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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

- (1) **TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND**
- (2) **CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS HOLDINGS LIMITED
AND**
- (3) **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



China Everbright Capital Limited

A letter from the Board is set out on pages 5 to 18 of this circular and a letter from the Independent Board Committee is set out on pages 19 and 20 of this circular. A letter from China Everbright, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

A notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Wednesday, 26 October 2011 at 11:00 a.m. is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

7 October 2011

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DEFINITIONS

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

“associate(s)”, “connected person(s)”, “controlling shareholder(s)”, “subsidiary(ies)”	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 and a controlling shareholder of the Company;
“COHL Construction Engagement Agreement”	the engagement agreement entered into between the Company and COHL on 20 September 2011 in respect of the COHL Construction Engagement Transactions;
“COHL Construction Engagement Cap”	the maximum total contract sum of the construction contracts in relation to the Construction Works that may be awarded by the COHL Group to the Group for each year/period under the COHL Construction Engagement Agreement;
“COHL Construction Engagement Transactions”	the engagement of the Group as contractor (on the basis of “Build-Transfer” mode) for the COHL Group’s Construction Works as described under the sub-section headed “COHL Construction Engagement Transactions” in “Letter from the Board” as set out on pages 5 to 18 of this circular;
“COHL Group”	COHL and its subsidiaries from time to time, other than the Group;
“COHL Transactions Independent Shareholder(s)”	the Shareholder(s), other than COHL and its associates;
“COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);
“COLI Group”	COLI and its subsidiaries from time to time;
“Company”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“Construction Works”	construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC;

DEFINITIONS

“Contractors”	collectively, construction sub-contractor, project management contractor, project consultant and/or construction material supplier;
“CSC Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the CSCECL Group (excluding the COHL Group) to the Group for each year/period under the CSCECL Sub-construction Engagement Agreement;
“CSC Sub-construction Engagement Transactions”	the engagement by the CSCECL Group (excluding the COHL Group) of the Group as Contractors for the construction works of the CSCECL Group (excluding the COHL Group) as described under the sub-section headed “CSC Sub-construction Engagement Transactions” in “Letter from the Board” as set out on pages 5 to 18 of this circular;
“CSCEC”	中國建築工程總公司(China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate holding company of the Company;
“CSCEC Group”	CSCEC and its subsidiaries (including the COLI Group but excluding the Group) from time to time;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (which is held more than 50% by CSCEC) and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668);
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group and the COLI Group) from time to time;
“CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 20 September 2011 in respect of, among other things, the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions;
“CSCECL Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group (excluding the COHL Group) for each year/period under the CSCECL Sub-construction Engagement Agreement;

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“CSCECL Sub-construction Engagement Transactions”	the engagement by the Group of the CSCECL Group (excluding the COHL Group) as Contractors for the Group’s construction works as described under the sub-section headed “CSCECL Sub-construction Engagement Transactions” in “Letter from the Board” as set out on pages 5 to 18 of this circular;
“CSCECL Transactions Independent Shareholder(s)”	the Shareholder(s), other than CSCECL and its associates;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Wednesday, 26 October 2011 at 11:00 a.m., notice of which is set out on pages 43 to 45 of this circular, or any adjournment thereof;
“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”	an independent committee of the Board, consisting of Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming and Mr. Lee Shing See, all being Independent Non-executive Directors;
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the CSCECL Sub-construction Engagement Agreement and the COHL Construction Engagement Agreement, and a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
“Independent Shareholders”	COHL Transactions Independent Shareholders (in respect of the COHL Construction Engagement Agreement and the transactions contemplated thereunder) and/or CSCECL Transactions Independent Shareholders (in respect of the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder), as the case may be;
“Latest Practicable Date”	4 October 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“Master Dubai Construction Agreement”	the agreement dated 19 November 2007 entered into by the Company and CSCEC in relation to the permission by the Company for the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai;
“PRC”	the People’s Republic of China, which for the purpose of this circular exclude Hong Kong, Macau and Taiwan;
“Previous Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of continuing connected transactions of the Company involving (i) the engagement by the Group of the CSCECL Group as construction sub-contractor and/or project management contractor for the Group’s construction works in the PRC and the United Arab Emirates; and (ii) the engagement by the CSCECL Group of the Group as construction sub-contractor for construction works of the CSCECL Group in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	collectively, the COHL Construction Engagement Transactions, the CSC Sub-construction Engagement Transactions and the CSCECL Sub-construction Engagement Transactions; and
“%”	per cent..

Unless otherwise specified in this circular, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB0.82 = HK\$1.00. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Mr. Kong Qingping (*Chairman*)

Executive Directors:

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

Mr. Zhang Yifeng

Mr. Cheong Chit Sun

Mr. Zhou Hancheng

Mr. Tian Shuchen

Mr. Hung Cheung Shew

Independent Non-executive Directors:

Dr. Raymond Ho Chung Tai

Mr. Adrian David Li Man Kiu

Dr. Raymond Leung Hai Ming

Mr. Lee Shing See

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

7 October 2011

To the Shareholders

Dear Sir or Madam,

- (1) TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(2) CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS HOLDINGS LIMITED
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 20 September 2011 in respect of, among other things, on 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement, whereby: (i) the Company and CSCECL agreed to terminate

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the Previous Engagement Agreement (which was initially agreed to be expired on 30 June 2012) upon the taking effect of the CSCECL Sub-construction Engagement Agreement, (ii) the Group may engage the CSCECL Group (excluding the COHL Group) as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSCECL Sub-construction Engagement Cap, and (iii) the CSCECL Group (excluding the COHL Group) may engage the Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSC Sub-construction Engagement Cap.

Reference is also made to the announcement of the Company dated 20 September 2011 in respect of, among other things, on 20 September 2011, the Company and COHL entered into the COHL Construction Engagement Agreement, whereby the COHL Group may engage the Group as contractor (on the basis of “Build-Transfer” mode) for the COHL Group’s construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the COHL Construction Engagement Cap.

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

- the particulars of (i) the CSCECL Sub-construction Engagement Agreement (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (ii) the COHL Construction Engagement Agreement (together with the COHL Construction Engagement Cap);
- the letter from the Independent Board Committee with their view on (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap); and
- the letter from China Everbright with their advice on (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap) to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

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TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 2 April 2009 and the circular dated 23 April 2009 in relation to the Previous Engagement Agreement entered into between the Company and CSCECL which will expire on 30 June 2012.

On 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement under which the Company and CSCECL agreed to, among others, terminate the Previous Engagement Agreement upon the taking effect of the CSCECL Sub-construction Engagement Agreement.

In the event that the CSCECL Sub-construction Engagement Agreement does not become effective, the Previous Engagement Agreement will remain in full force and binding on the Company and CSCECL.

The Directors confirm that neither the Company nor CSCECL has to pay the other party any compensation as a result of the termination of the Previous Engagement Agreement.

The Directors also confirm that the termination of the Previous Engagement Agreement was occasioned by the expansion of scope of business transactions with CSCECL which has been expanded beyond the markets of the PRC and the United Arab Emirates as confined in the Previous Engagement Agreement. In addition, the Directors confirm that the termination of the Previous Engagement Agreement will not cause any material adverse impact to the Group due to the entering into of the CSCECL Sub-construction Engagement Agreement.

CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

Date

20 September 2011

Parties

1. The Company; and
2. CSCECL.

CSCECL Sub-construction Engagement Transactions

The Directors expect that the Group will invite the CSCECL Group (excluding the COHL Group) to participate in competitive tender as construction sub-contractor, project management contractor, project consultant and/or construction material supplier (collectively, "Contractors") for the Group's construction works from time to time. In this connection, on 20 September 2011, the Company and

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CSCECL entered into the CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 whereby the parties agreed, among other things, that:

- (a) the CSCECL Group (excluding the COHL Group) may tender for the Group's construction works as Contractors in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the CSCECL Group (excluding the COHL Group) as a result of the above tender, the CSCECL Group (excluding the COHL Group) may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group (excluding the COHL Group) for the period between 1 November 2011 and 31 December 2011 shall not exceed HK\$13,000 million, for the financial year ending 31 December 2012 shall not exceed HK\$8,000 million, for the financial year ending 31 December 2013 shall not exceed HK\$10,000 million and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK\$12,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and
- (c) the construction fees payable by the Group to the CSCECL Group (excluding the COHL Group) will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

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

- (i) the total contract sum of construction projects of the Group engaging the CSCECL Group (excluding the COHL Group) in the financial year ended 31 December 2010 of approximately HK\$1,377 million and the total contract sum of construction projects of the Group engaging the CSCECL Group (excluding the COHL Group) for the period from 1 January 2011 to 30 June 2011 amounted to approximately HK\$1,936 million;
- (ii) the growth of the construction markets in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 estimated by the Directors;
- (iii) the Group has been awarded several large-scaled construction projects recently and the Group may invite CSCECL Group (excluding the COHL Group) to tender such projects during the last two months of 2011;
- (iv) the construction projects to be awarded to the Group in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors; and

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- (v) the Group's resource allocation, project progression and business strategy, and the trend of economic policies of the PRC government for the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors.

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

CSC Sub-construction Engagement Transactions

The Directors also expect that the CSCECL Group (excluding the COHL Group) will invite the Group to participate in competitive tender as Contractors for the construction works of the CSCECL Group (excluding the COHL Group) from time to time. Accordingly, under the CSCECL Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that for a term of three years commencing from 1 November 2011 and ending on 31 October 2014:

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

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

- (i) total estimated contract sum of new construction projects of the CSCECL Group (excluding the COHL Group) in the three-year period commencing from 1 November 2011 and ending on 31 October 2014, estimated with reference to future growth and expansion of the CSCECL Group (excluding the COHL Group) for such period;
- (ii) the growth of the construction markets in the PRC in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 estimated by the Directors; and

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- (iii) the Group's understanding that many of the construction works of the CSCECL Group (excluding the COHL Group) in the PRC for 2011 has already been conducted in the first three quarters of 2011 and the Group is not expected to receive any new contract for the construction works of the CSCECL Group (excluding the COHL Group) in the last two months of 2011.

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

Conditions Precedent

The CSCECL Sub-construction Engagement Agreement is conditional upon the passing of the resolution by the CSCECL Transactions Independent Shareholders at the EGM approving the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder.

Reasons for the CSCECL Sub-construction Engagement Transactions and CSC Sub-Construction Engagement Transactions

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

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

On the same date of the CSCECL Sub-construction Engagement Agreement, the Company has also entered into the COHL Construction Engagement Agreement with COHL, whereby the COHL Group may engage the Group as construction contractor (on the basis of "Build-Transfer" mode) for the construction of housing and infrastructure in relation to urban-rural coordination projects of the COHL Group in the PRC in compliance with the continuing connected transaction requirements under

LETTER FROM THE BOARD

the Listing Rules. Further details of the COHL Construction Engagement Agreement are set out in the section headed “COHL Construction Engagement Agreement” below. The maximum total contract sum that may be awarded by the COHL Group under the COHL Construction Engagement Agreement to the Company for each year/period is separate and distinct from the CSC Sub-construction Engagement Cap.

Reference is made to the announcement dated 17 November 2010 of the Company relating to the renewal of the Master Dubai Construction Agreement between the Company and CSCEC regarding the Company’s permission for the CSCEC Group to participate in the construction market in Dubai. Under an agreement dated 17 November 2010 between the Company and CSCEC, the Company and CSCEC agreed to renew the Master Dubai Construction Agreement for a further term of three years commencing from 1 January 2011 to 31 December 2013 and the Company permitted the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works. The subject matters of CSCECL Sub-construction Engagement Transactions and CSC Sub-construction Engagement Transactions are different from that of the Master Dubai Construction Agreement. The subject matters of CSCECL Sub-construction Engagement Transactions and CSC Sub-construction Engagement Transactions are to allow the engagement of the Group or the CSCECL Group (excluding the COHL Group) as Contractors for each other’s construction works; whereas the subject matter of the Master Dubai Construction Agreement is for permitting the CSCEC Group to tender for and/or enter into contracts in construction works in Dubai by paying a fee to the Company in return. Hence, the maximum total contract sums that may be awarded under the Master Dubai Construction Agreement for each year/period are separate and distinct from the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap.

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

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

LETTER FROM THE BOARD

Listing Rules implications

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

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to the CSCECL Group (excluding the COHL Group) for each year/period under the CSCECL Sub-construction Engagement Agreement, i.e. the CSCECL Sub-construction Engagement Cap, exceed 5%, the CSCECL Sub-construction Engagement Transactions contemplated under the CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to the Group for each year/period under the CSCECL Sub-construction Engagement Agreement, i.e. the CSC Sub-construction Engagement Cap, exceed 5%, the CSC Sub-construction Engagement Transactions contemplated under the CSCECL Sub-construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and CSCECL and its associates will abstain from voting at the EGM.

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

COHL CONSTRUCTION ENGAGEMENT AGREEMENT

Date

20 September 2011

LETTER FROM THE BOARD

Parties

1. The Company; and
2. COHL.

COHL Construction Engagement Transactions

The Directors expect that the COHL Group will invite the Group to participate in competitive tender as contractor (on the basis of “Build-Transfer” mode) for the COHL Group’s construction of housing and infrastructure in relation to urban-rural coordination projects located in the PRC (the “Construction Works”) from time to time. Accordingly, under the COHL Construction Engagement Agreement, the Company and COHL agreed, among other things, that for a term of three years commencing from 1 November 2011 and ending on 31 October 2014:

- (a) the Group may tender for the COHL Group’s Construction Works as contractor (on the basis of “Build-Transfer” mode) in accordance with the tendering procedure of the COHL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as a contractor for the COHL Group’s Construction Works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COHL Group to the Group for the period between 1 November 2011 and 31 December 2011 shall not exceed RMB5,000 million (approximately HK\$6,097 million), for each of the two financial years ending 31 December 2013 shall not exceed RMB5,000 million (approximately HK\$6,097 million), and for the period between 1 January 2014 and 31 October 2014 shall not exceed RMB5,000 million (approximately HK\$6,097 million) (i.e. the COHL Construction Engagement Cap); and
- (c) the construction fees payable by the COHL Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

The COHL Construction Engagement Cap is calculated with reference to the following factors:

- (i) total estimated contract sum of the COHL Group’s Construction Works in the three-year period commencing from 1 November 2011 and ending on 31 October 2014, estimated with reference to the COHL Group’s future growth and expansion in the PRC for such period;
- (ii) the Group’s understanding that many of the COHL Group’s Construction Works for 2011 will be launched in the last two months of 2011 and the COHL Group may invite Contractors (including the Group) to tender such Construction Works during the last two months of 2011; and

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- (iii) the Group's resource allocation, project progression and business strategy, and the trend of economic policies of the PRC government for the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors.

The COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement (together with the COHL Construction Engagement Cap) will take effect conditional upon the COHL Transactions Independent Shareholders' approval having been obtained at the EGM.

Conditions Precedent

The COHL Construction Engagement Agreement is conditional upon the passing of the resolution by the COHL Transactions Independent Shareholders at the EGM approving the COHL Construction Engagement Agreement and the transactions contemplated thereunder.

Reasons for the COHL Construction Engagement Transactions

The Directors consider that the COHL Construction Engagement Transactions will provide opportunities for the Group to strengthen and further its construction related business and qualifications in the PRC through its participation in COHL Group's Construction Works. The Directors also consider that the COHL Construction Engagement Transactions will provide the Group with a new means to invest in the indemnificatory housing and infrastructure businesses and will enhance the Group's rapid business development in the PRC.

On the same date of the COHL Construction Engagement Agreement, the Company has also entered into the CSCECL Sub-construction Engagement Agreement with CSCECL, whereby the Group may engage the CSCECL Group (excluding the COHL Group) as Contractors for the Group's construction works, and the CSCECL Group (excluding the COHL Group) may engage the Group as Contractors for the construction works of the CSCECL Group (excluding the COHL Group) in compliance with the continuing connected transaction requirements under the Listing Rules. Further details of the CSCECL Sub-construction Engagement Agreement are set out in the section headed "CSCECL Sub-construction Engagement Agreement" above. The maximum total contract sums that may be awarded under the CSCECL Sub-construction Engagement Agreement for each year/period are separate and distinct from the COHL Construction Engagement Cap.

Reference is made to the announcement dated 2 April 2009 and the circular dated 23 April 2009 in relation to the Previous Engagement Agreement entered into between the Company and CSCECL. For clarification purposes, any engagement of the Group pursuant to the COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement will not be subject to the provisions of the Previous Engagement Agreement. The maximum total contract sums that may be awarded under the Previous Engagement Agreement for each year/period are separate and distinct from the COHL Construction Engagement Cap.

Reference is also made to the announcement dated 18 June 2010 jointly issued by the Company and COLI regarding the agreement entered into between the Company and COLI on 18 June 2010, pursuant to which the Company (through its subsidiary) shall provide connection services for heating

LETTER FROM THE BOARD

pipes for real estate projects located in Shenyang developed by COLI commencing on 1 July 2010 and ending on 31 December 2012. For clarification purposes, any engagement of the Group pursuant to the COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement will not be subject to the provisions of the said agreement between the Company and COLI. The maximum total contract sums that may be awarded under the said agreement between the Company and COLI for each year/period are separate and distinct from the COHL Construction Engagement Cap.

Reference is also made to the announcement dated 2 April 2009 jointly issued by the Company and COLI in relation to the engagement agreement entered into between the Company and COLI on 2 April 2009 in respect of the engagement of the Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau for a term of three years commencing from 1 July 2009 to 30 June 2012. For clarification purposes, any engagement of the Group pursuant to the COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement will not be subject to the provisions of the said agreement between the Company and COLI. The maximum total contract sums that may be awarded under the said agreement between the Company and COLI for each year/period are separate and distinct from the COHL Construction Engagement Cap.

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

Listing Rules implications

COHL is the controlling shareholder of the Company. Accordingly, members of the COHL Group are connected persons of the Company. The COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to the Group for each year/period under the COHL Construction Engagement Agreement, i.e. the COHL Construction Engagement Cap, exceed 5%, the COHL Construction Engagement Transactions contemplated under the COHL Construction Engagement Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements. Voting at the EGM will be conducted by poll and COHL and its associates will abstain from voting at the EGM.

The Shareholders should note that the COHL Construction Engagement Cap represents the best estimate by the Directors of the amount of the COHL Construction Engagement Transactions based on

LETTER FROM THE BOARD

the information currently available. The COHL Construction Engagement Cap bears no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The COHL Group may or may not retain the Group to engage in the Construction Works up to the level of the COHL Construction Engagement Cap, if at all, as its engagement is subject to tender procedures which are open to other independent third party Contractors.

GENERAL

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

The CSCECL Group (excluding the COHL Group) is principally engaged as contractors in the PRC construction market.

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

The Independent Board Committee comprising all the Independent Non-executive Directors has been formed to advise the Independent Shareholders in respect of (i) the CSCECL Sub-construction Engagement Transactions, (ii) the CSC Sub-construction Engagement Transactions and (iii) the COHL Construction Engagement Transactions. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

EXTRAORDINARY GENERAL MEETING

Set out on pages 43 to 45 of this circular is a notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Wednesday, 26 October 2011 at 11:00 a.m. at which all ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Company's Articles of Association. As at the Latest Practicable Date, CSCECL

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and its associates, in aggregate holding 2,218,813,659 shares of the Company, representing approximately 61.86% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap). In addition, as at the Latest Practicable Date, COHL and its associates, in aggregate holding 2,218,813,659 shares of the Company, representing approximately 61.86% of the issued share capital of the Company, will abstain from voting at the EGM on the resolution relating to the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap). None of the Directors has a material interest in the Transactions and thus no Director is required to abstain from voting on the board resolutions approving the Transactions. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 19 and 20 in this circular which contains its recommendation to the Independent Shareholders in relation to (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 21 to 36 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

The Directors (including the Independent Non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the CSCECL Sub-construction Engagement Agreement and the COHL Construction Engagement Agreement have been entered into on normal commercial terms, and the terms and conditions therein (together with the CSCECL Sub-construction Engagement Cap, the CSC Sub-construction Engagement Cap and the COHL Construction Engagement Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

7 October 2011

To the Independent Shareholders

Dear Sir or Madam,

**(1) TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(2) CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS HOLDINGS LIMITED**

We refer to the circular dated 7 October 2011 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. China Everbright has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular and the text of a letter of advice from China Everbright, as set out on pages 21 to 36 of the Circular, both of which provide details of (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap), (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap), (iii) the advice of China Everbright, and (iv) the relevant information contained in the letter from the Board, we are of the opinion that (i) the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Sub-construction Engagement Cap and the CSC Sub-construction Engagement Cap) and (ii) the COHL Construction Engagement Agreement and the transactions contemplated thereunder (together with the COHL Construction Engagement Cap) are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully

For and on behalf of

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

Raymond Ho Chung Tai

Independent Non-executive Director

Adrian David Li Man Kiu

Independent Non-executive Director

Raymond Leung Hai Ming

Independent Non-executive Director

Lee Shing See

Independent Non-executive Director

LETTER FROM CHINA EVERBRIGHT

The following is the text of the “Letter from China Everbright” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



7 October 2011

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

Dear Sirs,

**(1) TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
AND
(2) CONTINUING CONNECTED TRANSACTIONS WITH
CHINA OVERSEAS HOLDINGS LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the transactions (“**Continuing Connected Transactions**”) contemplated under the CSCECL Sub-construction Engagement Agreement and the COHL Construction Engagement Agreement (collectively, “**Agreements**”), details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular to the Shareholders dated 7 October 2011 (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to the CSCECL Sub-construction Engagement Agreement and subject to CSCECL Sub-construction Engagement Cap, the Group may invite the CSCECL Group to participate in competitive tender as the Contractors for the Group’s construction works from time to time. On the other hands, subject to the CSC Sub-construction Engagement Cap, the CSCECL Group may invite the Group to participate in competitive tender as Contractors for the CSCECL Group’s construction works from time to time. In addition, pursuant to the CSCECL Sub-construction Engagement Agreement and subject to the COHL Construction Engagement Cap, the COHL Group may invite the Group to participate in competitive tender as contractor on the basis of “Build-Transfer” mode for the COHL Group’s construction of housing and infrastructure in relation to urban-rural coordination projects in the PRC from time to time under the COHL Construction Engagement Agreement.

LETTER FROM CHINA EVERBRIGHT

CSCECL and COHL are the intermediate holding company and controlling shareholder of the Company, respectively. Accordingly, members of the CSCECL Group and the COHL Group are connected persons of the Company. Since the applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company in respect of the maximum total contract sum that may be awarded to or by the connected persons of the Group under the Agreements exceed 5%, the Continuing Connected Transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to consider whether (i) the terms of the Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Continuing Connected Transactions, including the annual caps, 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, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, CSCECL Group, COHL Group or any of their respective associates. We are independent from and not connected with the Group, the CSCECL Group, the COHL Group or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

BASIS OF OUR OPINION

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

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

LETTER FROM CHINA EVERBRIGHT

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our views on the Continuing Connected Transactions, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(A) Background of and reasons for the Continuing Connected Transactions

(1) The business of the Group and its relationship with the CSCECL Group and COHL Group

The Group is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy businesses. Since the Group acquired equity interests in 深圳中海建築有限公司 (Shenzhen China Overseas Construction Limited) and 深圳市中海建設監理有限公司 (Shenzhen China Overseas Supervision Co., Ltd.) in 2007, the Group has continued to develop its construction business in the PRC.

Currently, the Group possess the necessary licenses, including 壹級房屋建築工程施工總承包 (Building Construction Main Contractor Class I), 壹級地基及基礎工程專業承包 (Foundation Engineering Works Contractor Class I), 工程招標代理機構甲級資格證書 (Consulting Agency Qualification for Engineering Tender Class A) and 房屋建築工程監理甲級 (Building Construction Consultancy Class A), to undertake building construction engineering works, foundations engineering works and engineering consultancy services in the PRC, and has established proven track record in the PRC construction market which is evidenced by the growth of the Group's revenue generated from construction business in the PRC. According to the 2011 interim report of the Company, its total revenue generated from construction business in the PRC increased by 47.9% from approximately HK\$453 million in the first half of 2010 to approximately HK\$670 million during the same period of 2011.

The CSCECL Group, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), is principally engaged as contractors in the PRC construction market. It is one of the largest state-owned construction groups in the PRC operating in major provinces and cities in the PRC. It has operation outside PRC, including Africa, Middle East, South-east Asia and the United States and has extensive experience in the PRC construction industry. The CSCECL Group has a vast number of professional personnel experienced in construction.

On 2 April 2009, the Group entered into the Previous Engagement Agreement with CSCECL in relation to (i) the engagement by the Group of the CSCECL Group (including the COHL Group) as construction sub-contractor and/or project management contractor for the Group's construction works in the PRC and the United Arab Emirates; and (ii) the engagement by the CSCECL Group (including the COHL Group) of the Group as construction sub-contractor for construction works of the CSCECL Group (including the COHL Group) in the PRC.

LETTER FROM CHINA EVERBRIGHT

Due to expansion of scope of business transactions with CSCECL which has been expanded beyond the PRC and the United Arab Emirates as confined in the Previous Engagement Agreement, on 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement under which the Company and CSCECL agreed to, among others, (i) terminate the Previous Engagement Agreement upon the taking effect of the CSCECL Sub-construction Engagement Agreement; and that (ii) the Group may engage the CSCECL Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSCECL Sub-construction Engagement Cap; and that (iii) the CSCECL Group may engage the Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSC Sub-construction Engagement Cap.

COHL, the controlling shareholder of the Company, has been engaging in investments holding and property development. As advised by the Management, the COHL Group is currently engaged in several urban-rural coordination projects (城鄉統籌項目) which involve large-scale housing and infrastructure construction activities in the PRC. To facilitate the development of such urban-rural coordination projects, the COHL Group may invite tenders, including the Group and other independent construction contractors, for the construction services required by the COHL Group from time to time, and the COHL Group will select tenders whom it considers are able to offer the most attractive terms. As a result, the Group may or may not be awarded construction service contracts as a result of the competitive tender. If the Group is awarded construction service contracts, relevant members of the Group and the COHL Group will enter into definitive agreements which specify the fees payable by the COHL Group to the Group.

(2) The benefits arising from the Continuing Connected Transactions

Underpinned by (i) continuous growth of the PRC economy; and (ii) rising housing demand arising from the growth of middle class, accelerating urbanization and recent development of affordable housing projects, the PRC construction industry is a steady growing business that has shown strength and potential throughout recent years. Therefore, the Directors believe that there are still many business opportunities in the PRC that the Group has not or the Group is not yet ready to pursue.

The CSCECL Group is one of the largest state-owned construction groups in the PRC. According to its 2011 interim report, the total revenue of CSCECL during the six months ended 30 June 2011 amounted to approximately RMB218 billion, up approximately 37.9% from the same period of 2010. Its total contract sum of construction contracts on hand as at 30 June 2011 reached to approximately RMB1,021 billion. In addition, the CSCECL Group also has operation outside PRC, including Africa, Middle East, South-east Asia and the United States. The new international construction contracts secured by the CSCECL Group reached to US\$3.9 billion during the first half of 2011. As the CSCECL Group has been engaging in many construction works in various cities of the PRC and overseas markets, the Directors consider that the CSC Sub-construction Engagement Transactions will provide an opportunity for the Group to participate in the CSCECL Group's construction works as Contractors. Therefore, it will not only broaden the revenue bases of the Group, but also allow the Group to strengthen and further develop its construction related business and reputation in the PRC and other overseas countries.

LETTER FROM CHINA EVERBRIGHT

On the other hands, leveraging on the CSCECL's strong presence and extensive experience in the construction industry in the PRC and other overseas countries, the CSCECL Sub-construction Engagement Transactions, which provide the Company with the opportunity to engage the CSCECL Group (subject to successful tender) as its sub-contactor, will enable the Group to manage its construction projects in a cost-effective manner, in turn, facilitate the Group's business development.

As mentioned above, the COHL Group has been engaging in investments holding and property development. As advised by the Management, COHL Group is currently engaged in several urban-rural coordination projects (城鄉統籌項目) which involve large-scale housing and infrastructure construction activities in the PRC. The Directors consider that the COHL Construction Engagement Transactions will provide opportunities for the Group to strengthen and further its construction related business and reputation in the PRC through its participation in COHL Group's Construction Works. In addition, the Directors also consider that the COHL Construction Engagement Transactions will provide the Group with a new means to invest in the indemnificatory housing and infrastructure businesses and will enhance the Group's rapid business development in the PRC.

Shareholders should note that the Agreement does not impose any contractual obligation for the Group to tender for construction works of the COHL Group or the CSCECL Group. As confirmed by the Management, they have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from the COHL Group, the CSCECL Group or other independent third parties as described in the paragraph headed "Major Terms of the Agreements" below. As advised by the Management, the COHL Group and the CSCECL Group may invite tenders, including the Group and other independent construction contractors, for the construction services required by them from time to time, and the COHL Group or the CSCECL Group will select tenders whom it considers are able to offer the most attractive terms. As a result, the Group may or may not be awarded construction service contracts as a result of the competitive tender. If the Group is awarded construction service contracts, relevant members of the COHL Group or the CSCECL Group will enter into definitive agreements with the Group which specify the fees payable to the Group.

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

LETTER FROM CHINA EVERBRIGHT

Our views:

Taking into account of the above and (i) the Continuing Connected Transactions contemplated under the Agreements are in line with the existing business activities of the Group; and (ii) the Transactions provide a good opportunity for the Group to further develop its construction business; and (iii) the Agreements itself do not impose any contractual obligation on the Group to sign any definitive agreements with the COHL Group or the CSCECL Group, we are of the view that the entering into the Agreements are in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

(B) The Major Terms of the Agreements

(1) The CSCECL Sub-construction Engagement Agreement

(a) The CSCECL Sub-construction Engagement Transactions

Under the CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 whereby the parties agreed, among other things, that:

- the CSCECL Group may tender for the Group's construction works as Contractors in accordance with the tendering procedure of the Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- if any contract is granted in favour of the CSCECL Group as a result of the above tender, the CSCECL Group may act as Contractors for the Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 November 2011 and 31 December 2011 shall not exceed HK\$13,000 million, for the financial year ending 31 December 2012 shall not exceed HK\$8,000 million, for the financial year ending 31 December 2013 shall not exceed HK\$10,000 million and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK\$12,000 million (i.e. the CSCECL Sub-construction Engagement Cap); and
- the construction fees payable by the Group to the CSCECL Group will be settled pursuant to the payment terms set out in the tender documents for the specific sub-construction, project management, project consultancy and/or construction material supplying contracts.

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As confirmed by the Management, the Group has also maintained a systematic tender review procedure, which is implemented by the tender review committee (“**Review Committee**”), to review the terms of tenders received by the Group, and will select tenders whom it considers are able to offer the most attractive terms. To the best knowledge of the Management, the Group’s tender review process for tenders received by the Group is in line with the market practice. As confirmed by the Management, (i) the Review Committee is comprised of department heads of the relevant departments of the Group, including financial department, procurement department and construction department; and (ii) these committee members are not employees or directors of the CSCECL Group or COHL Group.

To ascertain the independence of the members of the Review Committee, we have reviewed the member list of the Review Committee, including their names and positions within the Group. Based on our reviews and confirmation from Management, we understand that such members are not employees or representatives of the CSCECL Group and/or the COHL Group, therefore, we consider that the members of the Review Committee have sufficient independence to review terms of transactions involved the CSCECL Group and/or the COHL Group.

The decision to award a sub-construction contract to selected sub-contractor(s), including the CSCECL Group and other independent subcontractors, depends on the recommendation of the Review Committee who has reviewed and considered the following factors of the selected subcontractors, in particular, its past experience, its financial track record and the latest available financial position, and the estimated cost of the sub-construction project. Therefore, the Group may or may not grant construction service contracts to the CSCECL Group under the CSCECL Sub-construction Engagement Agreement as a result of the competitive tender.

(b) **CSC Sub-construction Engagement Transactions**

Under the CSCECL Sub-construction Engagement Agreement, the Company and CSCECL also agreed, among other things, that:

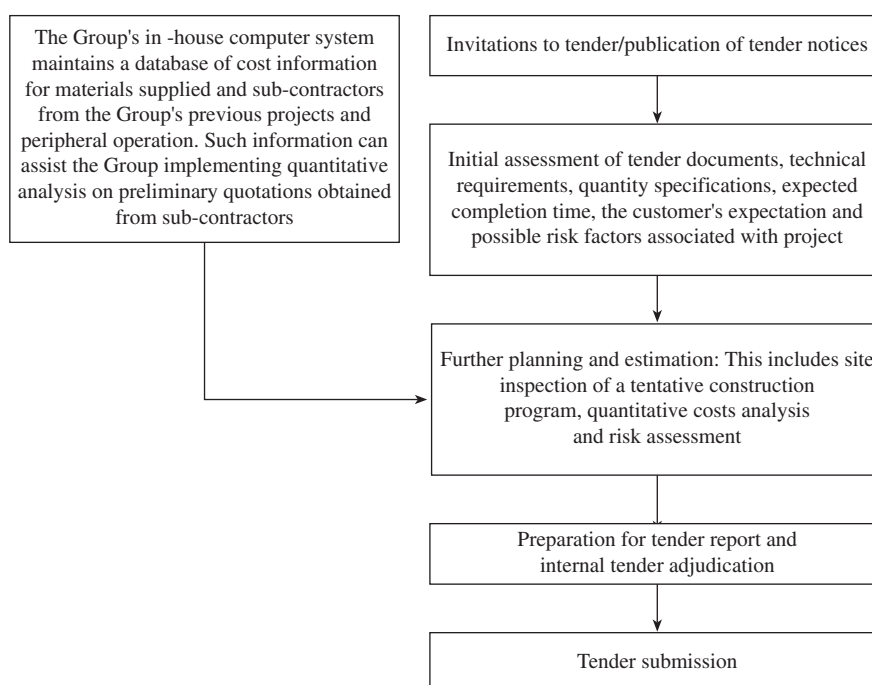
- the Group may tender for the CSCECL Group’s construction works as Contractors in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group’s construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 November 2011 and 31 December 2011 is nil, for each of the two financial years ending 31 December 2013 shall not exceed HK\$3,000 million, and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK\$3,000 million (i.e. the CSC Sub-construction Engagement Cap); and

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

As confirmed by the Management, the Group has maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender received by the Group, and to decide the contents and pricing terms of the proposed tender. To form our view on whether the pricing basis of the Continuing Connected Transactions is fair and reasonable so far as the Independent Shareholders are concerned, we discuss with the Management about the Group's tender review process.

The Group's procedures of the tender review process generally are as follow:



As confirmed by the Management, the above review process is applicable to either invitation to tender received by the Group from the COHL Group, the CSCECL Group or such from other independent third parties. To the best knowledge of the Management, the Group's tender review process is in line with the market practice. Therefore, the Directors consider that the pricing basis of the Continuing Connected Transactions is fair and reasonable and on normal commercial terms by way of the above tender review procedures.

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

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

(2) The COHL Construction Engagement Agreement

Under the COHL Construction Engagement Agreement, the Company and COHL agreed, among other things, that for a term of three years commencing from 1 November 2011 and ending on 31 October 2014:

- the Group may tender for the COHL Group's Construction Works as contractor (on the basis of "Build-Transfer" mode) in accordance with the tendering procedure of the COHL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- if any contract is granted in favour of the Group as a result of the above tender, the Group may act as a contractor for the COHL Group's Construction Works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the COHL Group to the Group for the period between 1 November 2011 and 31 December 2011 shall not exceed RMB5,000 million (approximately HK\$6,097 million), for each of the two financial years ending 31 December 2013 shall not exceed RMB5,000 million (approximately HK\$6,097 million), and for the period between 1 January 2014 and 31 October 2014 shall not exceed RMB5,000 million (approximately HK\$6,097 million) (i.e. the COHL Construction Engagement Cap); and
- the construction fees payable by the COHL Group to the Group will be settled pursuant to the payment terms set out in the tender documents for the specific construction contracts.

Similar to the CSC Sub-construction Engagement Transactions, invitation to tender received by the Group from the COHL Group will be reviewed by the Review Committee. Therefore, the Review Committee may approve or reject an invitation to tender based on the analysis result of the tender review process. If any contract is granted in favour of the Group as a result of the competitive tender, the COHL Group will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works based on the terms of the successful tender.

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Our views:

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

(C) **The Annual Caps**

(1) **Overview**

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as more particularly discussed under the section headed "Requirements of the Listing Rules on the Continuing Connected Transactions" below. In particular, the Continuing Connected Transactions are subject to the proposed related annual cap as discussed below.

As stated in the Letter from the Board, the relevant annual caps under the CSCECL Sub-construction Engagement Agreement and the COHL Construction Engagement Agreement (the "**Annual Caps**") for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 ("**Relevant Period**") shall not exceed the following amounts:

	Two months ending 31 December 2011	Year ending 31 December 2012	Year ending 31 December 2013	Ten months ending 31 October 2014
(in millions)				
The CSCECL Sub-construction Engagement Cap	HK\$13,000	HK\$8,000	HK\$10,000	HK\$12,000
The CSC Sub-construction Engagement Cap	nil	HK\$3,000	HK\$ 3,000	HK\$ 3,000
The COHL Construction Engagement Cap	RMB5,000 (approx. HK\$6,097)	RMB5,000 (approx. HK\$6,097)	RMB5,000 (approx. HK\$6,097)	RMB5,000 (approx. HK\$6,097)

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(2) Assessment of the Annual Caps

In assessing the reasonableness of the Annual Caps, we have discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the Annual Caps, and understand that the Company has taken into account the following factors:

(i) *The CSCECL Sub-construction Engagement Cap*

As set out in the Letter from the Board, the CSCECL Sub-construction Engagement Cap is calculated with reference to the following factors:

- (i) the total contract sum of construction projects of the Group engaging the CSCECL Group (excluding the COHL Group) in the financial year ended 31 December 2010 of approximately HK\$1,377 million and the total contract sum of construction projects of the Group engaging the CSCECL Group for the period from 1 January 2011 to 30 June 2011 amounted to approximately HK\$1,936 million;
- (ii) the growth of the construction markets in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 estimated by the Directors;
- (iii) the Group has been awarded several large-scaled construction projects recently and the Group may invite CSCECL Group (excluding the COHL Group) to tender such projects during the last two months of 2011;
- (iv) the construction projects to be awarded to the Group in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors; and
- (v) the Group's resource allocation, project progression and business strategy, and the trend of economic policies of the PRC government for the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors.

As advised by the Management, since the signing of the Previous Engagement with CSCECL in April 2009, the total contract sum of construction projects of the Group engaging the CSCECL Group (excluding the COHL Group) has increased gradually. As stated in the Letter from the Board, the total contract sum of construction projects of the Group engaging the CSCECL Group (excluding the COHL Group) for the period from 1 January 2011 to 30 June 2011 amounted to approximately HK\$1,936 million.

We noted that there are substantial increases in the CSCECL Sub-construction Engagement Cap, compared with the actual historical amount in the first half of 2011. In assessing the reasonableness of the CSCECL Sub-construction Engagement Cap, we further

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discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the CSCECL Sub-construction Engagement Cap, and understand that such estimation is mainly based on (i) the Group's infrastructure investment and construction projects ("**Existing Projects**") on hand; (ii) the estimation of new infrastructure investment and construction projects ("**New Projects**") to be awarded to the Group during the Relevant Period; (iii) the total contract sums and development schedules of the Existing Projects and the New Projects; and (iv) the estimated amount of construction works of the Existing Projects and the New Projects which may invite tenders from subcontractors, including CSCECL. Based on the above estimations, the Management expects the total contract sum of the Group's construction works which may invite tenders from subcontractors will reach to approximately RMB6.5 billion, approximately RMB7.8 billion and approximately RMB 9.4 billion for the three years ending 31 December 2014.

As disclosed in the 2011 interim report of the Company, the revenue generated from the PRC market increased by 24.9% to HK\$1,860 million (30 June 2010: HK\$1,489 million). In the first half of 2011, the Group was awarded 重慶市合川區安置房和公共租賃房 (Relocation and Public Rental Housing in Hechuan District, Chongqing) build-transfer ("**BT**") project, 福建省漳州碧湖生態園基礎設施和安置房 (Fujian Ecological Park infrastructure facility and Relocation Housing in Zhangzhou) BT project and 山西省五盂 (五台山至盂縣) 高速 (Shanxi Wuyu (Wutaishan to Yuxian) Expressway) BT project.

Rapid urbanization in the PRC and the PRC government's development policy for infrastructure construction and affordable housings will promote relevant construction in civil constructions, housing and transportation, and market demand will grow steadily. With the launch and in-depth implementation of "The Twelfth Five Year Plan", the Central Government has put great effort in realizing the construction target of affordable housings, which are approximately 36 million units of affordable house in the coming five years. As advised by the Management, the Group targets to capture 1% of the total market share of the PRC affordable housing market. Therefore, the Management considers that the Group will be provided with sound opportunities for development by the PRC government's increasing supply in affordable housings, together with investment in building infrastructure.

Having considered the aforesaid, in particular (i) the estimated total contract sum of the Group's construction works which may invite tenders from subcontractors during the three years ending 31 December 2014; (ii) the strong presence and proven track record of the CSCECL Group in the construction market; and (iii) historical business relationship between the Group and the CSCECL Group, we consider that bases adopted by the Management in determining the CSCECL Sub-construction Engagement Cap are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) *The CSC Sub-construction Engagement Cap*

As stated in the Letter from the Board, the CSC Sub-construction Engagement Cap is calculated with reference to the following factors:

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- (i) total estimated contract sum of new construction projects of the CSCECL Group (excluding the COHL Group) in the three-year period commencing from 1 November 2011 and ending on 31 October 2014, estimated with reference to future growth and expansion of the CSCECL Group (excluding the COHL Group) for such period;
- (ii) the growth of the construction markets in the PRC in the three-year period commencing from 1 November 2011 and ending on 31 October 2014 estimated by the Directors; and
- (iii) the Group's understanding that many of the construction works of the CSCECL Group (excluding the COHL Group) in the PRC for 2011 have already been conducted in the first three quarters of 2011 and the Group is not expected to receive any new contract for the construction works of the CSCECL Group (excluding the COHL Group) in the last two months of 2011.

As advised by the Management, the aggregate amount of total contract sum awarded to the Group by the CSCECL Group (excluding the COHL Group) under the Previous Engagement Agreement from 1 July 2009 to the Latest Practicable Date was nil. In order to ascertain the reasonableness of the CSC Sub-construction Engagement Cap, we further discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the CSC Sub-construction Engagement Cap, and understand that such estimation is mainly based on the following factors:

1. As some of the Group's construction contracts may be granted to CSCECL through the CSCECL Sub-construction Engagement Transactions, the Management expects that CSCECL may invite qualified subcontractors, including the Group's construction arm in the PRC, tender for certain parts of such construction works as subcontractors in accordance with the tendering procedure of the CSCECL Group from time to time; and
2. The CSCECL Group is one of the largest state-owned construction groups in the PRC. According to its 2011 interim report, the total revenue of CSCECL during the six months ended 30 June 2011 amounted to approximately RMB218 billion, up approximately 37.9% from the same period of 2010. Its total contract sum of construction contracts on hand as at 30 June 2011 reached to approximately RMB1,021 billion. As advised by the Management, the Group has discussed with CSCECL about (i) total estimated contract sum of new construction projects of the CSCECL Group (excluding the COHL Group) in the three-year period commencing from 1 November 2011 and ending on 31 October 2014; and (ii) the expected demand for subcontracting during the Relevant Period based on the contract sums and development schedules of CSCECL's construction projects on hand.

Taking into account the factors above, we consider that bases adopted by the Management in determining the CSC Sub-construction Engagement Cap are fair and reasonable so far as the Independent Shareholders are concerned.

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(iii) *The COHL Construction Engagement Cap*

As stated in the Letter from the Board, the COHL Construction Engagement Cap is calculated with reference to the following factors:

- (i) total estimated contract sum of the COHL Group's Construction Works in the three-year period commencing from 1 November 2011 and ending on 31 October 2014, estimated with reference to the COHL Group's future growth and expansion in the PRC for such period;
- (ii) the Group's understanding that many of the COHL Group's Construction Works for 2011 will be launched in the last two months of 2011 and the COHL Group may invite Contractors (including the Group) to tender such Construction Works during the last two months of 2011; and
- (iii) Group's resource allocation, project progression and business strategy, and the trend of economic policies of the PRC government for the three-year period commencing from 1 November 2011 and ending on 31 October 2014 as estimated by the Directors.

In order to ascertain the reasonableness of the COHL Construction Engagement Cap, we further discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the COHL Construction Engagement Cap, and understand that such estimation is mainly based on the following factors:

- the COHL Group has been engaging in investments holding and property development. As advised by the Management, COHL Group is currently engaged on several urban-rural coordination projects (城鄉統籌項目) which involve large-scale housing and infrastructure construction activities in the PRC;
- After discussion with COHL, the Management was advised that the COHL will develop two urban-rural coordination projects (城鄉統籌項目) located in Shandong and Shaanxi; and
- Currently, COHL does not have concrete timetable to invite contractors, including the Group, to tender for the COHL Group's Construction Works. Therefore, the Management sets a fixed annual cap, being RMB5 billion, for the COHL Construction Engagement Agreement during the Relevant Period. The fixed annual cap is estimated by the Management with reference to (i) the total size of the COHL's urban-rural coordination projects; and (ii) the Group's resource allocation and business strategy to tender for the COHL Group's Construction Works.

Taking into account the factors above, we consider that bases adopted by the Management in determining the COHL Construction Engagement Cap are fair and reasonable so far as the Independent Shareholders are concerned.

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Our views:

Having considered the above, we are of the view that the bases adopted by the Management in determining the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, the Shareholders should note that the Annual Caps represent the best estimates by the Directors based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not provide construction services to COHL Group and the CSCECL Group up to the level of the Annual Caps, if at all, as its engagement by COHL Group and the CSCECL Group is subject to tender procedures which are open to other independent third party contractors. Similarly, the Group may or may not retain the CSCECL Group to engage in the Group's construction-related works up to the level of the Annual Caps, if at all, as the engagement by the Group is also subject to the tender procedures which are open to other independent third party sub-contractors or project management contractors.

(D) Requirements of the Listing Rules on the Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;

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- (iii) have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
- (iv) have not exceeded the Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counter-parties to the Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

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

OUR RECOMMENDATIONS

Based on the above principal factors and reasons, we are of the opinion that the Agreements, including the Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to approve the Agreements as detailed in the notice of EGM set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited

Alvin Kam
Director

RESPONSIBILITY STATEMENT

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

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

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

Long positions in shares and underlying shares of the Company:

Name of Director	Number of ordinary shares in the Company held	Number of underlying shares in the Company held	% of shares in the Company in issue ³	
	Personal interests ¹	Share options ²	Total	
Kong Qingping	3,060,400	3,288,848	6,349,248	0.177
Zhou Yong	5,073,780	959,247	6,033,027	0.168
Zhang Yifeng	696,000	61	696,061	0.019
Cheong Chit Sun	2,415,872	—	2,415,872	0.067
Zhou Hancheng	3,955,640	639,498	4,595,138	0.128
Tian Shuchen	5,136,111	—	5,136,111	0.143
Hung Cheung Shew	581,584	—	581,584	0.016
Raymond Ho Chung Tai	—	913,569	913,569	0.025
Adrian David Li Man Kiu	—	913,569	913,569	0.025
Raymond Leung Hai Ming	—	913,569	913,569	0.025
Lee Shing See	—	913,569	913,569	0.025

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options of the Company held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the Company's share option scheme. The share options were granted on 14 September 2005 and the exercise price per share option is HK\$0.2254 (The exercise price per option on 14 September 2005 was HK\$1.03. The exercise price was adjusted to HK\$0.99 immediately after the completion of open offer on 10 September 2007. The exercise price was adjusted to HK\$0.2475 immediately after the share subdivision approved on 12 June 2008. The exercise price was adjusted to HK\$0.2345 immediately after the completion of rights issue on 1 September 2009. The exercise price was adjusted to HK\$0.2254 immediately after the completion of rights issue on 16 May 2011). The vesting period is from 14 September 2005 to 13 September 2010 (both days inclusive) and the exercise period is from 14 September 2006 to 13 September 2015 (both days inclusive). 20% can be exercised annually ("Limit") from 14 September 2006. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 14 September 2010 to 13 September 2015 (both days inclusive).
3. The percentage is based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 3,586,743,521 ordinary shares).

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATION - COLI

Name of Director	Number of ordinary shares in COLI held		Number of underlying shares in COLI held	Total	% of shares in COLI in issue ³
	Personal interests ¹	Family interests	Share options ²		
Kong Qingping	7,435,760	—	1,359,334	8,795,094	0.108
Cheong Chit Sun	146,000	20,000 ⁴	—	166,000	0.002
Hung Cheung Shew	10,000	—	97,095	107,095	0.001

Notes :

1. This represents interests held by the relevant Director as a beneficial owner.
2. This represents interests in share options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares of COLI in respect of the option shares granted by COLI. The exercise price for the share options was HK\$1.13 per share before adjustment for an open offer by COLI. Immediately after the adjustment on 3 February 2009, the exercise price for the share options is HK\$1.118 per share. The vesting period is from 18 June 2004 to 17 June 2009 (both days inclusive) and the exercise period is from 18 June 2005 to 17 June 2014 (both days inclusive). 20% can be exercised annually ("Limit") from 18 June 2005. Unexercised portion of the Limit (if any) can be exercised in the remaining exercise period and will not be included in calculating the Limit of the relevant year. It can be fully exercised from 18 June 2009 to 17 June 2014 (both days inclusive).
3. The percentage is based on the total number of ordinary shares of COLI in issue as at the Latest Practicable Date (i.e. 8,172,519,077 ordinary shares).
4. The interests in 20,000 shares were held by Mr. Cheong Chit Sun and his spouse jointly.

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

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

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

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

Mr. Kong Qingping held directorships in CSCEC, the Company's ultimate holding company, and/or its subsidiaries, which are engaged in construction, property development and related business. Mr. Kong Qingping is also the Vice President of CSCECL.

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

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

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

EXPERT

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

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

- (b) As at the Latest Practicable Date, China Everbright had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) China Everbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) As at the Latest Practicable Date, China Everbright did not have any direct or indirect interest in any assets which have, since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up), been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (e) The letter of China Everbright is given as of the date of this circular for incorporation herein.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 26 October 2011 (except Saturdays and Sundays) and will be available for inspection at EGM:-

- (a) the CSCECL Sub-construction Engagement Agreement;
- (b) the COHL Construction Engagement Agreement;
- (c) the Previous Engagement Agreement;
- (d) the agreement dated 17 November 2010 between the Company and CSCEC pursuant to which the Company and CSCEC agreed to renew the Master Dubai Construction Agreement;
- (e) the Master Dubai Construction Agreement;

- (f) the agreement entered into between the Company and COLI on 18 June 2010, pursuant to which the Company (through its subsidiary) shall provide connection services for heating pipes for real estate projects located in Shenyang developed by COLI;
- (g) the engagement agreement entered into between the Company and COLI on 2 April 2009 in respect of the engagement of the Group by the COLI Group as construction contractor for the COLI Group in the PRC, Hong Kong and Macau;
- (h) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular; and
- (i) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from China Everbright” of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China State Construction International Holdings Limited (the “Company”) will be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on Wednesday, 26 October 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT :**

- (A) (i) the CSCECL Sub-construction Engagement Agreement (as defined in the circular of the Company dated 7 October 2011 of which this notice forms part (the “Circular”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the CSCECL Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 November 2011 and 31 October 2014 be and is hereby approved;
- (iii) the CSC Sub-construction Engagement Cap (as defined in the Circular) for the period between 1 November 2011 and 31 October 2014 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company if the affixing of the common seal is necessary) 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 to be incidental to, ancillary to or in connection with the matters contemplated in the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

2. “**THAT :**

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the COHL Construction Engagement Cap (as defined in the Circular) for the period between 1 November 2011 and 31 October 2014 be and is hereby approved; and
- (B) any one director of the Company (or any two directors of the Company if the affixing of the common seal is necessary) 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 to be incidental to, ancillary to or in connection with the matters contemplated in the COHL Construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of common seal thereon.”

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

Hong Kong, 7 October 2011

Registered office:

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

Notes:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (5) Where there are joint registered holders of any shares, any one of such joint registered holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint registered holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from Tuesday, 25 October 2011 to Wednesday, 26 October 2011 both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 24 October 2011.