from approximately HK\$7,452.4 million as at 31 December 2014. As at 31 December 2015, the Group's total borrowings was approximately HK\$17,773.2 million, representing an increase of approximately 19.9% from approximately HK\$14,818.9 million as at 31 December 2014. As at 31 December 2015, the Group had net borrowings¹ of HK\$9,758.0 million, representing a net gearing ratio² of approximately 45.9%.

There was a slight increase in both net borrowings and net gearing ratio² from 31 December 2014, when the Group had approximately HK\$7,366.5 million of net borrowings, representing a net

¹ Net borrowings is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less bank balances and cash based on the 2015 Annual Report

² Net gearing ratio is net borrowings divided by total equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

gearing ratio of approximately 36.8%. We note from the 2015 Annual Report that the increase of the Group's net gearing ratio was primarily due to an increase in capital expenditures coupled with a decrease in translation reserve due to the depreciation of Renminbi.

1.2 *Information on the Target and the Property*

The Target is a company incorporated in the BVI with limited liability and is an investment holding company. As at the Latest Practicable Date, the Target, through Advocate Properties, indirectly owned the entire issued share capital of On Success, which in turn owned the Property.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the Target did not have any business other than the holding of the entire issued share capital of Advocate Properties (which was the holding company of On Success), which, apart from holding the Property, did not have any other business.

The Property is situated in the Wanchai district in Hong Kong. As per the independent property valuation report, the Property comprises the entire building known as China Overseas Building with a total gross floor area (excluding car parking spaces) of approximately 217,754 sq. ft.. The Property is a 30-storey commercial / office development (including ground floor and basement), erected atop of the Wan Chai MTR Station. The building was completed in 1991. The Management advised that the ground floor and 1st floor comprise retail shops, while the 4th to 12th floors and 15th to 30th floors are for non-industrial development use. The top five floors are currently being used by the Company as its offices.

The market value of the Property as at 30 April 2016 appraised by the Company's independent property valuer was approximately HK\$5,020.0 million.

The unaudited consolidated net assets of the Target Group as at 30 April 2016 was approximately HK\$2,370.0 million.

Set out below is a summary of certain unaudited consolidated financial information of Advocate Properties for the two years ended 31 December 2015:

	For the years ended	
	31 December	
	2014	2015
	<i>HK\$' million</i>	
Net profit before taxation and extraordinary items	83	440
Net profit after taxation and extraordinary items	75	436

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 *Overview of Hong Kong's prime office sector*

Based on the Hong Kong Property Review Monthly Supplement (May 2016) published by the Rating and Valuation Department, (i) rental indices of private offices (grade A) was at 235.6³ in March 2016 (2015 average was 230.9⁴); and (ii) price indices of private offices (grade A) was at 401.8³ in March 2016 (2015 average was 401.1⁴).

We also note from a publication on the outlook for Hong Kong office market published by an international commercial real estate services provider in March 2016 (the “**Market Report**”), that due to good cash income streams offered by Hong Kong office properties, en-bloc office purchases will prove resilient in 2016.

The Market Report notes that Hong Kong commercial properties, in particular office buildings, are less exposed to a slowdown in the PRC due to its currency peg to the US Dollar and the demand for en-bloc office purchases from large mainland companies. The Market Report expects demand for a limited supply of properties in prime location to remain in the future. Moreover, the Market Report notes that because en-bloc offices in prime locations in Hong Kong which are available for sale are limited, when a quality asset offering stable rental income becomes available, it typically attracts strong interest.

2. **Reasons for and benefits of the Acquisition and the Subscription**

The reasons for and benefits of the Acquisition and the Subscription, as advised by the Management, are mainly as follows:

2.1 *Asset rebalancing*

As set out in the 2015 Annual Report, approximately HK\$8.6 billion out of the HK\$9.9 billion of the non-current assets⁵ of the Group were situated in the PRC, representing approximately 86.9%. Given that the functional and reporting currency of the Group is in Hong Kong dollars, and that the offshore RMB to HKD exchange rate (as extracted from Bloomberg) has decreased from approximately RMB1 to HK\$1.25 as at 1 January 2015 to approximately RMB1 to HK\$1.18 as at 31 December 2015, it has adversely affected the comprehensive income of the Group. We note from the 2015 Annual Report that the exchange differences arising on translation of foreign operations totaled to a loss of approximately HK\$1,641.9 million, which was largely attributable to the devaluation of the RMB as advised by the Management.

³ provisional figures published by the Rating and Valuation Department

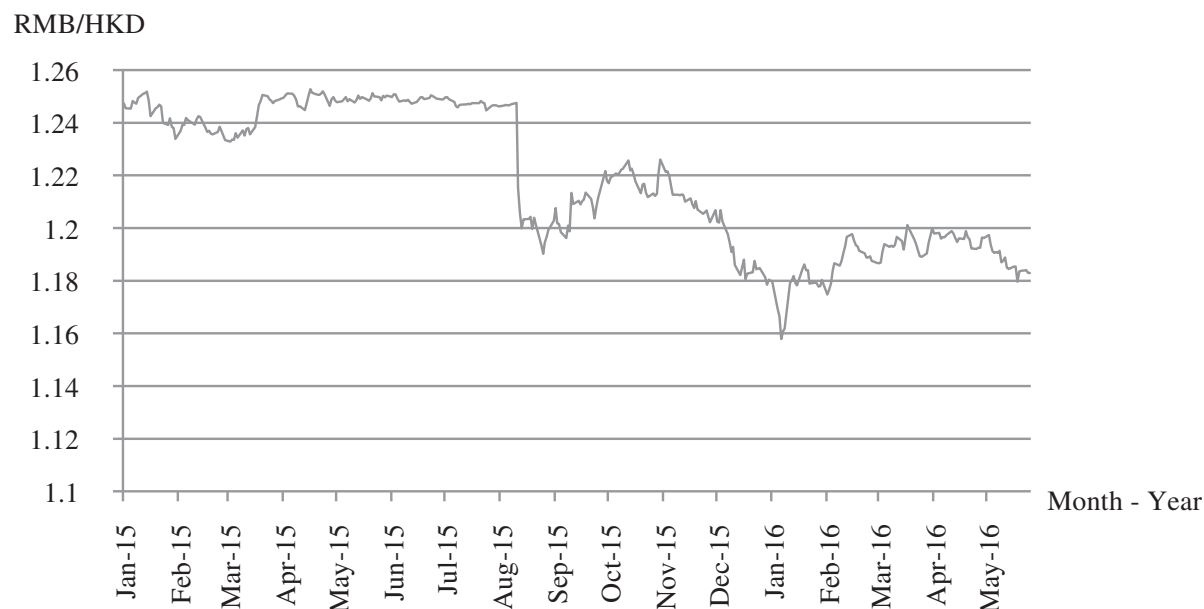
⁴ based on actual and provisional figures based by the Rating and Valuation Department

⁵ excluding financial instruments, available-for-sale investments, deferred tax assets and interests in joint ventures and associates based on the 2015 Annual Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chart 1 below sets out the daily exchange rate of offshore RMB to HKD between 1 January 2015 and the Latest Practicable Date, which fluctuated largely between approximately RMB1 to HK\$1.25 and RMB1 to HK\$1.16:

Chart 1: Daily exchange rate of offshore RMB to HKD



The Management is of the view that given the notable increase of the PRC's money supply in the past 12 months or so, and to maintain price competitiveness of the PRC's exports, the RMB may be subject to further pressure to devalue in the future. On this basis, the Management believes that increasing HKD denominated assets through the Acquisition would contribute towards the re-balancing of the overall weighting in RMB and HKD denominated assets held by the Group, thereby adjusting the Group's exposure to the RMB exchange rate fluctuations.

2.2 Reduction in net gearing through the Subscription

The Subscription will increase the cash balance of the Group by approximately HK\$4,809.9 million. The Management advised that such increase in cash balance shall lower the Group's net borrowings and net gearing ratio, thereby providing additional financial capacity to the Group for the development of its infrastructure business in the PRC.

In addition, upon Subscription Completion, the aggregate net proceeds from the Subscription (after deducting related expenses in connection with the Subscription) are estimated to be approximately HK\$4,809.9 million, representing a net issue price of approximately HK\$11.139 per Subscription Share. Notwithstanding the above, taking into account solely the effects of the Subscription, there will be enhancement to the Group's net asset value per Share and dilution effect to the Group's earnings per Share as the number of Shares in issue will increase as a result of the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Rare en-bloc purchase opportunity at a prime location at a discount to market valuation

Given Hong Kong's limitation of land supply, prime office space on Hong Kong Island has historically been sought after and en-bloc acquisition opportunities have been limited. The Acquisition represents a rare opportunity for the Company to acquire an existing block of office building at a prime business location with close proximity to a MTR station at a discount to the market valuation of the Property.

For details of the valuation of the Property please refer to the valuation report as set out in Appendix I to this Circular. As the Acquisition Consideration is below the valuation provided by the independent valuer and the Adjusted NAV (defined hereinafter), the Group is able to acquire a prime property in a sought after location at a discount to the market valuation. Management advised that prime office properties, such as the Property, should provide stable cash income streams and potential value appreciation in the long term.

2.4 Cashflow enhancement and broaden revenue base of the Group

As set out above in the section headed "1.2 Information on the Target and the Property", the Property is a 30-storey commercial / office development (including ground floor and basement), erected atop of the Wan Chai MTR Station. Five floors of offices are currently occupied by the Group. It is expected that the Group shall continue to utilise the office units in the Property as its office after the Acquisition Completion. Upon Acquisition Completion, the Property will immediately contribute positive cashflow as well as generate revenue to the Group.

While the Group will continue to focus on its construction and related businesses in Hong Kong and the PRC, which are inherently cyclical in nature, the rental income from the Property will be a more stable source of income to the Group and to diversify the market risks associated with the operation of the construction and related businesses.

2.5 Strengthening of the Group's brand name and image

As set out in the Letter from the Board, China Overseas Building is a Grade A office building where the head office and principal place of business of the Group in Hong Kong are currently located. The Acquisition will enable the Company to strengthen its brand name and corporate image and to enhance the development of the business of the Group.

3. The Acquisition Agreement

3.1 Principal terms of the Acquisition Agreement

Details of the terms of the Acquisition Agreement, including the parties to the Acquisition Agreement, the subject matters of the Proposed Transactions and the conditions thereof, are set out under the section headed "The Acquisition" in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *Acquisition Consideration*

The Acquisition Consideration shall be an amount equal to HK\$4,810,526,473 (subject to adjustment), being (i) HK\$4,835,000,000, the value of the Property agreed between the Vendor and the Purchaser, each having considered the valuation by its own agent; minus (ii) HK\$24,473,527, being the amount of the Target Group Net Liabilities as set out in the unaudited consolidated management accounts of the Target Group as at 30 April 2016 (“**Estimated Target Group Net Liabilities**”).

The Acquisition Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and taking into account factors including mainly, the Estimated Target Group Net Liabilities which primarily consisted of trade receivables and cash and cash equivalents less trade payables, other deposits and tax liabilities, the amount of Sale Loan as at 30 April 2016 and the market valuation of the Property as appraised by the independent property valuer of the Company.

3.3 *Evaluation of the Acquisition Consideration*

In assessing the merit of the Acquisition, we have primarily considered (i) the independent valuation of the Property, details of which are set out in Appendix I to the Circular; and (ii) the Adjusted NAV (defined hereinafter).

Set out below is our analysis on the Acquisition Consideration.

(i) *Valuation of the Property*

The Property has been valued by Knight Frank Petty Limited (the “**Valuer**”) as at 30 April 2016 at an appraised value of HK\$5,020.0 million. In assessing the Acquisition Consideration, we have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Property as set out in the independent valuation report as set out in Appendix I to the Circular. Moreover, we have discussed with the Valuer as to its expertise and independence and reviewed the terms of the engagement and assessed the appropriateness of the scope of the work carried out by the Valuer.

As set out in the valuation report, in arriving at the market value of the Property, the Valuer followed the HKIS Valuation Standards issued by The Hong Kong Institute of Surveyors and has taken into consideration, among others, title and encumbrances, area and age.

For the purpose of the valuation, the Valuer has adopted the sales comparison approach by making reference to sales evidence of recent comparable transactions available in the market. We understand from the Valuer that (i) the sales comparison approach is a commonly adopted approach for valuation of the subject property; and (ii) such approach is considered to be more appropriate than the costs approach which would rely on historical costs data, and the discounted cash flow approach which is subject to the accuracies of assumptions applied. We consider that the methodology used is generally in line with market practice which have taken into consideration recent transacted prices of properties in similar areas to the Property.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Comparison with adjusted net asset value of the Target (the “Adjusted NAV”)*

Pursuant to the Acquisition Agreement, the Company will acquire (i) the Sale Share, representing the entire issued share capital of Target; and (ii) the Sale Loan, at the Acquisition Consideration. The Acquisition Consideration represents a discount of approximately 3.7% to the Adjusted NAV.

Based on the information provided by the Management, the Adjusted NAV is approximately HK\$4,995.5 million, being the aggregate net asset value of the Target after adjustment for (i) the valuation of the Property as at 30 April 2016, using the sales comparison method, in the amount of HK\$5,020.0 million; minus (ii) the Estimated Target Group Net Liabilities (excluding the value of the Property, Sale Loan and deferred taxation) as at 30 April 2016 of approximately HK\$24.5 million.

Having considered that the Acquisition Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and taking into account (i) the independent valuation of the Property; and (ii) the Acquisition Consideration representing a discount to the Adjusted NAV, we are of the view that the Acquisition Consideration is fair and reasonable.

3.4 *Possible financial effects of the Acquisition*

Earnings

Upon Acquisition Completion, the Target will become a wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group after Acquisition Completion.

The unaudited consolidated net profit after taxation and extraordinary items of the Target Group was approximately HK\$436 million for the year ended 31 December 2015.

Net asset value

On the basis that the Target becomes a wholly-owned subsidiary of the Company upon Acquisition Completion, all assets and liabilities of the Target Group will be consolidated into that of the Group. Upon the Acquisition Completion, the investment property and the property, plants and equipment balances of the Group will increase while the cash balance will reduce by the amount utilised for the settlement of the Acquisition Consideration and related expenses.

Shareholders should note that the actual financial effect as a result of the Acquisition to be recorded by the Group is subject to audit and will depend on, among others, the net asset value of the Target Group as at the date of Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Subscription Agreement

Details of the terms of the Subscription Agreement, including the parties to the Subscription Agreement, are set out under paragraph headed “The Subscription” in the Letter from the Board.

Pursuant to the Subscription Agreement, the Company will allot and issue to COHL 431,824,639 Subscription Shares at the Subscription Price of HK\$11.14 each. The Subscription Price was arrived at after arm’s length negotiations between the parties to the Subscription Agreement after taking into account, among others, the prevailing market price of the Shares.

The Subscription Shares to be allotted and issued under the Subscription represent approximately 10.65% of the issued share capital of the Company as at the Latest Practicable Date and approximately 9.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment.

4.1 *Comparison of Subscription Price with prevailing Share price and net asset value of the Group*

The Subscription Price of HK\$11.14 per Subscription Share, which:

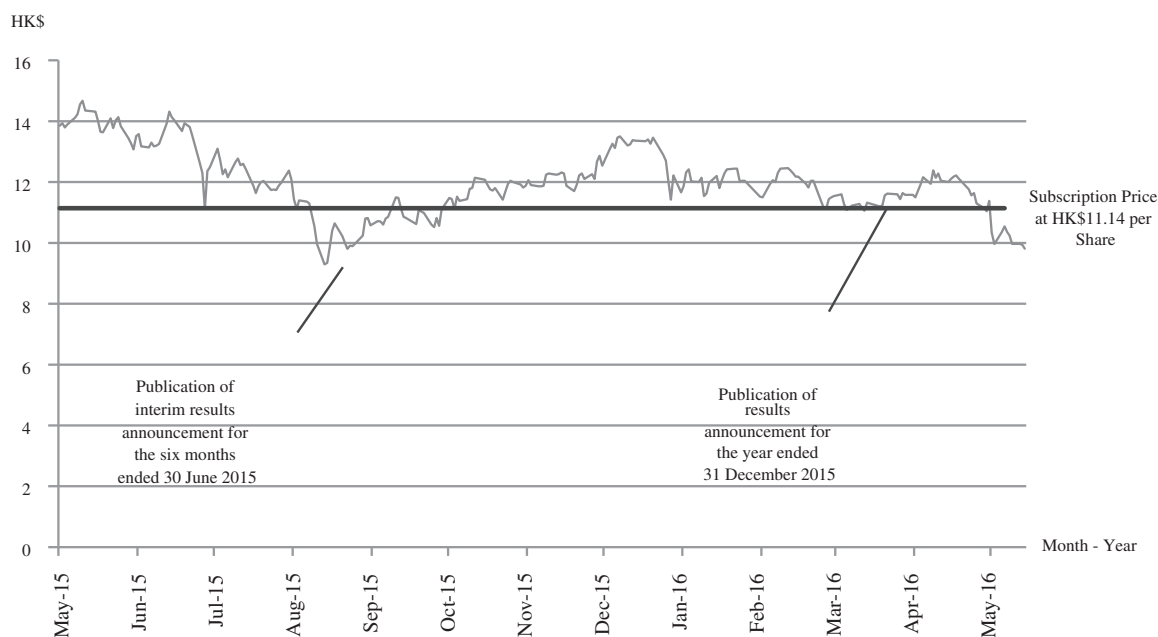
- (i) represents a discount of approximately 2.11% to the closing price of HK\$11.38 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 1.42% to the average closing price of HK\$11.30 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement;
- (iii) represents a premium of approximately 13.56% over the closing price of HK\$9.81 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) represents a premium of approximately 112.60% over the audited consolidated net assets value attributable to total equity of the Company per Share of approximately HK\$5.24 as at 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Review of historical Share prices

Chart 2 below sets out the daily closing price of the Shares as quoted on the Stock Exchange for the 12 month period prior to the date of the Subscription Agreement commencing 12 May 2015 up to and including the Latest Practicable Date (the “Share Price Review Period”):

Chart 2: Daily closing Share price



During the Share Price Review Period, the daily closing Share prices have been in the range of HK\$9.29 per Share to HK\$14.67 per Share. The average closing price of the Shares for the Share Price Review Period was approximately HK\$12.00 per Share, higher than the Subscription Price of HK\$11.14 per Share.

From 12 May 2015 to 24 August 2015, the closing Share price decreased gradually from a high closing price of HK\$14.67 on 21 May 2015 to a low of HK\$9.29 on 24 August 2015. The closing Share price then increased to HK\$13.50 on 18 December 2015. From 18 December 2015, the closing Share price has fluctuated and gradually decreased to a closing Share price of HK\$9.81 as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The average daily closing Share prices as quoted on the Stock Exchange during the Share Price Review Period are as follows:

Table 1: Average daily closing Share price

Month	Average daily closing price <i>HK\$</i>
2015	
12 — 31 May	14.08
June	13.64
July	12.42
August	11.02
September	10.66
October	11.40
November	11.97
December	12.91
2016	
January	12.08
February	12.12
March	11.41
April	11.91
1 — 11 May (<i>Note 1</i>)	11.40
12 — 25 May (<i>Note 2</i>)	10.15

Notes:

- (1) up to and including the date of the Subscription Agreement
- (2) up to and including the Latest Practicable Date

During the Share Price Review Period, the average daily closing price of the Shares as set out in Table 1 ranged from approximately HK\$10.66 (in September 2015) to HK\$14.08 (in May 2015) per Share. We also noted that the monthly average closing Share price decreased from approximately HK\$14.08 in May 2015 to approximately HK\$10.66 in September 2015 before increasing to approximately HK\$12.91 in December 2015 and decreasing to approximately HK\$11.91 in April 2016.

We further noted that the closing Share price as at the date of the Subscription Agreement was HK\$11.38, and the closing Share price as at the Latest Practicable Date was HK\$9.81.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.3 Comparison against net asset value per Share of the Group

In addition, we have considered the Subscription Price over the net asset value attributable to owners of the Company (the “NAV”). The Subscription Price of HK\$11.14 per Share represents a premium of approximately 112.6% over the NAV per Share of approximately HK\$5.24 based on the Group’s latest available audited net asset value attributable to total equity of the Company of approximately HK\$21,247.0 million as at 31 December 2015 and approximately 4,056.3 million Shares outstanding immediately prior to Subscription Completion.

4.4 Effect of the Subscription on the shareholding structure of the Company

As set out under the section headed “The Subscription” in the Letter from the Board, upon Subscription Completion the shareholding structure of the Company will be adjusted as follows:

Shareholders	As at the Latest Practicable Date		Immediately after Subscription Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Subscriber and its associate	2,336,091,659 <i>(Note 1)</i>	57.59	2,767,916,298	61.67
Directors	13,541,496	0.33	13,541,496	0.30
Public Shareholders	<u>1,706,681,467</u>	<u>42.08</u>	<u>1,706,681,467</u>	<u>38.03</u>
Total	<u>4,056,314,622</u>	<u>100.00</u>	<u>4,488,139,261</u>	<u>100.00</u>

Notes:

- (1) Amongst such number of shares, 2,239,953,308 Shares were held as beneficial owner by the Subscriber and 96,138,351 Shares were held by a wholly-owned subsidiary of the Subscriber as at the Latest Practicable Date.
- (2) Figures are calculated on the assumption that there is no change in the issued share capital of the Company from the Latest Practicable Date to the date of the Subscription Completion.

As indicated above, upon Subscription Completion public shareholders will be diluted from approximately 42.08% to approximately 38.03%. We consider that the potential benefits (as set out under the section headed “2. Reasons for and benefits of the Acquisition and the Subscription” above) outweigh the dilution effect to the public Shareholders.

4.5 Effect of the Subscription on the net asset value of the Company

Upon Subscription Completion, the cash balance of the Group will increase by approximately HK\$4,809.9 million, being the net proceeds from the Subscription. On this basis, the Group’s net asset value will increase by the same amount. Such increase will reduce the Group’s net gearing ratio and increase its financing flexibility.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the actual financial effect as a result of the Subscription to be recorded by the Group is subject to audit and will depend on, among others, the net proceeds of the Subscription upon Subscription Completion.

4.6 *Our view*

Having considered that (i) the Subscription Price represents a slight discount of approximately 2.1% to the closing Share price as of the date of the Subscription Agreement and a premium of approximately 13.6% over the closing Share price as at the Latest Practicable Date, respectively; (ii) the Subscription Price is no less favourable than the thresholds under the existing general mandate granted to the Directors by the Shareholders under Rule 13.36(2)(b) of the Listing Rules (i.e. not more than a discount of 20% to the benchmarked price of the securities as set out under Rule 13.36(5) of the Listing Rules); (iii) the Subscription provides a quicker fund raising alternative with comparatively lower transaction costs in comparison to a rights issue and open offer through the placement(s) of new Shares and/or convertible securities or convertible bonds without subjecting to the need to identify and engage an underwriter who would underwrite the rights issue/open offer at a reasonable fee; and (iv) the issuance of Subscription Shares will enlarge the capital base of the Company and reduce the overall net gearing of the Group, which shall in turn provide greater flexibility for the Group's financing going forward, we consider the Subscription Price to be fair and reasonable.

V. RECOMMENDATION

Having considered the principal factors and reasons as set out in our letter, in particular,

- (i) the Acquisition provides the Company with the opportunity to diversify its asset base and re-balance the overall weighting in RMB and HKD denominated assets held by the Group, thereby adjusting the Group's exposure to RMB exchange rate fluctuations;
- (ii) the Acquisition provides the Company with the opportunity to acquire an en-bloc property situated in the Wanchai District, being a prime location on Hong Kong Island, which is generating a stable rental income;
- (iii) the Acquisition Consideration is at a discount of approximately 3.7% to the Adjusted NAV;
- (iv) the analysis in relation to the Subscription Price as set out under the section headed "4. The Subscription Agreement"; and
- (v) the benefits of the Subscription as set out under the section headed "4.6 Our view",

we are of the opinion that the Proposed Transactions (including the grant of the Specific Mandate), though not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement and the Acquisition Agreement are on normal commercial terms and fair and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reasonable so far as the Independent Shareholders are concerned. Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Proposed Transactions (including the grant of the Specific Mandate) at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited

Lewis Lai
Director
Corporate Finance

Mr. Lewis Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Investec Capital Asia Limited. He has over nine years of experience in the corporate finance industry.

APPENDIX I — PROPERTY VALUATION REPORT

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank, an independent property valuer, in connection with its opinion of the value of the Property as at 30 April 2016.



4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

T +852 2840 1177
F +852 2840 0600
www.knightfrank.com

30 May 2016

The Directors
China State Construction International Holdings Limited
29th Floor, China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

Dear Sirs

The Non-Industrial Development (excluding Common Areas) and Reserved Shares and the Common Areas, but excluding the Station Entrance, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wan Chai, Hong Kong (the “Property”)

In accordance with the instructions to us to value the Property to be acquired by China State Construction International Holdings Limited (the “Company”), we confirm that we have carried out external inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 30 April 2016 (the “Valuation Date”) for the purpose of public disclosure in a connected transaction.

Basis of Valuation

In arriving at our opinion of the market value, we followed The HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors (HKIS). Under the said standards, Market Value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

APPENDIX I — PROPERTY VALUATION REPORT

The market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements set out in The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Valuation Methodology

We have valued the Property by “Sales Comparison Approach” by making reference to sales evidence as available in the market.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:

Title and Encumbrances

We have taken reasonable care to investigate the title of the Property by obtaining land search records from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the registered owner and have accepted advice given to us on such matters as planning approval or statutory notice, easement, tenure, occupancy, incomes, site area, floor areas, number of carparking spaces and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by you that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

APPENDIX I — PROPERTY VALUATION REPORT

Inspection

We inspected the exterior and portion of the interior of the Property on 27 April 2016. The inspection of the Property was undertaken by our Ms Catherine Cheung, MRICS MHKIS RPS(GP), Director of General Valuation Department, who has over 20 years' experience in the valuation of properties in Hong Kong. We have assumed in our valuation that the Property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the Valuation Date, unless otherwise stated.

Identity of Property to be valued

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the property address in your instructions, is the property contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the basis that the Property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

APPENDIX I — PROPERTY VALUATION REPORT

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property had been developed, constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

In valuing the Property, we have made reference to the relevant transactions and market conditions as at the Valuation Date. The value of the Property may be affected in volatile market conditions. Unless otherwise stated, we assumed that the Property is free from encumbrances, restrictions, incidents and outgoings of any onerous nature which could affect its value.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Thomas H M Lam FRICS MHKIS
MHKSI RPS(GP)

Senior Director, Head of Valuation & Consultancy

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Catherine Cheung MRICS MHKIS RPS(GP)
Director, General Valuation

Notes: Thomas H M Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific region (ex-Japan).

Catherine Cheung, MRICS MHKIS RPS(GP), has been a qualified valuer with Knight Frank since 1992 and has over 20 years' experience in the valuation of properties in Hong Kong.

APPENDIX I — PROPERTY VALUATION REPORT

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2016
<p>The Non-Industrial Development (excluding Common Areas) and Reserved Shares and the Common Areas, but excluding the Station Entrance, China Overseas Building, 139 Hennessy Road and 138 Lockhart Road, Wan Chai, Hong Kong</p> <p>2,519/2,557th parts or shares of and Inland Lot No 8780</p>	<p>China Overseas Building (the “Building”) is a 30-storey Grade A commercial / office development (including ground floor and basement), erected atop of the Wan Chai MTR Station. The Building was completed in 1991.</p> <p>The Building is situated in a well-established commercial / residential locality in Wan Chai. Being close to the Central Business District (“CBD”), this area is a popular choice for occupiers of various trades who seek to have relocation or expansion from the expensive CBD. At the end of 2015, there was about 9,845,000 sq ft (914,600 sq m) of Grade A office space in Wan Chai and Causeway Bay representing about 13% of the total Grade A office stock. The vacant space in the area was about 3.7% of the total stock in Wan Chai and Causeway Bay at the end of 2015.</p> <p>The Property comprises the Non-Industrial Development (excluding Common Areas) and Reserved Shares and the Common Areas but excluding the Station Entrance of China Overseas Building. The Non-Industrial Development of the Building consists of all those retail shops on ground floor and 1st Floor as well all those offices on 4th Floor to 12th Floor and 15th Floor to 30th Floor together with 4 lorry and 2 van parking spaces on Basement, 31 private vehicle parking spaces on 2nd Floor and 30 private vehicle parking spaces on 3rd Floor of the Building.</p> <p>The total gross area of the Property (excluding carparking spaces) is about 217,754 sq ft (20,229.84 sq m) as per information provided by the Company.</p> <p>Inland Lot No 8780 is held under Conditions of Exchange No UB12127 as modified by a Modification Letter vide memorial no UB5276854 for a term from 11 February 1991 until 30 June 2047 at an annual Government rent of 3% of the then rateable value of the lot.</p>	<p>As at the Valuation Date, with the exception of about 3,974 sq ft (369.19 sq m) which was vacant, the remaining of the Property was subject to various tenancies mostly for terms of 2 to 3 years with the latest one expiring in April 2019 at a total monthly rent of approximately HK\$9,443,000 exclusive of rates and management fees.</p> <p>Among the tenancies, Shop E on Ground Floor, Shop D on 1st Floor, 19th Floor and 26th Floor to 30th Floor with a total area of approximately 57,353 sq ft (5,328.22 sq m) were subject to 8 intra-group tenancies mostly for terms of 3 years with the latest expiry date in June 2018.</p> <p>As at the Valuation Date, the total monthly licence fee generated from the antennae was HK\$59,200 inclusive of rates.</p> <p>The total gross income generated from the hourly and monthly car parking spaces for the period from January 2015 to December 2015 was approximately HK\$2,145,000.</p>	<p>HK\$5,020,000,000 (Hong Kong Dollars Five Billion And Twenty Million)</p>

APPENDIX I — PROPERTY VALUATION REPORT

Notes:

- (1) The registered owner of the Property was On Success Development Limited, an indirectly wholly-owned subsidiary of China Overseas Land & Investment Limited as at the Valuation Date.
- (2) As at the Valuation Date, the Property was subject to the following encumbrances as per our land search obtained in the Land Registry:
 - i) Occupation Permit No H79/91 (MTR) vide memorial no UB4942884 dated 10 August 1991.
 - ii) Modification Letter vide memorial no UB5276854 dated 10 August 1991.
 - iii) Certificate of Compliance vide memorial no UB5336089 dated 25 May 1992.
 - iv) Deed of Mutual Covenant and Management Agreement with Plan vide memorial no UB8360908 dated 10 April 2001.
 - v) Various tenancies vide various memorial nos on various dates (not applicable to The Common Areas).
- (3) The Property lay within an area zoned for “Commercial” uses under Draft Wan Chai Outline Zoning Plan No S/H5/27 exhibited on 3 August 2012 as at the Valuation Date.
- (4) As at 1 February 2016, we had been instructed to value the same property on vacant possession basis and strata title basis for the Company’s internal reference and the market value assessed was HK\$5,122,000,000.

APPENDIX II — GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date:

- (i) Mr. Zhou Yong, Mr. Tian Shuchen, Mr. Zhou Hancheng, Mr. Pan Shujie, Mr. Hung Cheung Shew, Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See held 3,233,027, 3,300,000, 2,605,138, 167,471, 581,584, 913,569, 913,569, 913,569 and 913,569 Shares respectively. All these Shares were held by the aforesaid Directors in the capacity of beneficial owners;
- (ii) Mr. Hung Cheung Shew held 7,095 shares in China Overseas Land & Investment Limited (an associated corporation of the Company); 30,000 shares in Far East Global Group Limited (“FEG”, a non-wholly owned subsidiary of the Company); and 2,365 shares in China Overseas Property Holdings Limited (an associated corporation of the Company). All these shares were held by the aforesaid Director in the capacity of beneficial owner; and
- (iii) Mr. Pan Shujie held 400,000 shares in FEG. All these shares were held by the aforesaid Director in the capacity of beneficial owner.

(b) Substantial Shareholders

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

Name of Shareholder	Capacity	Number of Shares held	% of Shares in issue ^(Note 1)
COHL ^(Note 2)	Beneficial owner	2,336,091,659	57.59
CSCECL ^(Note 3)	Interest of a controlled corporation/beneficial owner	2,336,091,659	57.59
CSCEC ^(Note 4)	Interest of a controlled corporation/beneficial owner	2,336,091,659	57.59

APPENDIX II — GENERAL INFORMATION

Notes:

1. The percentage has been adjusted based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 4,056,314,622 Shares).
2. Amongst the total number of 2,336,091,659 Shares held by COHL, 2,239,953,308 Shares were held as beneficial owner while the balance of 96,138,351 Shares were interests of its controlled corporation.
3. COHL is a direct wholly-owned subsidiary of CSCECL, thus CSCECL is deemed by the SFO to be interested in 2,336,091,659 Shares directly and indirectly owned by COHL.
4. CSCECL is a subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 2,336,091,659 Shares indirectly owned by CSCECL.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company.

3. COMPETING INTERESTS

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

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

Save as disclosed in this section, as at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up.

5. SERVICE CONTRACTS

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

APPENDIX II — GENERAL INFORMATION

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the businesses of the Group;
- (ii) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2015 (the date to which the latest published audited accounts of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (iii) save as disclosed in the section headed “Competing Interests” above, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

7. QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
Investec	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Knight Frank	independent property valuer

Each of the letter of Investec and the property valuation report of Knight Frank is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, neither Investec nor Knight Frank had any interest, direct or indirect, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither Investec nor Knight Frank had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

APPENDIX II — GENERAL INFORMATION

Each of Investec and Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report respectively and references to its name in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Acquisition Agreement;
- (b) the Subscription Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Investec, the text of which is set out in this circular;
- (e) the property valuation report of Knight Frank, the text of which is set out in Appendix I to this circular;
- (f) the written consents referred to in the section headed “Qualification and Consent of Experts” of this appendix; and
- (g) this circular.

9. GENERAL

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of the shareholders of China State Construction International Holdings Limited (“**Company**”) will be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Friday, 17 June 2016 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) the Acquisition Agreement (a copy of the Acquisition Agreement 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 (terms as defined in the circular of the Company dated 30 May 2016 shall have the same meanings when used in this resolution); and
- (b) any one Director (or any two Directors if the affixing of the Common Seal is necessary) be and is hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Acquisition Agreement and the transactions contemplated thereunder and the implementation thereof, including, without limitation, the affixing of Common Seal thereon.”

2. “**THAT:**

- (a) the Subscription Agreement (a copy of the Subscription Agreement is tabled at the Meeting and marked “B” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder (including, without limitation, the allotment and issue of the Subscription Shares) and the implementation thereof be and are hereby approved, confirmed and ratified (terms as defined in the circular of the Company dated 30 May 2016 shall have the same meanings when used in this resolution);
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, the Directors be and are hereby granted a Specific Mandate to allot and issue the Subscription Shares in accordance with the terms of the Subscription

NOTICE OF EXTRAORDINARY GENERAL MEETING

Agreement and the articles of association of the Company, provided that this Specific Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (c) any one Director (or any two Directors if the affixing of the Common Seal is necessary) be and is hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Subscription Agreement and the transactions contemplated thereunder (including, without limitation, the allotment and issue of the Subscription Shares) and the implementation thereof, including, without limitation, the affixing of Common Seal thereon.”

By Order of the Board

China State Construction International Holdings Limited

Zhou Yong

Chairman and Chief Executive Officer

30 May 2016

Registered office:

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

Head office and principal place of business in Hong Kong:

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

Notes:

- (1) A form of proxy for use at the Meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (4) In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the Meeting from Thursday, 16 June 2016 to Friday, 17 June 2016, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the Meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 June 2016.