
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 stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China State Construction Development Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the EGM to be held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 8 June 2022 at 10:15 a.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 10:00 a.m. at the same place and date) is set out on pages 37 to 38 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To ensure the health and safety of EGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) compulsory body temperature screening/checks
- (2) completion of health declaration form
- (3) wearing of surgical face mask
- (4) limiting the number of EGM attendees to maintain appropriate distancing
- (5) no provision of refreshments or corporate gifts

Attendees are reminded that they should consider the risks of attending the EGM, taking into account their own personal circumstances. Attendees who do not comply with the precautionary measures may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of EGM attendees, the Company strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change or adopt contingency plans for the EGM arrangements at short notice. Shareholders should check the latest policies and notices announced by the Hong Kong Government, and the websites of the Company at www.cscd.com.hk and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk for further announcements and updates on the EGM arrangements, if any.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“30%-controlled companies”, “associates”, “close associates”, “connected persons”, “continuing connected transactions”, “controlling shareholder”, and “subsidiaries”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CSCECL and a holding company of both CSC and the Company
“Company”	China State Construction Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 830)
“CSC”	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)
“CSC Group”	CSC, its subsidiaries and 30%-controlled companies (excluding the Group) from time to time
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of CSC and the Company
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company established in the PRC and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), a controlling shareholder of each of CSC and the Company, and a non-wholly owned subsidiary of CSCEC
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Proposed Annual Caps)
“Existing Annual Caps” and each an “Existing Annual Cap”	the existing annual cap(s) in respect of the Transactions contemplated under the Existing CSCD-CSC Sub-construction Engagement Agreement for the period between 1 July 2020 and 31 December 2020, each of the two years ended/ending 31 December 2021 and 31 December 2022 and the period between 1 January 2023 and 30 June 2023
“Existing CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 24 March 2020 in respect of the engagement by the CSC Group of the Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group’s construction works from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Proposed Annual Caps)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement
“Independent Shareholder(s)”	Shareholder(s), other than CSC and its associates
“Latest Practicable Date”	26 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administrative Region of the PRC

DEFINITIONS

“New CSCD-CSC Sub-construction Engagement Agreement”	the engagement agreement entered into between CSC and the Company on 25 March 2022 in respect of the Transactions
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao and Taiwan
“Proposed Annual Caps” and each a “Proposed Annual Cap”	the proposed annual cap(s) for provision of contracting and engineering works, project consultancy service and project management service that may be awarded by the CSC Group to the Group (as subcontractor of the CSC Group) under the New CSCD-CSC Sub-construction Engagement Agreement for the period between 1 July 2022 and 31 December 2022, each of the two years ending 31 December 2023 and 31 December 2024 and the period between 1 January 2025 and 30 June 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the engagement by the CSC Group of the Group as subcontractor for the CSC Group’s construction works as described under the sub-section headed “Transactions” in this circular
“%”	per cent.

* *for identification purpose only*

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

LETTER FROM THE BOARD



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

Chairman and Non-executive Director:

Mr. Zhang Haipeng

Executive Directors:

Mr. WU Mingqing

(Vice Chairman and Chief Executive Officer)

Mr. WANG Hai

Non-executive Director:

Mr. HUANG Jiang

Independent non-executive Directors:

Mr. ZHOU Jinsong

Mr. HONG Winn

Ms. KWONG Sum Yee Anna

Registered office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

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

16th Floor, Eight Commercial Tower

8 Sun Yip Street

Chai Wan

Hong Kong

29 April 2022

To the Shareholders

Dear Sir or Madam,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2022 in respect of the entering into of the New CSCD-CSC Sub-construction Engagement Agreement between CSC and the Company to renew and replace the Existing Annual Caps for the continuing connected transactions pertaining thereto, and to supersede and replace the Existing CSCD-CSC Sub-construction Engagement Agreement, whereby the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works for a term of three years commencing from 1 July 2022 and ending on 30 June 2025 (both dates inclusive) subject to the Proposed Annual Caps. The New CSCD-CSC Sub-construction Engagement Agreement shall supersede and replace the Existing CSCD-CSC Sub-construction Engagement Agreement with effect from 1 July 2022 (subject to the satisfaction of the

LETTER FROM THE BOARD

condition precedent to the New CSCD-CSC Sub-construction Engagement Agreement), whereupon the balance of the Existing Annual Caps (if any) remain available on 30 June 2022 will be cancelled and replaced by the Proposed Annual Caps with effect from 1 July 2022.

The purpose of this circular is to provide you with, among other things, (i) further particulars of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on entering into the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Proposed Annual Caps); and (iv) a notice of the EGM.

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

Principal terms of the New CSCD-CSC Sub-construction Engagement Agreement

Date: 25 March 2022

Parties: 1. CSC; and
2. the Company.

Transactions: The Company expects that the CSC Group will continue to engage the Group as its subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works from time to time. In this connection, on 25 March 2022, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement for a term of three years commencing from 1 July 2022 and ending on 30 June 2025 (both dates inclusive) whereby the parties agreed that:

- (a) the Group may act as subcontractor/service provider of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works in accordance with the applicable subcontracting procedures of the CSC Group from time to time;

LETTER FROM THE BOARD

- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the Group to act as subcontractor/service provider of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works, provided that the total contract sum that may be awarded by the CSC Group to the Group under the New CSCD-CSC Sub-construction Engagement Agreement for the period between 1 July 2022 and 31 December 2022, each of the two years ending 31 December 2023 and 31 December 2024 and the period between 1 January 2025 and 30 June 2025 shall not exceed HK\$5,000 million, HK\$7,000 million, HK\$7,000 million and HK\$4,000 million, respectively (i.e. the Proposed Annual Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the CSC Group to the Group will be settled pursuant to the payment terms set out in the specific contracts.

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

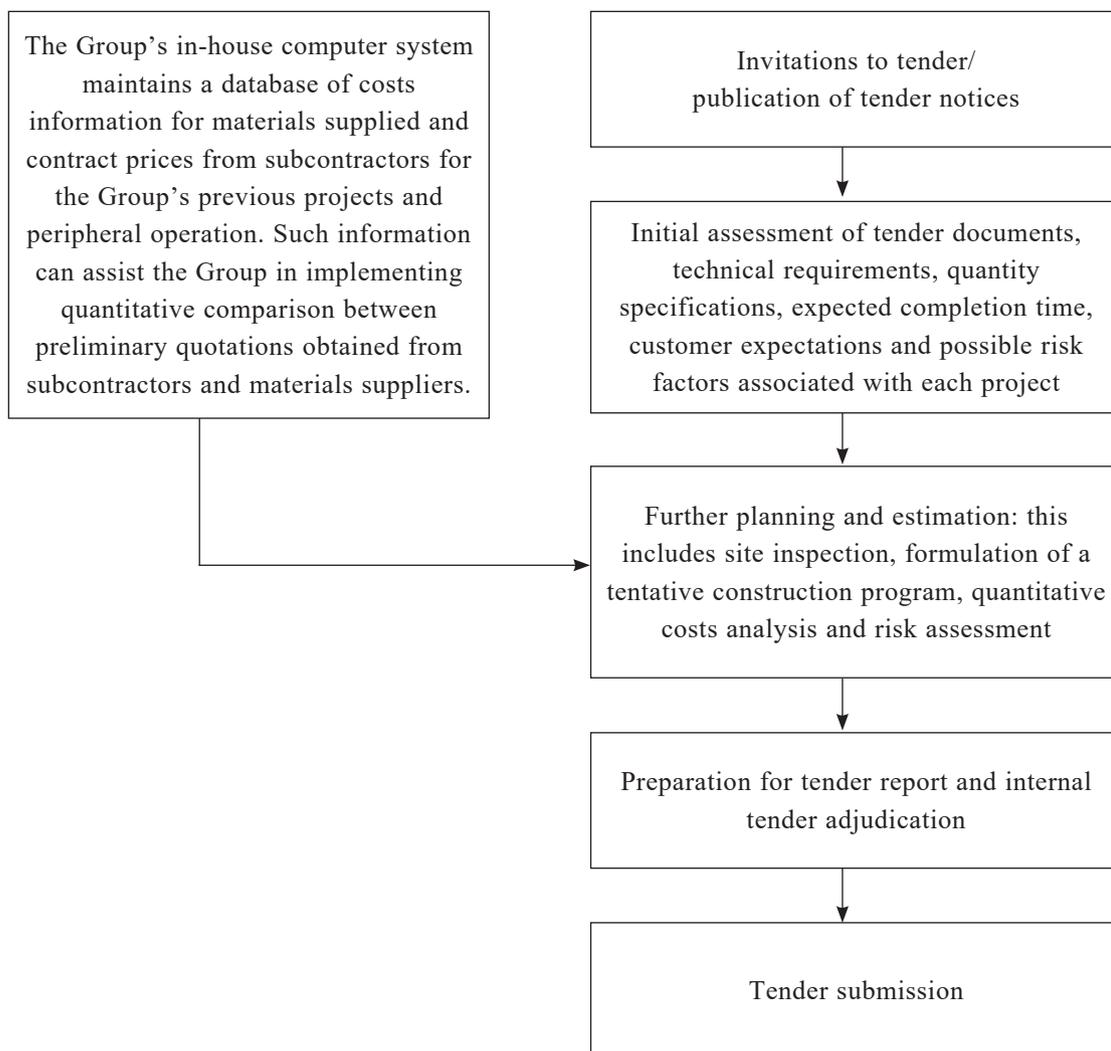
Pricing basis of the Group's tenders submitted to the CSC Group

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

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

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

LETTER FROM THE BOARD



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

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

The Group will also review and compare previous tender prices submitted to both connected persons and independent third parties so as to ensure that the tender price to be submitted is no more favourable to the CSC Group than those submitted to independent third parties. Generally, not less than two tender prices previously submitted to independent third parties would be selected as comparables based on a range of factors including the similarity in the scope of project, product specifications, level

LETTER FROM THE BOARD

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

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

The Company has been in place a series of internal control measures to monitor the actual revenue generated and to be generated from the CSC Group from time to time. On top of the Group's standard and systematic tender submission procedure described in the section headed "Pricing basis of the Group's tenders submitted to the CSC Group" above, the finance and treasury department of the Company regularly and continually monitors the aggregate amounts of the Transactions including contracts awarded and revenue generated from the Transactions and shall be informed of any potential transaction with connected person (including the CSC Group) before reaching formal agreement with the counterparty to ensure the applicable annual caps have not exceeded. The Directors, including independent non-executive Directors, have been provided with details of the specific contracts in relation to the Transactions entered into by the Group on a half-yearly basis. Annual review has also been conducted by the finance and treasury department to review the processes and systems of control to ensure that all the policies and procedures are being followed and that the systems are effective. External auditors are also engaged to report on the continuing connected transactions of the Group (including the Transactions) annually, with their findings and conclusions being reported to the Board.

LETTER FROM THE BOARD

Historical transaction amounts, Existing Annual Caps and Proposed Annual Caps

The table sets out (i) the actual amounts of the Transactions and the utilization rates, (ii) the Existing Annual Caps, and (iii) the Proposed Annual Caps:

	Actual amounts of the transactions <i>(HK\$ million)</i> <i>(approximately)</i>	Historical utilization rates for the corresponding Existing Annual Caps <i>(%)</i>	Existing Annual Caps <i>(HK\$ million)</i>	Proposed Annual Caps <i>(HK\$ million)</i>
For the period between 1 July 2020 and 31 December 2020	1,740	58.0	3,000	—
For the year ended 31 December 2021	3,404	97.3	3,500	—
For the year ending 31 December 2022	2,239 [#]	64.0	3,500	—
For the period between 1 July 2022 and 31 December 2022	—	—	—	5,000
For the period between 1 January 2023 and 30 June 2023	—	—	3,000	—
For the year ending 31 December 2023	—	—	—	7,000
For the year ending 31 December 2024	—	—	—	7,000
For the period between 1 January 2025 and 30 June 2025	—	—	—	4,000

[#] Up to the Latest Practicable Date

As at the Latest Practicable Date, the amount of the Transactions has not exceeded the Existing Annual Caps. For the avoidance of doubt, the balance of the Existing Annual Caps (if any) remain available on 30 June 2022 will be cancelled and replaced by the Proposed Annual Caps with effect from 1 July 2022, upon the New CSCD-CSC Sub-construction Engagement Agreement superseding and replacing the Existing CSCD-CSC Sub-construction Engagement Agreement with effect from 1 July 2022 (subject to the satisfaction of the condition precedent to the New CSCD-CSC Sub-construction Engagement Agreement).

Calculation of the Proposed Annual Caps

The Proposed Annual Caps are calculated with reference to the following factors:

- (a) the maximum total contract sums that might be awarded by the CSC Group to the Group in respect of the Transactions under the Existing CSCD-CSC Sub-construction Engagement Agreement, being (i) HK\$3,000 million for the period between 1 July 2020 and 31 December 2020; (ii) HK\$3,500 million for each of the two years ended/ending 31 December 2021 and 31 December 2022, respectively; and (iii) HK\$3,000 million for the period between 1 January 2023 and 30 June 2023 (i.e. the Existing Annual Caps);

LETTER FROM THE BOARD

- (b) the historical total contract sums of contracting and engineering works, project consultancy service and project management service provided by the Group for the construction works of the CSC Group under the Existing CSCD-CSC Sub-construction Engagement Agreement of (i) approximately HK\$1,740 million for the period between 1 July 2020 and 31 December 2020; (ii) approximately HK\$3,404 million for the year ended 31 December 2021; and (iii) approximately HK\$2,239 million for the period between 1 January 2022 and 25 March 2022;
- (c) for the period between 1 July 2022 and 31 December 2022, the estimated total contract sum of approximately HK\$5,000 million of new construction projects of the CSC Group is estimated based on (i) the total historical contract sums awarded; (ii) tenders in the amount of approximately HK\$2,300 million submitted to ultimate employers and/or the CSC Group; and (iii) tenders in the amount of approximately HK\$2,876 million planned to be submitted to or projects under negotiation with the ultimate employers and/or the CSC Group; for the year ending 31 December 2023, the estimated total contract sum of approximately HK\$7,000 million of new construction projects of the CSC Group is estimated based on (iv) tenders in the amount of approximately HK\$800 million planned to be submitted to or projects under negotiation with the ultimate employers and/or the CSC Group; and (v) other potential projects available from ultimate employers and/or the CSC Group in the amount of approximately HK\$6,530 million; for the year ending 31 December 2024, on the same basis as for the year ending 31 December 2023; and for the period between 1 January 2025 and 30 June 2025, on a pro-rata basis using the same estimation basis as for the year ending 31 December 2024; and
- (d) other factors such as inflation.

For the avoidance of doubt, the tender prices in respect of the tenders submitted and expected to be submitted to ultimate employers and/or the CSC Group as mentioned above only form part of the basis of calculation of the Proposed Annual Caps and may not reflect the contract sums of the Transactions actually secured during the relevant period as the tenders may or may not be successful. The Proposed Annual Caps are determined based on the above factors on a prudent basis and the Board considers that the Proposed Annual Caps are fair and reasonable.

Reasons for and benefits of entering into the New CSCD-CSC Sub-Construction Engagement Agreement

The CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

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

LETTER FROM THE BOARD

CSCEC is the ultimate holding company of each of CSC and the Company. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

In anticipation of the increasing volume of business transactions in potential projects available from ultimate employers and/or the CSC Group for the year ending 31 December 2022 and the six months ending 30 June 2023, the Board expects that the total contract sum in respect of the Transactions for the year ending 31 December 2022 is expected to be higher than the Existing Annual Cap under the Existing CSCD-CSC Sub-construction Engagement Agreement and hence the Existing Annual Caps will no longer be sufficient. In particular, the transaction amount with respect to the Transactions for the period between 1 January 2022 and 25 March 2022, based on the Group's unaudited management accounts, has already reached approximately HK\$2,239 million, representing (i) approximately 64% of the Existing Annual Cap of HK\$3,500 million for the year ending 31 December 2022; and (ii) a drastic increase as compared with two financial years ended 31 December 2020 and 31 December 2021, respectively, on a pro-rata basis.

Moreover, the expected increase in the amount of Transactions as reflected in the Proposed Annual Caps is also due to the expected rebound in the construction sector generally in Hong Kong, Macao and the PRC which are primarily driven by (i) the steady economy recovery, and (ii) the release of projects that were on hold during the early stage of the COVID-19 epidemic.

According to the National Bureau of Statistics, PRC's year-on-year-growth on investment in property development rose by approximately 3.7% and reached an amount of approximately RMB1.08 trillion in the first two months of 2022. And according to the data published by the Census and Statistics Department of the Hong Kong Government, the gross value of construction works performed by main contractors increased by approximately 4.1% in nominal terms in the fourth quarter of 2021 compared with the third quarter of 2021, showing a pace of recovery in the Hong Kong's construction market.

In addition, according to the 2021 Economic Background and 2022 Prospects issued by the Financial Secretary's of the Hong Kong Government, the budget has set out measure to help enterprises in the infrastructure investment and construction industry to adapt to the economic "new normal" after the epidemic and capture development opportunities. The Directors believe that there will be a continuous growth in the business development of the Group, and hence a corresponding increase in the amount of the Transactions with the CSC Group.

Accordingly, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement, which will supersede and replace the Existing CSCD-CSC Sub-construction Engagement Agreement to renew and replace the Existing Annual Caps by the Proposed Annual Caps.

LETTER FROM THE BOARD

The Directors consider that the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will allow the Company to maximise profits and bring synergistic effect to both CSC and the Company, laying a strong and robust foundation for the Group's business operation, financial condition and future growth. In light of the long-term satisfactory co-operation between CSC and the Company pursuant to the engagement agreement entered into between CSC and the Company on 11 October 2017 and the Existing CSCD-CSC Sub-construction Engagement Agreement, the Directors believe that the continuation and deepening of the longstanding and established business relationship between CSC and the Company will be making vital contribution to the expansion of the Company's business.

In addition, pursuant to the New CSCD-CSC Sub-construction Engagement Agreement, as long as the condition precedent is fulfilled, the New CSCD-CSC Sub-construction Engagement Agreement shall remain effective until 30 June 2025. The Directors consider that the risk of the termination of the New CSCD-CSC Sub-construction Engagement Agreement will be minimum. For the year ended 31 December 2019, 2020, 2021 and the period from 1 January 2022 to the Latest Practicable Date, the actual revenue contribution from the CSC Group amounted to approximately 23%, 30%, 28% and 14% of the Group's total revenue. The Directors expect that the revenue contribution from the CSC Group as a percentage to the Group's total forecast revenue for the period between 1 July 2022 and 31 December 2022, and the years ending 31 December 2023, 2024 and the period between 1 January 2025 and 30 June 2025 will remain steady at the rate similar to the above actual revenue contribution from the CSC Group in the previous years.

The Directors do not consider the Group's reliance on the CSC Group to be extreme, and believe that the reliance is mutual and complementary. The CSC Group is one of the major contractors of construction projects in the region, while the Group has been able to maintain its leading market position in facade contracting business in Hong Kong and its business development in the PRC has also expedited, along with steady progress in general contracting business. The Group also has a diversified customer base. For instance, for the year ended 31 December 2021, at least 135 successful tenders that had contributed to the Group's revenue were awarded through nomination by ultimate employers. In addition, out of the revenue contribution from the CSC Group to the Group as mentioned above, approximately 73.9%, 33%, 50% and 64.3% were generated from tenders awarded to the Group through nominations by ultimate employers, which amounted to approximately 17%, 10%, 14% and 9% of the revenue for the year ended 31 December 2019, 2020, 2021 and the period from 1 January 2022 to the Latest Practicable Date, respectively. Nomination by ultimate employers as subcontractor for facade contracting works demonstrate that customers in the construction market in the PRC, Hong Kong and Macao are confident in the service and work quality of the Group.

As also mentioned above, the Board expects that there will be a growing demand for construction works due to the recovery and expansion in the construction market in the PRC, Hong Kong and Macao.

The Group expects the growth in revenue contribution from independent third parties customers shall be in line with the growth in total revenue of the Group and proportionate to the growth in revenue contribution from the CSC Group at similar magnitude. The Company will continue to explore new business opportunities and seek new clients and provide services to clients who are independent third parties, subject to its analysis on the costs and benefits for seeking such new clients. The Directors believe that the Group will be able to maintain sufficient operation and revenue independently based on its listing status, reputation and competitiveness, even if the co-operation with the CSC Group is ceased in an unlikely event.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose opinion has been set out in the letter from Independent Board Committee as set out on pages 16 to 17 of this circular) consider that the New CSCD-CSC Sub-construction Engagement Agreement (together with the Proposed Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group and the terms (together with the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements before the Existing Annual Caps are exceeded, or it proposes to renew the Existing CSCD-CSC Sub-construction Engagement Agreement or to effect a material change to its terms. Since the applicable percentage ratios as defined in the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Voting at the EGM will be conducted by poll, and CSC and its associates will abstain from voting at the EGM.

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 37 to 38 of this circular.

The EGM will be convened and held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 8 June 2022 at 10:15 a.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 10:00 a.m. at the same place and date) for the Independent Shareholders to consider and, if thought fit, pass the resolution to approve, among others, the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Proposed Annual Caps). The voting at the EGM will be taken by way of poll.

As at the Latest Practicable Date, CSC, through its wholly-owned subsidiary Add Treasure Holdings Limited holds 1,596,403,279 Shares, representing approximately 74.06% of the issued share capital of the Company. Add Treasure Holdings Limited, as an associate of CSC, will abstain from voting at the EGM on the ordinary resolution.

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

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

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

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion

LETTER FROM THE BOARD

and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. The results of the poll will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited not later than the business day after the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022 (both days inclusive) for the purpose of determining Shareholder's right to attend and vote at the EGM.

In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on Wednesday, 1 June 2022.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 18 to 32 of this circular, considers that the New CSCD-CSC Sub-construction Engagement Agreement were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the Proposed Annual Caps).

The Board considers that the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board of
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

29 April 2022

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 29 April 2022 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better to the Group, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolution to approve the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder at the EGM. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 18 to 32 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 15 of the Circular and the additional information set out in Appendix I to the Circular.

Having taken into account the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder, and the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the New CSCD-CSC Sub-construction Engagement Agreement was entered into on normal commercial terms following arm’s length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution at the EGM to approve the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder.

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

ZHOU Jinsong
Independent
non-executive Director

HONG Winn
Independent
non-executive Director

KWONG Sum Yee Anna
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement, which has been prepared for the purposes of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

29 April 2022

To the Independent Board Committee and the Independent Shareholders

China State Construction Development Holdings Limited
16th Floor, Eight Commercial Tower,
8 Sun Yip Street,
Chai Wan, Hong Kong

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of and the proposed annual caps in relation to the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement. Details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 29 April 2022 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Existing CSCD-CSC Sub-construction Engagement Agreement and the New CSCD-CSC Sub-construction Engagement Agreement

On 24 March 2020, CSC and the Company entered into the Existing CSCD-CSC Sub-construction Engagement Agreement, pursuant to which the CSC Group may engage the Group as subcontractor for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works from time to time for the period commencing from 1 July 2020 and ending on 30 June 2023, subject to the Existing Annual Caps. As the Transactions under the Existing CSCD-CSC Sub-construction Engagement Agreement is approaching the annual caps for the financial year ending 31 December 2022 and the Group's facade contracting business will continue to expand due to an expected increase in potential projects available from ultimate employers and/or the CSC Group, the Group intends to supersede and replace the Existing CSCD-CSC Sub-construction Engagement Agreement with the New CSCD-CSC Sub-construction Engagement Agreement.

On 25 March 2022, CSC and the Company entered into the New CSCD-CSC Sub-construction Engagement Agreement to replace the Existing CSCD-CSC Sub-construction Engagement Agreement. Pursuant to the New CSCD-CSC Sub-construction Engagement Agreement, the CSC Group may engage the Group as subcontractor of the CSC Group for provision of contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works for a term of three years commencing on 1 July 2022 and ending on 30 June 2025 (both days inclusive), subject to the Proposed Annual Caps

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements before the Existing Annual Caps are exceeded, or it proposes to renew the Existing CSCD-CSC Sub-construction Engagement Agreement or to effect a material change to its terms. Since the applicable percentage ratios as defined in the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna, has been established to advise the Independent Shareholders on (i) whether the terms of the New CSCD-CSC Sub-construction Engagement Agreement are conducted on normal commercial terms and are fair and reasonable; (ii) whether the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the New CSCD-CSC Sub-construction Engagement Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the New CSCD-CSC Sub-construction Engagement Agreement are conducted on normal commercial terms and are fair and reasonable; (ii) whether the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the New CSCD-CSC Sub-construction Engagement Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder at the EGM.

We had acted as the independent financial adviser for the Company with regards to the renewal of continuing connected transactions with China Overseas Land & Investment Limited, details of which are set out in the circular of the Company dated 23 April 2021.

Saved for the aforesaid transactions, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the New CSCD-CSC Sub-construction Engagement Agreement; (ii) the Existing CSCD-CSC Sub-construction Engagement Agreement; (iii) the annual results announcement of the Group for the year ended 31 December 2021 (the “**CSCD 2021 Annual Results Announcement**”); (iv) the annual results announcement of the CSC Group for the year ended 31 December 2021 (the “**CSC 2021 Annual Results Announcement**”); and (v) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. BACKGROUND INFORMATION

1.1 Principal business of the Group

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

1.2 Principal business of CSC Group

The CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the CSC 2021 Annual Results Announcement, revenue for the year ended 31 December 2020 and 2021 was approximately HK\$62.5 billion and HK\$77.3 billion, respectively, representing a growth rate of approximately 23.8%. Such increase was mainly attributable to (i) the increase in revenue from infrastructure investment projects; and (ii) the increase in revenue from construction contracts. The amount of new contracts signed in Mainland China during the year ended 31 December 2021 amounted to approximately HK\$81.2 billion, representing a year-on-year increase of approximately 23.7%.

1.3 *Financial performance of the Group*

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years (“FY”) ended 31 December 2020 and 2021 as extracted from the CSCD 2021 Annual Results Announcement.

	FY2021	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	6,294,827	4,535,657
<i>Facade contracting works</i>	4,478,100	2,564,630
<i>General contracting works</i>	806,592	1,055,353
<i>Operating management</i>	1,010,135	915,674
Gross profit	676,854	488,460
Gross profit margin	10.8%	10.8%
Profit attributable to owners of the Company	291,976	194,344

Source: The CSCD 2021 Annual Results Announcement

The Group’s revenue increased by approximately 38.8% from approximately HK\$4,535.7 million in FY2020 to approximately HK\$6,294.8 million in FY2021. Such increase was primarily attributable to the significant increase in the revenue generated from facade contracting business. During the year, the newly awarded contract value of the curtain wall businesses in Hong Kong and Mainland China has hit record high. The Group has been awarded a number of premium iconic projects, including the curtain wall subcontracting project of Huawei’s Zone G Flagship Store and the curtain wall project of Guangzhou City of Design in Mainland China. As a result of the accelerated progress on curtain wall projects in Hong Kong and Mainland China, revenue contributed to facade contracting business increased by approximately 74.6% from approximately HK\$2,564.6 million in FY2020 to approximately HK\$4,478.1 million in FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's gross profit margin in FY2020 and FY2021 remained stable at approximately 10.8%. Gross profit increased to approximately HK\$676.9 million in FY2021 from approximately HK\$488.5 million in FY2020 which was mainly attributable to the increase in revenue. Profit attributable to owners of the Company in FY2021 was approximately HK\$292.0 million, representing an increase of approximately 50.2 % from approximately HK\$194.3 million in FY2020, which was mainly driven by the improvement in curtain wall businesses in Hong Kong and Mainland China along with the gradual economic recovery from COVID-19 pandemic.

1.4 Outlook of the economy and building construction activities

Despite the continuous recovery of the global economy in 2021, the unstable situation of the pandemic posed increasing challenges and led to mixed economic performance in different countries.

PRC

PRC has effectively maintained a leading position in economic recovery and epidemic control. According to the National Bureau of Statistics of the PRC, the gross domestic product (“GDP”) for the first quarter of 2021 was approximately RMB24.8 trillion and by the fourth quarter of 2021, GDP reached RMB32.4 trillion, indicating a strong economic recovery and growth. In addition, through various prudent yet effective fiscal and monetary policies, along with the 14th Five-Year Plan, the PRC is expected to maintain a high-quality growth momentum. According to the National Bureau of Statistics (“NBS”), PRC's year-on-year growth on investment in property development rose by approximately 3.7% and reached an amount of approximately RMB 1.08 trillion in the first two months of 2022.

As such, the Management believes and we concur, that the PRC property market will continue to grow in the near future as it is supported by the sustainable growth in the PRC market.

Hong Kong and Macao

After experiencing a severe recession, Hong Kong's economy had showed some signs of economic recovery in 2021. According to the data published by the Census and Statistics Department of Hong Kong Government, Hong Kong GDP recorded year-on-year growth of approximately 8.2% in 2021. In addition, the gross value of construction works performed by main contractors increased by approximately 4.1% in nominal terms in the fourth quarter of 2021 compared with the third quarter of 2021, showing a pace of recovery in the Hong Kong's construction market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Chief Executive's 2021 Policy Address (the "Policy Address"), the Hong Kong Government has identified about 350 hectares of land to provide 330,000 public housing units for the coming 10-year period (i.e. from 2022-23 to 2031-32). Meanwhile, the Hong Kong Government has also secured approximately 170 hectares of land, which is estimated to make available of approximately 100,000 private housing units. As a result, the supply of residential housings is expected to increase in the coming 10-year period.

As mentioned in the 2021 Annual Results Announcement, the Management believes that there will be huge potential in the curtain wall market in the PRC and the continual construction of Guangdong- Hong Kong- Macao Bay Area will continue to bring ample opportunities for the construction industry in Hong Kong and Macao.

2. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW CSCD-CSC SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

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

In anticipation of the increasing volume of business transactions in potential projects available from ultimate employers and/or the CSC Group for the year ending 31 December 2022 and the six months ending 30 June 2023, the Board expects that the total contract sums in respect of the Transactions for the year ending 31 December 2022 is expected to be higher than the Existing Annual Cap of HK\$3,500 million under the Existing CSCD-CSC Sub-construction Engagement Agreement and hence the Existing Annual Caps will no longer be sufficient. In particular, the transaction amount with respect to the Transactions during the period between 1 January 2022 and 25 March 2022, based on the Group's unaudited management accounts, has already reached approximately HK\$2,239 million, representing (i) approximately 64.0% of the Existing Annual Caps of HK\$3,500 million for the year ending 31 December 2022; and (ii) the contract sums awarded for the period between 1 January 2022 and 25 March 2022 already represents approximately 65.8% of the total contract sums awarded for the entire financial year of 2021.

In addition, with the gradual economic recovery in the construction sector in Hong Kong, Macao and Mainland China as discussed in details under section "1.4 Outlook of the economy and building construction activities" above, the Directors believe that there will be a continuous growth in the business development of the Group, and hence a corresponding increase in the amount of the Transactions with the CSC Group. For details, please refer to the paragraph headed "Reasons for and benefits of entering into the New CSCD-CSC Sub-Construction Engagement Agreement" in the "Letter from the Board" contained in the Circular.

The Directors consider that the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will allow the Company to generate potentially more revenue, and by being able to participate in the contracting and engineering works, project consultancy service and project management service for the CSC Group's construction works upon successful tender allows the Group to expand its projects portfolio (such as the landmark facade projects of skyscrapers) and the customer base as well as brand awareness. In addition, given the satisfactory co-operation between CSC and the Company, the continuation and deepening of the longstanding and established business relationship between CSC and the Company is expected to bring synergy effect to both CSC and the Company, thereby facilitating the expansion of the Company's business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Also taking into account that (i) the historical actual revenue contribution by CSC Group to the Group's total revenue was less than 30% and such percentage will remain steady during the duration of the Continuing Connected Transactions as described in the "Letter from the Board"; (ii) the growth potential in the construction sector in Hong Kong, Macao and Mainland China as discussed above; and (iii) the internal control measures adopted by the Group as described below, we concur with the Management that it is not expected that there will be an issue of reliance on the CSC Group arising from the Continuing Connected Transactions.

3. PRINCIPAL TERMS OF THE NEW CSCD-CSC SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

3.1 Duration of the New CSCD-CSC Sub-construction Engagement Agreement

The New CSCD-CSC Sub-construction Engagement Agreement shall commence from 1 July 2022 and ending on 30 June 2025 (both dates inclusive).

Further details of the terms of the New CSCD-CSC Sub-construction Engagement Agreement are set out under the paragraph headed "Principal terms of the New CSCD-CSC Sub-construction Engagement Agreement" in the "Letter from the Board" contained in the Circular.

3.2 Pricing and terms of the New CSCD-CSC Sub-construction Engagement Agreement

Under the New CSCD-CSC Sub-construction Engagement Agreement, the prices and terms of the contracts with respect to the Transactions shall be determined in the ordinary course of business and on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable to the CSC Group than those provided to the independent third party customers of the Group.

In accordance with CSC Group's process of selection of a subcontractor or service provider (either through nomination by ultimate employers or direct employment by the CSC Group) for the provision of contracting and engineering works, project consultancy service and project management service, the Group will normally need to go through a tender or similar process. For details of the tender process, please refer to the "Pricing basis of the Group's tenders submitted to the CSC Group" in the "Letter from the Board" contained in the Circular.

We have reviewed the internal procedure manual of the Group governing the tendering process which covers, among others, procedures pertaining to (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission (together, the "**Tender Procedures**"). We noted that the same Tender Procedures apply to both the tenders to be submitted to the CSC Group and independent third parties. In addition, the Tender Procedures under the New CSCD-CSC Sub-construction Engagement Agreement is also the same as those previously under the Existing CSCD-CSC Sub-construction Engagement Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To ascertain the Tender Procedures had been efficiently implemented, we have obtained and reviewed a total six sets of tender assessment forms in relation to the projects undertaken by the Group (the “**Sample Transactions**”), which contains, amongst others, the details of each project, such as the type of work required, estimated area, estimated total contract sum and written record from various departments documenting the decision on whether or not to proceed with the tender.

We have obtained and reviewed the full list of tenders submitted by the Company to CSC Group and the independent third parties during the period between 1 July 2020 to 31 December 2020 and the year ended 31 December 2021. It is noted that between the period from 1 July 2020 to 31 December 2020, there is a total of nine successful tenders, where one tender was awarded by CSC Group and eight tenders were awarded by independent third parties. Of these nine successful tenders, we have obtained and reviewed the details of the tender awarded by CSC Group and one tender awarded by independent third parties. For the year ended 31 December 2021, there is a total of 15 successful tenders, where five tenders were awarded by CSC Group and ten tenders were awarded by independent third parties. Of these 15 successful tenders, we have obtained and reviewed the details of two tenders awarded by CSC Group and two tenders awarded by independent third parties.

Based on the tender list, we have selected the Sample Transactions based on the following criteria: (i) transactions covering the provision of contracting and engineering works, project consultancy service and project management service with the CSC Group; (ii) transactions with independent third parties; and (iii) successful tenders with CSC Group or the independent third parties. The selection of the Sample Transactions allowed us to compare the Tender Procedures for projects submitted to the independent third parties and the Tender Procedures for projects submitted to the CSC Group during the aforementioned period. We therefore consider the Sample Transactions is sufficient and is a good presentation of the past transactions under the Existing CSCD- CSC Sub-construction Engagement Agreement.

Having reviewed the documents of the Sample Transactions, we are of the view that the tenders were assessed (by taking into account the technical requirements, quantity specifications, expected completion time, customer expectations and the possible risk factors associated to the individual project) and handled in accordance with the Tender Procedures and we noted that the pricing basis (which will be prepared by reference to the costs information maintained by the Group’s in-house computer database for materials supplied and contract process from sub-contractors for the Group’s previous projects and peripheral operations, so as to assist the Group in conducting quantitative comparison between quotations obtained from sub-contractors and on the costs of the materials) and terms provided to the CSC Group are no more favourable than the pricing basis and terms provided to the independent third parties.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as stated in the section headed “Pricing basis of the Group’s tenders submitted to the CSC Group” in the “Letter from the Board”, where the Group participates in a tender with all bidders (including independent third parties in the market), the Group will follow the above standard and systematic tender submission procedure and the winning bid of which will be the one with the lowest tender amount in accordance with the tender procedure(s) of the CSC Group on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the bid invitation. In other words, the Group and the independent third party tenderers will have to compete on their experience and capability and not just purely based on the lowest tender price.

Taking into consideration the above, we are of the view that the terms and conditions under the New CSCD-CSC Sub-construction Engagement Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4. PROPOSED ANNUAL CAPS

4.1 *Basis for determining the Proposed Annual Caps*

The New CSCD-CSC Sub-construction Engagement Agreement being the maximum total contract sums of the contracts for the provision of contracting and engineering works, project consultancy service and project management service that may be awarded by the CSC Group to the Group for the period between 1 July 2022 and 31 December 2022, for each of the two years ending 31 December 2024 and for the period between 1 January 2025 and 30 June 2025 are as follows:

	For the period between 1 July 2022 and 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024	For the period between 1 January 2025 and 30 June 2025
Transactions under the New CSCD-CSC Sub-construction Engagement Agreement	HK\$ 5,000 million	HK\$ 7,000 million	HK\$ 7,000 million	HK\$ 4,000 million

For details of the basis for determining the Proposed Annual Caps, please refer to the paragraph headed “Calculation of the Proposed Annual Caps” in the “Letter from the Board” contained in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 *Fairness and reasonableness of the Proposed Annual Caps*

To assess the fairness and reasonableness of the Proposed Annual Caps, we have considered the following factors:

Historical utilisation rate of the Existing Annual Caps

As set out in the “Letter from the Board” contained in the Circular, the historical total contract sums awarded by the CSC Group to the Group under the Existing CSCD-CSC Sub-construction Engagement Agreement amounted to approximately HK\$1,740 million for the period between 1 July 2020 to 31 December 2020, approximately HK\$3,404 million for the year ended 31 December 2021 and approximately HK\$2,239 million for the period between 1 January 2022 and 25 March 2022, representing approximately 58.0%, 97.3% and 64.0% of the corresponding Existing Annual Caps respectively.

As advised by the Management, due to the increasing volume of business transactions in potential projects available from ultimate employers and/or the CSC Group for the year ending 31 December 2022, the Board expects that the total contract sums in respect of the Transactions for the year ending 31 December 2022 to be higher than the Existing Annual Cap under the Existing CSCD-CSC Sub-construction Engagement Agreement and hence the Existing Annual Caps will no longer be sufficient.

The Management considers, and we concur that, in order to meet the increasing volume of business transactions in potential projects available from CSC Group, it would be appropriate and beneficial to the Shareholders to reset the Proposed Annual Caps with reference to their best estimation based on the construction projects may be secured by the CSC Group.

Set out below are the bases in arriving at the Proposed Annual Caps for each of the period/year under the New CSCD-CSC Sub-construction Engagement Agreement:

The Proposed Annual Cap for the period between 1 July 2022 and 31 December 2022

The Management’s estimation of a total contract sum of approximately HK\$5,000 million of new construction projects of the CSC Group for the period between 1 July 2022 and 31 December 2022 is based on (i) the total historical contract sums awarded for the period between 1 January 2022 and 25 March 2022; (ii) tenders in the amount of approximately HK\$2,300 million already submitted to ultimate employers and/or the CSC Group; and (iii) tenders in the amount of approximately HK\$2,876 million planned to be submitted to or projects under negotiation with the ultimate employers and/or the CSC Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the Management a schedule setting out a list of potential new construction projects for the period between 1 July 2022 and 31 December 2022 from the CSC Group (including transaction amount with tenders submitted or tenders in preparation) engaging the Group, subject to successful tender, for the provision of the contracting and engineering works, project consultancy service and project management service under the New CSCD-CSC Sub-construction Engagement Agreement. The schedule includes a total of 15 potential projects, out of which (i) three projects had an estimated transaction amount between HK\$60 million and HK\$100 million; (ii) eight projects had an estimated transaction amount between HK\$200 million and HK\$400 million; (iii) three projects had an estimated transaction amount between HK\$500 million and HK\$700 million; and (iv) the remaining one had an estimated transaction amount of HK\$1,200 million. These projects had an aggregate contract sum in excess of HK\$5,200 million, which represents approximately 1.04 times of the Proposed Annual Cap of approximately HK\$5,000 million between the period from 1 July 2022 and 31 December 2022. We understand from the Management that the aforesaid aggregate contract sum is subject to tenders, negotiation or upcoming tenders. As such, the Group may or may not be awarded with any of the contracts.

Taking into account the aforementioned aggregate contract sum of potential new construction projects which might be awarded to the Group by CSC Group for the period between 1 July 2022 and 31 December 2022, we concur that it is reasonable for the Proposed Annual Cap for the period between 1 July 2022 and 31 December 2022 to be revised to HK\$5,000 million.

The Proposed Annual Cap for the year ending 31 December 2023

For the year ending 31 December 2023, the estimated total contract sum of approximately HK\$7,000 million of new construction projects of the CSC Group is estimated based on (i) tenders in the amount of approximately HK\$800 million planned to be submitted to or projects under negotiation with the ultimate employers and/or the CSC Group; and (ii) other potential projects available from ultimate employers and/or the CSC Group in the amount of approximately HK\$6,530 million.

We have reviewed and discussed with the Management a schedule setting out a list of potential new construction projects that are planned to be submitted to or projects under negotiation with the ultimate employers and/or the CSC Group for the year ending 31 December 2023, subject to successful tender, for the provision of the contracting and engineering works, project consultancy service and project management service under the New CSCD-CSC Sub-construction Engagement Agreement. The schedule had a total of three potential projects, out of which (i) one project had an estimated transaction amount of HK\$300 million; and (ii) two projects had an estimated transaction amount of HK\$250 million, respectively. These projects had an aggregate contract sum in excess of HK\$800 million. We understand from the Management that the aforesaid aggregate contract sum is subject to tenders, negotiation or upcoming tenders. As such, the Group may or may not be awarded with any of the contracts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have also obtained and reviewed the schedule of other potential projects available from ultimate employers and/or the CSC Group. There is a total of 19 potential projects, out of which (i) one project had an estimated transaction amount of HK\$175 million; (ii) 15 projects had an estimated transaction amount between HK\$200 million and HK\$450 million; (iii) two projects had an estimated transaction amount between HK\$500 million and HK\$600 million; and (iv) the remaining one had an estimated transaction amount of HK\$1,050 million. These projects had an aggregate contract sum in excess of HK\$6,500 million.

As a result, a total aggregate contract sum in excess of HK\$7,300 million are planned to be submitted to the CSC Group for the year ending 31 December 2023, which represents approximately 1.04 times of the total contract sum of approximately HK\$7,000 million for the year ending 31 December 2023, we concur that it is reasonable to determine the Proposed Annual Cap for the year ending 31 December 2023 to be HK\$7,000 million.

The Proposed Annual Cap for the year ending 31 December 2024

The Proposed Annual Cap for the year ending 31 December 2024 is determined based on the same basis as for the year ending 31 December 2023.

We understand from the Management that tenders for construction contracts typically relate to construction works to be carried out in the forthcoming 12 months, therefore based on the current available information, the Management advised that it is impractical to compile a list of potential construction contracts beyond March 2023. Taking into account the aggregate contract sum of the potential new construction projects for the year ending 31 December 2023 from the CSC Group, and assuming no material adverse impact to the economic condition of Mainland and Hong Kong in 2024, the Management believes the CSC Group will be able to maintain its business scale and the same amount of construction contracts will be available for tender. Accordingly, the Management is of the view and we concur that the Proposed Annual Cap for the year ending 31 December 2024 of HK\$7,000 million (which is the same as the Proposed Annual Cap for the year ending 31 December 2023) is fair and reasonable.

The Proposed Annual Cap for the period between 1 January 2025 and 30 June 2025

The Proposed Annual Cap for the period between 1 January 2025 and 30 June 2025 was estimated on a pro-rata basis using the estimation basis as the Proposed Annual Cap for the year ending 31 December 2024, resulting in an estimated Proposed Annual Cap of HK\$4,000 million. Taking into account of the above assessment that the Proposed Annual Cap for the year ending 31 December 2024 is fair and reasonable, we are of the view that the Proposed Annual Cap for the period between 1 January 2025 and 30 June 2025 is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. INTERNAL CONTROL MEASURES

According to the “Letter from the Board” in the Circular, we understand that the Group has adopted a set of internal control measures in connection with the Transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement.

On top of the Group’s standard and systematic tender submission procedure described under the paragraph headed “Pricing basis of the Group’s tenders submitted to the CSC Group” above, the finance and treasury department of the Company regularly and continually monitors the aggregate amounts of the Transactions including contracts awarded and revenue generated from the Transactions and shall be informed of any potential continuing connected transactions before reaching formal agreement with the counterparty to ensure the applicable annual caps have not exceeded.

The Directors, including the independent non-executive Directors, have been provided with details of the specific contracts in relation to the Transactions entered into by the Group on a half-yearly basis that they have been carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, annual review have been conducted by the Company’s finance and treasury department to review the processes and systems of control to ensure that all policies and procedures are being followed and the systems are effective.

In compliance with the Listing Rules, the Group had also engaged external auditors to report on the continuing connected transactions (including the Transactions) annually. In addition, the Group will continue to engage auditors to report on the Continuing Connected Transactions for the years ending 31 December 2023, 2024 and 2025. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the view that (i) the terms of the New CSCD-CSC Sub-construction Engagement Agreement are on normal commercial terms and are fair and reasonable; (ii) the continuing connected transactions contemplated under the New CSCD-CSC Sub-construction Engagement Agreement will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the renewal of continuing connected transactions under the New CSCD-CSC Sub-construction Engagement Agreement (including the respective Proposed Annual Caps) at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 is 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

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

Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the shares in the Company in issue ^(Note)
Mr. Zhang Haipeng	Beneficial owner	3,750,000	0.174%
Mr. Wu Mingqing	Beneficial owner	5,000,000	0.232%
Mr. Huang Jiang	Beneficial owner	3,000,000	0.139%

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

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

As at the Latest Practicable Date: (i) Mr. Zhang Haipeng held 1,040,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.002% of the issued voting shares in CSCECL; and (ii) Mr. Wang Hai held 300,000 A-shares in CSCECL in the capacity as beneficial owner, representing approximately 0.001% of the issued voting shares in CSCECL.

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

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

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares 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:

Name of Director	Name of companies which had such discloseable interest or short position	Position within such companies
Mr. Zhang Haipeng	COHL	director
	CSC	executive director and chief executive officer
	Add Treasure Holdings Limited	director
Mr. Wu Mingqing	Add Treasure Holdings Limited	director

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTERESTS

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

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

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

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there is no material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group was made up.

6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
Altus Capital Limited	A corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Altus Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital Limited did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. DOCUMENTS ON DISPLAY

The following documents are published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.cscd.com.hk from the date of this circular to and including the date of the EGM:

- (a) the Existing CSCD-CSC Sub-construction Engagement Agreement;
- (b) the New CSCD-CSC Sub-construction Engagement Agreement;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 32 of this circular;
- (d) the written consent referred to in the section headed “7. EXPERT AND CONSENT” in this Appendix; and
- (e) this circular.

NOTICE OF EGM



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China State Construction Development Holdings Limited (the “**Company**”) will be held at 16th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 8 June 2022 at 10:15 a.m. (or so soon after the conclusion or adjournment of the annual general meeting of the Company to be convened at 10:00 a.m. at the same place and date) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the New CSCD-CSC Sub-construction Engagement Agreement (as defined in the circular of the Company dated 29 April 2022 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the Meeting and marked “**A**” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) the Proposed Annual Caps (as defined in the Circular) for the period between 1 July 2022 and 31 December 2022, each of the two years ending 31 December 2023 and 31 December 2024 and the period between 1 January 2025 and 30 June 2025 be and are hereby approved; and
- (c) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCD-CSC Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

By Order of the Board

China State Construction Development Holdings Limited

Zhang Haipeng

Chairman and Non-executive Director

Hong Kong, 29 April 2022

NOTICE OF EGM

*Head Office and Principal Place of
Business in Hong Kong:*
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

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

Notes:

1. A form of proxy for the Meeting is enclosed.
2. Only members are entitled to attend and vote at the Meeting (or at any adjournment thereof).
3. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).
6. Completion and return of a form of proxy shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. The register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022 (both days inclusive) for the purpose of determining Shareholder's right to attend and vote at the Meeting. In order to qualify for attending and voting at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on Wednesday, 1 June 2022.