
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
IN RELATION TO THE CSCECL WORKS;
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
IN RELATION TO
THE NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 50 of this circular.

A notice convening the EGM to be held at Unit Nos 1507 to 1512, 15th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 December 2023 at 10:00 a.m. is set out on pages 55 to 57 of this circular. A form of proxy for the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (i.e. Monday, 18 December 2023 at 10:00 a.m.) or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish.

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

30 November 2023

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DEFINITIONS

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

“30%-controlled companies”, “associate(s)”, “connected persons”, “continuing connected transactions”, “controlling shareholder”, “holding company”, “percentage ratios” and “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, being a wholly-owned subsidiary of CSCECL and a controlling shareholder of both CSC and the Company
“Company”	China State Construction Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 830)
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311), a controlling shareholder of the Company
“CSC Group”	CSC, its subsidiaries (excluding the Group) and 30% controlled companies from time to time
“CSC Works Caps”	collectively, the Mechanical and Electrical Engineering Works Caps, Machineries Leasing Caps, Insurance Services and Surety Bonds Caps and Supply of Materials Caps
“CSC Works Independent Shareholders”	Shareholder(s), other than CSC and its associates
“CSC Works Transactions”	collectively, the Mechanical and Electrical Engineering Works Transactions, Machineries Leasing Transactions, Insurance Services and Surety Bonds Transactions and Supply of Materials Transactions
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a limited liability company organised and existing under the laws of the PRC, and the ultimate holding company of each of CSCECL, CSC and the Company

DEFINITIONS

“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668) and a non-wholly owned subsidiary of CSCEC and the holding company of COHL
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on the Stock Exchange and their respective subsidiary(ies)) from time to time
“CSCECL Works”	contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works
“CSCECL Works Cap(s)”	the maximum total contract sum of the construction sub-contracts, project consultancy contracts and project management contracts that may be awarded by the CSCECL Group to the Group as subcontractor or service provider (as the case may be) of the CSCECL Group for each year under the New CSCD-CSCECL Sub-construction Engagement Agreement
“CSCECL Works Independent Shareholders”	Shareholder(s), other than CSCECL and its associates
“CSCECL Works Transactions”	the engagement of the Group by the CSCECL Group as subcontractor or service provider (as the case may be) for the CSCECL Works as described under the section headed “(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSCECL – NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT – CSCECL Works Transactions” in the Letter from the Board of this circular
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the New CSCD-CSCECL Sub-construction Engagement Agreement, the New CSCD-CSC Operational Services Agreement and their respective transactions contemplated thereunder (together with the CSCECL Works Caps and CSC Works Caps)
“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

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“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the New CSCD-CSCECL Sub-construction Engagement Agreement, the New CSCD-CSC Operational Services Agreement and their respective transactions contemplated thereunder (together with the CSCECL Works Caps and CSC Works Caps)
“Independent Financial Adviser”	Altus Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New CSCD-CSCECL Sub-construction Engagement Agreement, the New CSCD-CSC Operational Services Agreement and their respective transactions contemplated thereunder
“Independent Shareholder(s)”	CSCECL Works Independent Shareholders (in respect of the New CSCD-CSCECL Sub-construction Engagement Agreement) and/or CSC Works Independent Shareholders (in respect of the New CSCD-CSC Operational Services Agreement)
“Insurance Services and Surety Bonds Cap(s)”	the maximum aggregate value of the premiums/fees of the contracts for provision of insurance services to the Group and issuance of surety bonds for the Group’s construction works by the CSC Group in each year under the New CSCD-CSC Operational Services Agreement
“Insurance Services and Surety Bonds Transactions”	the engagement of the CSC Group to provide insurance services to the Group and issue surety bonds for the Group’s construction works as described under the section headed “(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSC – NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT – (3) Insurance Services and Surety Bonds Transactions” in the Letter from the Board of this circular
“Latest Practicable Date”	24 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Machineries Leasing Cap(s)”	the maximum aggregate value of rent in respect of the leasing of machineries from the CSC Group to the Group in each year under the New CSCD-CSC Operational Services Agreement

DEFINITIONS

“Machineries Leasing Transactions”	the leasing of machineries from the CSC Group to the Group for the Group’s construction works as described under the section headed “(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSC – NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT – (2) Machineries Leasing Transactions” in the Letter from the Board of this circular
“Mechanical and Electrical Engineering Works Cap(s)”	the maximum aggregate value of the contract sum of the contracts for provision of mechanical and electrical engineering works that may be awarded by the Group to the CSC Group (as subcontractor of the Group) in each year under the New CSCD-CSC Operational Services Agreement
“Mechanical and Electrical Engineering Works Transactions”	the engagement by the Group of the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group’s construction works as described under the section headed “(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSC – NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT – (1) Mechanical and Electrical Engineering Works Transactions” in the Letter from the Board of this circular
“New CSCD-CSC Operational Services Agreement”	the agreement entered into between CSC and the Company on 20 October 2023 in respect of the CSC Works Transactions
“New CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and the Company on 20 October 2023 in respect of the CSCECL Works Transactions
“PRC”	the People’s Republic of China which, for the purposes of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Previous CSCD-CSC Operational Services Agreement”	the agreement entered into between CSC and the Company on 19 October 2020 in respect of (i) the provision of mechanical and electrical engineering works by the CSC Group to the Group for the Group’s construction works; (ii) the leasing of machineries from the CSC Group to the Group for the Group’s construction works; (iii) the provision of insurance services by the CSC Group to the Group and issuance of surety bonds for the Group’s construction works; and (iv) the supply of building materials by the CSC Group to the Group for the Group’s construction works, for the period commenced from 1 January 2021 and ending on 31 December 2023

DEFINITIONS

“Previous CSCD-CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between CSCECL and the Company on 19 October 2020 in respect of the engagement of the Group by the CSCECL Group as subcontractor or service provider (as the case may be) for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group’s construction works for the period commenced from 1 January 2021 and ending on 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply of Materials Cap(s)”	the maximum aggregate value of the contract sum of the contracts for supply of materials by the CSC Group to the Group in each year under the New CSCD-CSC Operational Services Agreement
“Supply of Materials Transactions”	the supply of materials by the CSC Group to the Group for the Group’s construction works as described under the section headed “(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSC – NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT – (4) Supply of Materials Transactions” in the Letter from the Board of this circular
“%”	per cent

* *for identification purpose only*

LETTER FROM THE BOARD



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

Chairman and Non-executive Director:

Mr. Zhang Haipeng

Executive Directors:

Mr. Wu Mingqing

(Vice Chairman and Chief Executive Officer)

Mr. Wang Hai

Mr. Wong Man Cheung

Non-executive Director:

Mr. Huang Jiang

Independent Non-executive Directors:

Mr. Zhou Jinsong

Ms. Chan Man Ki Maggie

Mr. Zhang Xinyu

Registered office:

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

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

16th Floor, Eight Commercial Tower

8 Sun Yip Street

Chai Wan

Hong Kong

30 November 2023

To the Shareholders

Dear Sir or Madam,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
IN RELATION TO THE CSCECL WORKS; AND
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
IN RELATION TO
THE NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT**

INTRODUCTION

Reference is made to the announcement jointly issued by CSC and the Company dated 20 October 2023 in respect of the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement between CSCECL and the Company on 20 October 2023 to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement. Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, the CSCECL Group may engage the Group as its subcontractor

LETTER FROM THE BOARD

or service provider (as the case may be) for the provision of CSCECL Works from time to time for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive) subject to the CSCECL Works Caps.

Reference is also made to the announcement of the Company dated 20 October 2023 in respect of the entering into of the New CSCD-CSC Operational Services Agreement between CSC and the Company on 20 October 2023 to renew the Previous CSCD-CSC Operational Services Agreement. Pursuant to the New CSCD-CSC Operational Services Agreement, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive), (1) the Group may engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works subject to the Mechanical and Electrical Engineering Works Caps; (2) the Group may lease machineries from the CSC Group for the Group's construction works subject to the Machineries Leasing Caps; (3) the Group may engage the CSC Group to provide insurance services to the Group and issue surety bonds for the Group's construction works subject to the Insurance Services and Surety Bonds Caps; and (4) the CSC Group may supply materials to the Group subject to the Supply of Materials Caps.

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

- further particulars of (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the transactions contemplated thereunder (together with the CSC Works Caps);
- the letter from the Independent Board Committee with its view on (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the transactions contemplated thereunder (together with the CSC Works Caps);
- the letter from the Independent Financial Adviser with its advice on (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the transactions contemplated thereunder (together with the CSC Works Caps), to the Independent Board Committee and the Independent Shareholders,

as well as to seek the approval of the Independent Shareholders in respect of the entering into of (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

LETTER FROM THE BOARD

(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSCECL

References are made to (i) the announcement jointly issued by CSC and the Company dated 19 October 2020 and (ii) the circular of the Company dated 20 November 2020 in relation to, among other things, the Previous CSCD-CSCECL Sub-construction Engagement Agreement entered into between CSCECL and the Company which will expire on 31 December 2023.

It is contemplated that the CSCECL Group will continue to invite the Group to tender for the CSCECL Group's construction works after the expiration of the Previous CSCD-CSCECL Sub-construction Engagement Agreement. In this connection, on 20 October 2023, CSCECL and the Company entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive). Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, the CSCECL Group may engage the Group as its subcontractor or service provider (as the case may be) for provision of the CSCECL Works from time to time subject to the CSCECL Works Caps.

NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

Date	20 October 2023
Parties	1. CSCECL; and 2. the Company.

CSCECL Works Transactions

Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, CSCECL and the Company agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive):

- (a) any member of the Group may act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of CSCECL Works in accordance with the tendering procedures of the CSCECL Group from time to time (the “**CSCECL Works Transactions**”);
- (b) the parties may from time to time enter into further specific contracts, which set out the detailed terms in relation to the engagement of the Group to act as subcontractor or service provider (as the case may be) of the CSCECL Group for provision of CSCECL Works, provided that the total contract sum that may be awarded by the CSCECL Group to the Group under the New CSCD-CSCECL Sub-construction Engagement Agreement for the financial years ending 31 December 2024, 2025 and 2026 shall not exceed HK\$1,200 million, HK\$1,500 million and HK\$1,500 million, respectively (i.e. the CSCECL Works Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the CSCECL Group to the Group will be settled pursuant to the payment terms set out in the specific contracts.

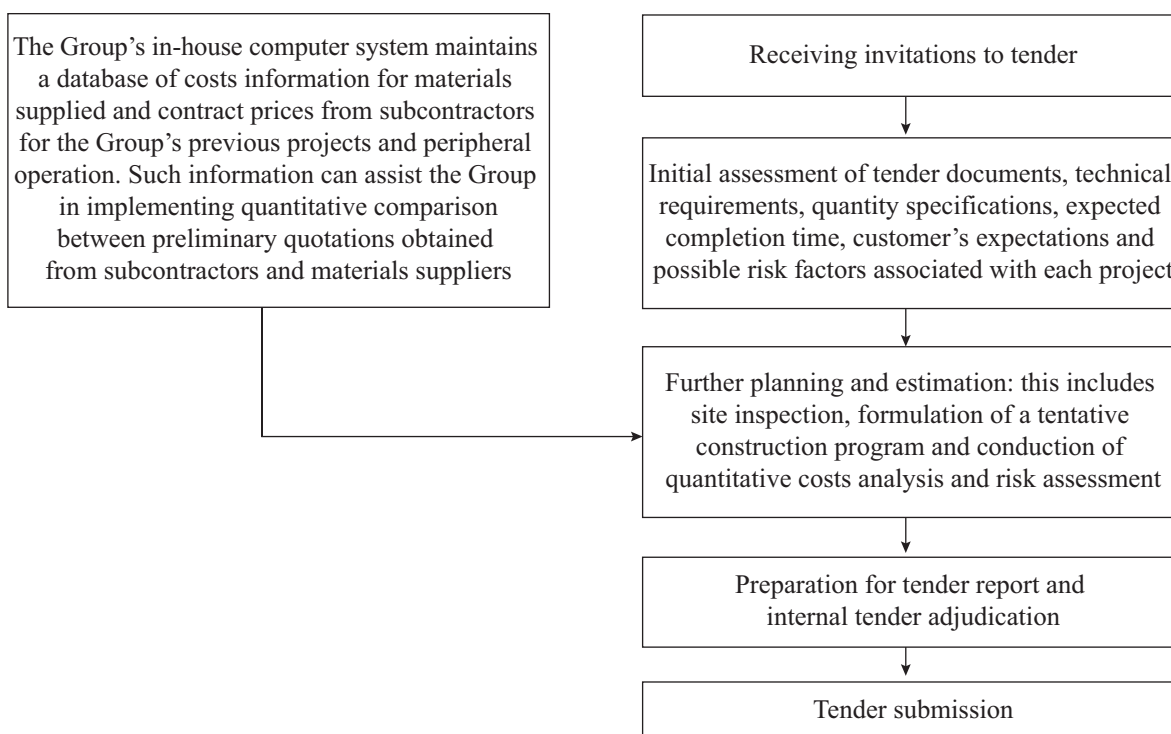
LETTER FROM THE BOARD

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

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

The Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor or service provider (as the case may be) of the CSCECL Group. The prices and terms of the tenders submitted by the Group to the CSCECL Group for the CSCECL Works are subject to the standard and systematic tender submission procedures of the Group, which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the Group to the CSCECL Group are no more favourable to the CSCECL Group than those submitted to independent third parties.

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



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

LETTER FROM THE BOARD

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

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

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

Where the Group submits tender directly to the ultimate employer, the Group will follow the standard and systematic tender submission procedures in determining the terms and price of the tender, and if the Group is nominated as subcontractor or service provider of the CSCECL Group (as the case may be) by the ultimate employer, consideration to the Group will be ascertained by the ultimate employer or its independent professional quantity surveyor.

Historical transaction amounts

The table below sets out the actual amount of provision of the CSCECL Works by the Group for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended		For the
	31 December		six months
	2021	2022	ended 30 June
	(HK\$ million)	(HK\$ million)	2023
	(approximately)	(approximately)	(approximately)
Actual amount of provision of the			
CSCECL Works	450	680	129
Annual cap	1,000	1,000	1,000
Utilisation rate	45.0%	68.0%	12.9% ^(Note)

Note: On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 25.8%.

The historical utilisation rates in relation to the existing annual caps under the Previous CSCD-CSCECL Sub-construction Engagement Agreement ranged from approximately 12.9% to 68% during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 (on a pro-rata basis: 25.8% to 68.0%). The fluctuation in utilisation rate during the said period was primarily due to the number and value of contracts awarded by the CSCECL Group as well as the CSCECL Group's successful tenders.

LETTER FROM THE BOARD

Despite the fluctuating utilisation rates of the annual caps with regard to the CSCECL Works under the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the Board, after taking into consideration (i) the development of the PRC economy and construction activities, in particular, the property market in the PRC (details of which are set out under the paragraph headed “1.6 Outlook of the economy and building construction activities” of the letter from the Independent Financial Adviser as set out on pages 37 to 38 of this circular); and (ii) the potential construction projects available in the market, considers that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in the interests of the Company and the Shareholders as a whole to set the CSCECL Works Caps with reference to their best estimation based on the construction projects which may be secured by the CSCECL Group.

Calculation of the CSCECL Works Caps

The CSCECL Works Caps are calculated with reference to the following factors:

- (a) the historical annual caps in respect of the transactions under the Previous CSCD-CSCECL Sub-construction Engagement Agreement, being HK\$1,000 million for each of the three years ended/ending 31 December 2021, 31 December 2022 and 31 December 2023, respectively;
- (b) the historical total actual contract sums of the CSCECL works provided by the CSCD Group under the Previous CSCD-CSCECL Sub-construction Engagement Agreement, as stated in the table above;
- (c) for the year ending 31 December 2024, the estimated total contract sum of approximately HK\$1,200 million for new construction projects of the CSCECL Group is estimated based on (i) tenders in the total amount of approximately HK\$196 million already submitted to the CSCECL Group; (ii) tenders in the total amount of approximately HK\$676 million planned to be submitted to, or projects under negotiation with, the CSCECL Group (which, together with (i), amount to approximately 48.4% of the estimated aggregate contract sum of approximately HK\$1.8 billion for 18 potential new construction projects available for the CSCECL Group for the relevant year, which upon successful tender, such contracts will be awarded to the Group in 2024 or 2025); and (iii) potential projects available from the CSCECL Group in the total amount of approximately HK\$883 million; for the year ending 31 December 2025, the estimated total contract sum of approximately HK\$1,500 million for new construction projects of the CSCECL Group is estimated based on 12 potential projects available from the CSCECL Group with an estimated aggregate sum of approximately HK\$1,537 million, which upon successful tender, such contracts will be awarded to the Group in 2025 or 2026; for the year ending 31 December 2026, on the same basis as for the year ending 31 December 2025 (i.e. after taking into account the aggregate contract sum of the potential new construction projects for the year ending 31 December 2025 from the CSCECL Group, and assuming no material adverse impact to the overall economy and building construction activities, the management of the Company believes that the CSCECL Group will be able to maintain its business scale and a similar amount of construction contracts will be available for tender); and
- (d) inflation rate of approximately 0.4% of the PRC according to the data released by National Bureau of Statistics of the PRC in October 2023.

LETTER FROM THE BOARD

Condition Precedent

The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps).

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

The Directors consider that the CSCECL Works Transactions will allow the Company to maximise profits and by being able to participate in the CSCECL Works upon successful tender, the Group can secure a more diverse base of customers, thereby expanding its market reach. As for the CSCECL Group, it can leverage on the Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency. In addition, given the satisfactory cooperation between CSCECL and the Company pursuant to the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSCECL and the Company will bring synergy effect to both CSCECL and the Company, thereby facilitating the expansion of the Group's businesses.

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 Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

CSCECL is an intermediate holding company of CSC which, in turn, is indirectly interested in approximately 70.78% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, members of the CSCECL Group are connected persons of the Company. The CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement between members of the CSCECL Group on the one hand and members of the Group on the other hand, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

None of the Directors has any material interest in the CSCECL Works Transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement. However, Mr. Zhang Haipeng, being the chairman and non-executive director of the Company, the chairman and executive director of CSC, and a director of COHL, has voluntarily abstained from voting on the Board resolutions of the Company approving the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps).

(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH CSC

References are made to the announcement of the Company dated 19 October 2020 and the circular of the Company dated 20 November 2020 in relation to, among other things, the Previous CSCD-CSC Operational Services Agreement entered into between CSC and the Company which will expire on 31 December 2023.

The Directors expect that the CSC Group will continue to (i) provide mechanical and electrical engineering works for the Group's construction works; (ii) lease machineries to the Group; (iii) provide insurance services to the Group and issue surety bonds for the Group's construction works; and (iv) supply materials to the Group. In this connection, on 20 October 2023, CSC and the Company entered into the New CSCD-CSC Operational Services Agreement to renew the Previous CSCD-CSC Operational Services Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive). Pursuant to the New CSCD-CSC Operational Services Agreement, (1) the Group may engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works; (2) the Group may lease machineries from the CSC Group for the Group's construction works; (3) the Group may engage the CSC Group to provide insurance services to the Group and issue surety bonds for the Group's construction works; and (4) the CSC Group may supply materials to the Group.

NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT

Date	20 October 2023
Parties	1. CSC; and 2. the Company.

(1) Mechanical and Electrical Engineering Works Transactions

Under the New CSCD-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive):

- (a) any member of the CSC Group may act as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works in accordance with the applicable subcontracting procedures of the Group from time to time (the "**Mechanical and Electrical Engineering Works Transactions**");

LETTER FROM THE BOARD

- (b) the parties may from time to time enter into further specific contracts which set out the detailed terms in relation to the engagement of the CSC Group to act as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works, provided that the total contract sum that may be awarded by the Group to the CSC Group under the New CSCD-CSC Operational Services Agreement for each of the three financial years ending 31 December 2026 shall not exceed HK\$550 million (i.e. the Mechanical and Electrical Engineering Works Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the fees payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the specific contracts.

Subject to the terms and conditions of the specific contracts, the fees payable under the Mechanical and Electrical Engineering Works Transactions will generally be settled by way of progress payments based on the construction progress.

Pricing basis of the contracts awarded by the Group to the CSC Group

As a general principle, the prices and terms of the contracts with respect to the Mechanical and Electrical Engineering Works Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those provided by independent third party subcontractors of the Group.

Where the CSC Group is nominated as subcontractor of the Group by the ultimate employer, consideration to the CSC Group will be determined by the independent professional quantity surveyor appointed by the ultimate employer.

Where the Group has the right to select its contractors, the Group will conduct a vetting process to shortlist at least three contractors from a list of pre-approved contractors to be invited to tender, and the winning bid of which will be the one with the lowest tender amount in accordance with the Group's internal tender procedures on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability and historical relationship and track records) as set out in the tender invitation.

The Group maintains a list of pre-approved contractors (which is subject to periodic review and update by its management to ensure contractors' quality standards). Contractors on the list include those with or without prior working relationship with the Group. Contractors with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Contractors can only be retained on the list if they meet the minimum criteria for retention in the suitability assessment, otherwise they will be removed from the list. Contractors without prior working relationship with the Group will be subject to qualification evaluation and review to ascertain if they are suitable for inclusion in the list. The Group will take into account factors including contractors' financial stability, size and scale, relevant experience, professional qualification, reputation and past performance on similar projects.

LETTER FROM THE BOARD

Historical transaction amounts

The table below sets out the actual total contract sum for provision of mechanical and electrical engineering works by the CSC Group for the Group's construction works for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended		For the
	31 December		six months
	2021	2022	ended 30 June
	(HK\$ million)	(HK\$ million)	2023
	(approximately)	(approximately)	(approximately)
Actual total contract sum for provision of mechanical and electrical engineering works by the CSC Group	Nil	Nil	Nil
Annual cap	4.5	4.5	4.5
Utilisation rate <i>(Note)</i>	Nil	Nil	Nil

Note: The utilisation rate had been nil as the CSC Group had not been nominated by the ultimate employer as subcontractor of the Group.

The historical utilisation rates in relation to the provision of mechanical and electrical engineering works by the CSC Group for the Group's construction works under the Previous CSCD-CSC Operational Services Agreement were nil during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023. This was primarily due to the scope and nature of contracts awarded to the Group as well as the preferences of the ultimate employer of the awarded contracts.

Despite the lack of utilisation of the annual caps with regard to the provision of mechanical and electrical engineering works by the CSC Group for the Group's construction works under the Previous CSCD-CSC Operational Services Agreement, the Board is of the view that given that the CSC Group is a reliable service provider who can assist the Group in offering more competitive pricing and reduce the risks of delaying projects, it is in the interest of the Company and the Shareholders as a whole to determine the Mechanical and Electrical Engineering Works Caps with reference to their best estimation on all potential projects that the Group may be awarded with.

Calculation of the Mechanical and Electrical Engineering Works Caps

The Mechanical and Electrical Engineering Works Cap:

- (a) for the financial year ending 31 December 2024 is determined with reference to the potential residential/commercial construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$6.5 billion that the Group may tender for in the fourth quarter of 2023 and in 2024;

LETTER FROM THE BOARD

- (b) for the financial year ending 31 December 2025 is determined with reference to the potential commercial construction project available from a property developer in Hong Kong with an estimated contract sum of HK\$4.2 billion that may be available for tender by the Group in the fourth quarter of 2024; and
- (c) for the financial year ending 31 December 2026 is determined with reference to the potential residential construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$3.3 billion that may be available for tender by the Group in the fourth quarter of 2025.

The cost of Mechanical and Electrical Engineering Works is expected to contribute to a range of approximately 10.5% to 18.2% of the total contract sum of the potential new construction projects to be tendered by the Group, which is based on the minimum and maximum contribution of the cost of mechanical and electrical engineering works to the contract sums of the five completed residential/commercial construction projects undertaken by the Group from 2016 to 2023 (which accounted for approximately 80% of the contract sums of the general contracting works of the Group for the corresponding period). As such, taking into account (1) the maximum contribution (i.e. 18.2%) of the cost of mechanical and electrical engineering works to the contract sums of the Group's previous projects as stated above and (2) the estimation based on the published potential construction projects (i.e. HK\$6.5 billion for the fourth quarter of 2023 and 2024; HK\$4.2 billion for 2025; and HK\$3.3 billion for 2026) that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Mechanical and Electrical Engineering Works Cap is set at HK\$550 million for each of the three years ending 31 December 2026.

The CSC Group was not engaged by the Group to provide any mechanical and electrical engineering works in the two financial years ended 31 December 2022 and in the period from 1 January 2023 to 30 June 2023 as the CSC Group had not been nominated by the ultimate employer as subcontractor of the Group.

Notwithstanding that the CSC was not engaged by the Group to provide any mechanical and electrical engineering works in the two financial years ended 31 December 2022 and in the period from 1 January 2023 to 30 June 2023, the Mechanical and Electrical Engineering Works Caps are fair and reasonable due to the fact that (i) mechanical and electrical engineering works will be a furtherance to the Group's business; (ii) it would provide the Group the flexibility but not the obligation to engage the CSC Group for mechanical and electrical engineering works; and (iii) it would avoid undue delay in the mechanical and electrical engineering works which the Group wishes to engage the CSC Group.

(2) Machineries Leasing Transactions

Under the New CSCD-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive):

- (a) the Group may lease machineries from any member of the CSC Group for the Group's construction works in accordance with the applicable vendor selection procedures of the Group from time to time (the "**Machineries Leasing Transactions**");

LETTER FROM THE BOARD

- (b) the parties may from time to time enter into further specific contracts which set out the detailed terms in relation to the leasing of machineries from the CSC Group to the Group for the Group's construction works, provided that the total rent for the leasing of machineries under the New CSCD-CSC Operational Services Agreement for each of the three financial years ending 31 December 2026 shall not exceed HK\$40 million (i.e. the Machineries Leasing Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the rent for the machineries will be paid by the Group to the CSC Group pursuant to the terms set out in the specific contracts.

Subject to the terms and conditions of the specific contracts, the fees payable under the Machineries Leasing Transactions will generally be accrued daily and settled by way of monthly payments.

Pricing basis of the contracts awarded by the Group to the CSC Group

As a general principle, the prices and terms of the contracts with respect to the Machineries Leasing Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those offered by independent third party vendors of the Group.

The Group will obtain at least three quotations from a list of pre-approved vendors (which is subject to periodic review and update by its management to ensure vendors' machineries and equipment are in good operational conditions). For the selection of a vendor, the lowest quotation will be selected on the condition that the vendor also satisfies all other essential requirements (including but not limited to the specification and condition of the machinery and equipment).

Vendors on the list include those with or without prior working relationship with the Group. Vendors with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Vendors can only be retained on the list if they meet the minimum criteria for retention in the suitability assessment, otherwise they will be removed from the list. Vendors without prior working relationship with the Group will be subject to qualification evaluation and review to ascertain if they are suitable for inclusion in the list. The Group will take into account factors including vendors' financial stability, size and scale, machinery and equipment specification and condition, price, reputation and past performance on similar projects. Vendors who submit quotations to the Group are selected from vendors on the list of pre-approved vendors.

LETTER FROM THE BOARD

Historical transaction amounts

The table below sets out the total rent paid by the Group for the leasing of machineries from the CSC Group for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30 June
	2021 (HK\$ million) (approximately)	2022 (HK\$ million) (approximately)	2023 (HK\$ million) (approximately)
Total rent paid by the Group for the leasing of machineries	5.7	0.5	7.2
Annual cap	25	25	25
Utilisation rate	22.8%	2.0%	28.8% ^(Note)

Note: On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 57.6%.

The historical utilisation rates in relation to the total rent paid by the Group for the leasing of machineries from the CSC Group under the Previous CSCD-CSC Operational Services Agreement were relatively low and fluctuating during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023. The low and fluctuating historical utilisation rates were primarily due to the scope and nature of contracts awarded to the Group where the leasing of machineries was required.

Despite the low and fluctuating historical utilisation rates of the annual caps with regard to the total rent paid by the Group for the leasing of machineries from the CSC Group under the Previous CSCD-CSC Operational Services Agreement, the Board is of the view that given that the CSC Group is a reliable machinery supplier who can assist the Group in offering more competitive pricing and reduce the risks of delaying projects, it is in the interest of the Company and the Shareholders as a whole to determine the Machineries Leasing Cap with reference to their best estimation on all potential projects that the Group may be awarded with.

Calculation of the Machineries Leasing Caps

The Machineries Leasing Cap:

- (a) for the financial year ending 31 December 2024 is determined with reference to (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the potential residential/commercial construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$6.5 billion that the Group may tender for in the fourth quarter of 2023 and in 2024;
- (b) for the financial year ending 31 December 2025 is determined with reference to the potential commercial construction project with an estimated contract sum of HK\$4.2 billion that may be available for tender by the Group in the fourth quarter of 2024; and

LETTER FROM THE BOARD

- (c) for the financial year ending 31 December 2026 is determined with reference to the potential residential/commercial construction projects with an estimated total contract sum of HK\$3.3 billion that may be available for tender by the Group in the fourth quarter of 2025.

The cost of machineries leasing is expected to contribute to a range of approximately 0.4% to 1.5% of the total contract sum of the potential new construction projects to be tendered by the Group, which is based on the minimum and maximum contribution of the cost of machineries leasing to the contract sums of the five completed residential/commercial construction projects undertaken by the Group from 2016 to 2023 (which accounted for approximately 80% of the contract sums of the general contracting works of the Group for the corresponding period). As such, taking into account (1) the maximum contribution (i.e. 1.5%) of cost of machineries leasing to the contract sums of the Group's previous projects as stated above and (2) the estimation based on the published potential construction projects (i.e. HK\$6.5 billion for the fourth quarter of 2023 and 2024; HK\$4.2 billion for 2025; and HK\$3.3 billion for 2026) that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Machineries Leasing Cap is set at HK\$40 million for each of the three years ending 31 December 2026.

(3) Insurance Services and Surety Bonds Transactions

Under the New CSCD-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive):

- (a) any member of the CSC Group may provide insurance services to the Group and issue surety bonds for the Group's construction works in accordance with the applicable insurer selection procedures of the Group from time to time (the "**Insurance Services and Surety Bonds Transactions**");
- (b) the parties may from time to time enter into further specific contracts which set out the detailed terms in relation to the provision of insurance services and the issuance of surety bonds, provided that the total premiums/fees for the provision of insurance services and the issuance of surety bonds under the New CSCD-CSC Operational Services Agreement for each of the three financial years ending 31 December 2026 shall not exceed HK\$75 million (i.e. the Insurance Services and Surety Bonds Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the premiums/fees for the insurance services and surety bonds will be paid by the Group to the CSC Group pursuant to the payment terms set out in the specific contracts.

Subject to the terms and conditions of the specific contracts, the fees payable under the Insurance Services and Surety Bonds Transactions will generally be settled upon issuance of cover notes and surety bonds.

LETTER FROM THE BOARD

Pricing basis of the provision of insurance services and issuance of surety bonds by the CSC Group

As a general principle, the prices and terms of the contracts with respect to the Insurance Services and Surety Bonds Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those offered by independent third party insurers of the Group.

The Group will obtain at least three quotations from independent insurers (directly or indirectly through insurance brokers) and the CSC Group. For the selection of the insurers, the lowest quotation will be selected on the condition that the insurer also satisfies other essential requirements (including but not limited to paying ability, financial strength, specialisation, historical relationship and record of claim refusal).

Historical transaction amounts

The table below sets out the total premiums/fees paid by the Group for provision of insurance services and issuance of surety bonds by the CSC Group for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended		For the
	31 December		six months
	2021	2022	ended 30 June
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Total premiums/fees paid by the Group for provision of insurance services and issuance of surety bonds by the CSC Group	20	1.2	4.2
Annual cap	70	70	70
Utilisation rate	28.6%	1.7%	6.0% <i>(Note)</i>

Note: On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 12%.

The historical utilisation rates in relation to the total premium/fees paid by the Group for provision of insurance services and issuance of surety bonds by the CSC Group under the Previous CSCD-CSC Operational Services Agreement were relatively low and fluctuating during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023. The low and fluctuating historical utilisation rates were primarily due to the scope and nature of contracts awarded to the Group where the provision of insurance services was required.

LETTER FROM THE BOARD

Despite the low and fluctuating historical utilisation rates of the annual caps with regard to the total premium/fees paid by the Group for provision of insurance services and issuance of surety bonds by the CSC Group under the Previous CSCD-CSC Operational Services Agreement, the Board is of the view that given that the CSC Group is a reliable insurer who can assist the Group in offering more competitive pricing and reduce the risks of delaying projects, it is in the interest of the Company and the Shareholders as a whole to determine the Insurance Services and Surety Bonds Cap with reference to their best estimation on all potential projects that the Group may be awarded with.

Calculation of the Insurance Services and Surety Bonds Caps

The Insurance Services and Surety Bonds Cap:

- (a) for the financial year ending 31 December 2024 is determined with reference to (i) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the potential residential/commercial construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$6.5 billion that the Group may tender for in the fourth quarter of 2023 and in 2024;
- (b) for the financial year ending 31 December 2025 is determined with reference to the potential commercial construction project with an estimated contract sum of HK\$4.2 billion that may be available for tender by the Group in the fourth quarter of 2024; and
- (c) for the financial year ending 31 December 2026 is determined with reference to the potential residential construction projects with an estimated total contract sum of HK\$3.3 billion that may be available for tender by the Group in the fourth quarter of 2025.

The cost of insurance services and surety bonds is expected to contribute to a range of approximately 0.8% to 2.4% of the total contract sum of the potential new construction projects to be tendered by the Group, which is based on the minimum and maximum contribution of the cost of insurance services and surety bonds to the contract sums of the five completed residential/commercial construction projects undertaken by the Group from 2016 to 2023 (which accounted for approximately 80% of the contract sums of the general contracting works of the Group for the corresponding period). As such, taking into account (1) the maximum contribution (i.e. 2.4%) of cost of insurance services and surety bonds to the contract sum of the Group's previous projects as stated above and (2) the estimation based on the published potential construction projects (i.e. HK\$6.5 billion for the fourth quarter of 2023 and 2024; HK\$4.2 billion for 2025; and HK\$3.3 billion for 2026) that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Insurance Services and Surety Bonds Cap is set at HK\$75 million for each of the three years ending 31 December 2026.

(4) Supply of Materials Transactions

Under the New CSCD-CSC Operational Services Agreement, CSC and the Company agreed that, for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive):

LETTER FROM THE BOARD

- (a) any member of the CSC Group may supply materials (including but not limited to building materials and construction management products) to the Group for the Group's construction works in accordance with the applicable supplier selection procedures of the Group from time to time (the "**Supply of Materials Transactions**");
- (b) the parties may from time to time enter into further specific contracts which set out the detailed terms in relation to the supply of materials, provided that the total sum for the supply of materials under the New CSCD-CSC Operational Services Agreement for each of the three financial years ending 31 December 2026 shall not exceed HK\$270 million (i.e. the Supply of Materials Caps). The terms of the specific contracts will be negotiated on an arm's length basis between the parties; and
- (c) the amount for the supply of materials will be paid by the Group to the CSC Group pursuant to the payment terms set out in the specific contracts.

Subject to the terms and conditions of the specific contracts, the fees payable under the Supply of Materials Transactions will generally be settled upon delivery of the materials.

Pricing basis of the supply of materials to the Group by the CSC Group

As a general principle, the prices and terms of the contracts with respect to the Supply of Materials Transactions shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those offered by independent third party suppliers of the Group.

The Group will obtain at least three quotations from a list of pre-approved suppliers (which is subject to periodic review and update by its management to ensure a portfolio of best-in-class suppliers is available for use). Suppliers on the list include those with or without prior working relationship with the Group. Suppliers with prior working relationship with the Group will be subject to suitability assessment following completion of every project of the Group. Suppliers can only be retained on the list if they meet the minimum criteria for retention in the suitability assessment, otherwise they will be removed from the list. Suppliers without prior working relationship with the Group will be subject to qualification evaluation and review to ascertain if they are suitable for inclusion in the list. The Group will take into account factors including suppliers' financial stability, size and scale, products offered and specification, production capacity and facility, professional qualification, reputation and past performance on similar projects. Only suppliers who are on the list will be invited to submit quotations to the Group.

For the selection of a supplier, the lowest quotation will be selected on the condition that the supplier also satisfies all other essential requirements (including but not limited to relevant experience, qualities and specifications of materials and track records).

LETTER FROM THE BOARD

Historical transaction amounts

The table below sets out the total amount paid by the Group for the materials supplied by the CSC Group for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Total amount paid by the Group for the materials supplied by the CSC Group	12	13	0.3
Annual cap	150	150	150
Utilisation rate	8.0%	8.7%	0.2% ^(Note)

Note: On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 0.4%.

The historical utilisation rates in relation to the total amount paid by the Group for the materials supplied by the CSC Group under the Previous CSCD-CSC Operational Services Agreement were relatively low and fluctuating during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023. The low and fluctuating historical utilisation rates were primarily due to the scope and nature of contracts awarded to the Group where the supply of materials was required.

Despite the low and fluctuating historical utilisation rates of the annual caps with regard to the total amount paid by the Group for the materials supplied by the CSC Group under the Previous CSCD-CSC Operational Services Agreement, the Board is of the view that given that the CSC Group is a reliable material supplier who can assist the Group in offering more competitive pricing and reduce the risks of delaying projects, it is in the interest of the Company and the Shareholders as a whole to determine the Supply of Materials Cap with reference to their best estimation on all potential projects that the Group may be awarded with.

Calculation of the Supply of Materials Caps

The Supply of Materials Cap:

- (a) for the financial year ending 31 December 2024 is determined with reference to (i) the historical transaction amounts for the two year ended 31 December 2022 and the six months ended 30 June 2023; and (ii) the potential residential/commercial construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$6.5 billion that the Group may tender for in the fourth quarter of 2023 and in 2024;
- (b) for the financial year ending 31 December 2025 is determined with reference to the potential commercial construction project with an estimated contract sum of HK\$4.2 billion that may be available for tender by the Group in the fourth quarter of 2024; and

LETTER FROM THE BOARD

- (c) for the financial year ending 31 December 2026 is determined with reference to the potential residential construction projects with an estimated total contract sum of HK\$3.3 billion that may be available for tender by the Group in the fourth quarter of 2025.

The cost of supply of materials is expected to contribute to a range of approximately 2.8% to 9.2% of the total contract sum of the potential new construction projects to be tendered by the Group, which is based on the minimum and maximum contribution of the cost of supply of materials to the contract sums of the five completed residential/commercial construction projects undertaken by the Group from 2016 to 2023 (which accounted for approximately 80% of the contract sums of the general contracting works of the Group for the corresponding period). As such, taking into account (1) the maximum contribution (i.e. 9.2%) of cost of supply of materials to the contract sum of the Group's previous projects as stated above and (2) the estimation based on the published potential construction projects (i.e. HK\$6.5 billion for the fourth quarter of 2023 and 2024; HK\$4.2 billion for 2025; and HK\$3.3 billion for 2026) that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Supply of Materials Cap is set at HK\$270 million for each of the three years ending 31 December 2026.

Conditions Precedent

The CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement (together with the CSC Works Caps) are conditional upon the passing of the resolution by the Independent Shareholders at the EGM approving the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT

The CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, as well as the CSC Group.

The expertise of the CSC Group in building construction and its solid financial standing have demonstrated itself as professional and reliable contractor and supplier to its customers and the continuation of the longstanding and established business relationship with the CSC Group will allow the Group to secure a more diverse base of contractors and suppliers, such that the Group can earn competitive advantages and maximise profits by ensuring its contractors/suppliers offer more competitive pricing and services, reducing the risk of delay in project delivery, and boosting the performance of the contractors/suppliers to meet complex and demanding business needs, thereby bringing synergistic effect to both CSC Group and the Group, and facilitating the expansion of the Group's businesses.

LETTER FROM THE BOARD

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

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CSC is a controlling shareholder of the Company. Accordingly, members of the CSC Group are connected persons of the Company. The CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the CSC Works Caps exceed 5%, the CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement. However, Mr. Zhang Haipeng, being the chairman and non-executive director of the Company, the chairman and executive director of CSC, and a director of COHL; Mr. Wu Mingqing, being vice chairman, executive Director and the chief executive officer of the Company; and Mr. Huang Jiang, being non-executive Director, have voluntarily abstained from voting on the Board resolutions of the Company approving the entering into of the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

GENERAL

CSCECL is an intermediate holding company of the Company and is a contractor which is principally engaged in construction works in various cities in the PRC and various countries around the world.

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

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

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

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Company has put in place a series of internal control measures to monitor the transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement, as well as to ensure that the agreed prices of these transactions are in compliance with the pricing policies mentioned above.

Apart from the Group's standard and systematic tender submission procedure described above, the Company's project tendering committee and procurement and sub-contracting committee are responsible for reviewing and approving the terms and prices of all transactions to ensure they are in compliance with the applicable policies and procedures of the Group (such as the Procurement Procedure, the Tender Submission Procedure and the Contract Management Policy).

In addition, the audit committee of the Board (the "**Audit Committee**") has been provided with details of the specific contracts in relation to the transactions entered into by the Group on a half-yearly basis to ensure the transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and their agreed prices are in compliance with the pricing policies or mechanisms as set out in the New CSCD-CSCECL Sub-construction Engagement Agreement and/or the New CSCD-CSC Operational Services Agreement (as the case may be). Annual review has also been conducted by the finance and treasury department of the Company to review the processes and systems of internal control to ensure that the policies and procedures are being followed and that the systems are effective. Besides, the Audit Committee will regularly conduct assessment on the internal control system of the Group in order to ensure the effectiveness of the same. External auditors are also engaged to report on the continuing connected transactions entered into by the Group during the year, with their findings and conclusions being reported to the Audit Committee in accordance with the relevant standards and practice notes.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps). Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

EGM

The notice convening the EGM is set out on pages 55 to 57 of this circular.

The EGM will be convened and held at Unit Nos 1507 to 1512, 15th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 December 2023 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among others, (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

LETTER FROM THE BOARD

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the extraordinary general meeting (i.e. Monday, 18 December 2023 at 10:00 a.m.) or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish. The results of the poll will be published on the Company's and the Stock Exchange's websites not later than the business day after the EGM.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by way of poll. As at the Latest Practicable Date, CSC, through its wholly-owned subsidiary Add Treasure Holdings Limited, holds 1,596,403,279 Shares, representing approximately 70.78% of the issued share capital of the Company. Add Treasure Holdings Limited, as an associate of CSC and CSCECL, will abstain from voting at the EGM on the resolutions relating to (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

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

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

The results of the voting will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules after the EGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of members who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 15 December 2023 to Wednesday, 20 December 2023, both days inclusive, during which period no transfers of shares will be effected.

LETTER FROM THE BOARD

In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 December 2023.

RECOMMENDATIONS

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders in relation to (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 31 to 50 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps).

The Board considers that (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder; and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

30 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
IN RELATION TO THE CSCECL WORKS; AND
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
IN RELATION TO
THE NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT**

We refer to the circular of the Company dated 30 November 2023 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to advise the Independent Shareholders as to consider whether, in its opinion, (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps) are fair and reasonable, on normal commercial terms or better to the Group, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolutions to approve the same at the EGM. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 31 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 28 of the Circular and the additional information set out in the Appendix to the Circular.

Having taken into account (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps), (ii) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps); (iii) the advice of Altus Capital Limited; and (iv) the relevant information contained in the letter from the Board, we consider that (a) the New

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CSCD-CSCECL Sub-construction Engagement Agreement and the CSCECL Works Transactions contemplated thereunder (together with the CSCECL Works Caps); and (b) the New CSCD-CSC Operational Services Agreement and the CSC Works Transactions contemplated thereunder (together with the CSC Works Caps) are on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, 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 Development Holdings Limited**

Zhou Jinsong

*Independent Non-executive
Director*

Chan Man Ki Maggie

*Independent Non-executive
Director*

Zhang Xinyu

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

30 November 2023

To the Independent Board Committee and the Independent Shareholders

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

Dear Sirs,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
中國建築股份有限公司
(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)
IN RELATION TO THE CSCECL WORKS; AND
(II) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
IN RELATION TO
THE NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of and the proposed annual caps in relation to the continuing connected transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement. Details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 30 November 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Previous CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSCECL Sub-construction Engagement Agreement

On 20 October 2023, CSCECL and the Company entered into the New CSCD-CSCECL Sub-construction Engagement Agreement to renew the Previous CSCD-CSCECL Sub-construction Engagement Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive). Pursuant to the New CSCD-CSCECL Sub-construction Engagement Agreement, the CSCECL Group may engage the Group as its subcontractor or service provider (as the case may be) for provision of the CSCECL Works from time to time subject to the CSCECL Works Caps.

Previous CSCD-CSC Operational Services Agreement and the New CSCD-CSC Operational Services Agreement

On 20 October 2023, CSC and the Company entered into the New CSCD-CSC Operational Services Agreement to renew the Previous CSCD-CSC Operational Services Agreement for a further term of three years commencing from 1 January 2024 and ending on 31 December 2026 (both dates inclusive). Pursuant to the New CSCD-CSC Operational Services Agreement, (1) the Group may engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works subject to the Mechanical and Electrical Engineering Works Caps; (2) the Group may lease machineries from the CSC Group for the Group's construction works subject to the Machineries Leasing Caps; (3) the Group may engage the CSC Group to provide insurance services to the Group and issue surety bonds for the Group's construction works subject to the Insurance Services and Surety Bonds Caps; and (4) the CSC Group may supply materials to the Group subject to the Supply of Materials Caps.

LISTING RULES IMPLICATIONS

CSCECL is an intermediate holding company of CSC, which, in turn, is indirectly interested in approximately 70.78% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, members of the CSCECL Group and the CSC Group are connected persons of the Company, respectively.

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

Since the applicable percentage ratios as defined in the Listing Rules in respect of the CSC Works Caps exceed 5%, the CSC Works Transactions contemplated under the New CSCD-CSC Operational Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhou Jinsong, Ms. Chan Man Ki Maggie and Mr. Zhang Xinyu, has been established to advise the Independent Shareholders on (i) whether the terms of the New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the CSCECL Works Transactions and CSC Works Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) and the New CSCD-CSC Operational Services Agreement (together with the CSC Works Caps) and the respective transactions contemplated thereunder at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

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

We had acted as the independent financial adviser for the Company with regard to its (i) renewal of continuing connected transactions with CSC, details of which are set out in the circular of the Company dated 29 April 2022; and (ii) disposal of the entire equity interest in a subsidiary, details of which are set out in the announcement of the Company dated 11 October 2023.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement; (ii) the Previous CSCD-CSCECL Sub-construction Engagement Agreement and the Previous CSCD-CSC Operational Services Agreement; (iii) the annual report of the Group for the year ended 31 December 2022 (the “**CSCD 2022 Annual Report**”); (iv) the interim report of the Group for the six months ended 30 June 2023 (the “**CSCD 2023 Interim Report**”); and (v) other information set out in the Circular.

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. BACKGROUND INFORMATION

1.1 Principal business of the Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial performance of the Group

Set out below is a summary of the consolidated financial information of the Group as extracted from the CSCD 2022 Annual Report and CSCD 2023 Interim Report.

	For the year ended 31		For the six months ended 30	
	December		June	
	2022	2021	2023	2022
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Revenue	7,668,983	6,294,827	4,716,239	3,806,036
Facade contracting works	5,784,122	4,478,100	3,647,654	2,899,023
General contracting works	894,992	806,592	514,767	305,098
Operating management	989,869	1,010,135	553,818	601,915
Gross profit	825,305	676,854	675,387	535,659
Profit attributable to owners of the Company	421,852	291,976	436,655	321,763

Year ended 31 December 2021 (“FY2021”) compared with year ended 31 December 2022 (“FY2022”)

During FY2022, the Group recorded record-high revenue and profit primarily due to its facade contracting business. With the Group’s strong book order, it recorded an increase in revenue from approximately HK\$6.3 billion in FY2021 to approximately HK\$7.7 billion in FY2022. In relation to the facade contracting business, as a result of good progress on curtain wall projects in Hong Kong and Mainland China, revenue for this segment increased to approximately HK\$5.8 billion in FY2022, from approximately HK\$4.5 billion in FY2021, representing an increase of 29.2%. As a result of the commencement of construction works of a new project awarded in 2021, revenue generated from the general contracting works segment increased from approximately HK\$0.8 billion in FY2021 to HK\$0.9 billion in FY2022. Affected by the depreciation of Renminbi on revenue and the increase of cost of coal of the thermoelectric plant in Mainland China during FY2022, revenue derived from the operating management segment decreased slightly from HK\$1,010.1 million in FY2021 to approximately HK\$989.9 million in FY2022.

As a result of the significant enhancement in revenue as mentioned above, the Group’s profit attributable to owners of the Company also increased substantially from approximately HK\$292.0 million in FY2021 to HK\$421.9 million in FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Six months ended 30 June 2023 (“1H2023”) compared with six months ended 30 June 2022 (“1H2022”)

During 1H2023, the Group continued to experience good progress in its facade contracting business arising from curtain wall projects in Hong Kong and Mainland China. The Group’s overall revenue increased from approximately HK\$3.8 billion in 1H2022 to approximately HK\$4.7 billion in 1H2023 primarily due to the increase in revenue in the facade contracting business, from approximately HK\$2.9 billion in 1H2022 to HK\$3.6 billion in 1H2023. With respect to the general contracting works segment, as a result of the commencement of construction works of the new project awarded in 2022, revenue from this segment also increased from approximately HK\$305.1 million in 1H2022 to HK\$514.8 million in 1H2023. The overall increase of the Group’s profit attributable to owners of the Company primarily resulted from the aforementioned increase in revenue.

1.3 Outlook of the Group

The Group expects that the global economy will continue to recover. Mainland China is expected to strengthen its macro-control efforts, and more economic support policies will inject vitality into economic growth. With the reopening of Hong Kong, Macau, Mainland China and other countries, it is expected that the economy will continue its strong recovery, which will further release the demand for construction in Hong Kong and Macau. Meanwhile, the deepening of the construction of the Guangdong-Hong Kong-Macau Greater Bay Area will also bring significant development opportunities to the construction industry in Hong Kong and Macau.

1.4 Principal business of the CSCECL Group

CSCECL is an intermediate holding company of the Company and is a contractor principally engaged in construction works in various cities in the PRC and various countries around the world.

According to the annual report of CSCECL for the year ended 31 December 2022, revenue for the year ended 31 December 2022 and 2021 was approximately RMB2,055.1 billion and RMB1,892.7 billion, respectively, representing a growth rate of approximately 8.6%. Such increase was mainly attributable to the increase in revenue generated from (i) building construction engineering segment and (ii) infrastructure construction and investment segment. CSCECL entered into new contracts with a total value of approximately RMB3,903.1 billion and RMB3,529.5 billion for the year ended 31 December 2022 and 2021, respectively, representing a year-on-year increase of approximately 10.6%.

1.5 Principal business of the CSC Group

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

According to the annual report of CSC for the year ended 31 December 2022, revenue for the year ended 31 December 2022 and 2021 was approximately HK\$102.0 billion and HK\$77.3 billion, respectively, representing an increase of approximately HK\$24.7 billion or 31.9%. Such increase was mainly attributable to (i) the increase in revenue from construction contracts of approximately HK\$13.1 billion; and (ii) the increase in revenue from construction related investment projects of approximately HK\$9.7 billion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the interim report of CSC for the six months ended 30 June 2023, revenue for the six months ended 30 June 2023 and 2022 was approximately HK\$55.1 billion and HK\$53.8 billion, respectively, representing an increase of approximately HK\$1.3 billion or 2.4%. Such increase was mainly attributable to net effect of (i) the increase in revenue from construction related investment projects of approximately HK\$11.9 billion; and (ii) decrease in revenue recognised from construction contracts of approximately HK\$10.4 billion.

1.6 Outlook of the economy and building construction activities

PRC

The table below set out statistics of the property market in the PRC as extracted from the National Bureau of Statistics at <http://data.stats.gov.cn>.

	2018	2019	2020	2021	2022
Amount invested into property development	RMB12.0 trillion	RMB13.2 trillion	RMB14.1 trillion	RMB14.8 trillion	RMB13.3 trillion
Total area of properties under construction (square meter)	8.2 billion	8.9 billion	9.3 billion	9.8 billion	9.0 billion

We noted that according to the statistics in the table above, investment amounts into property development remain steady, with annual investment amounts ranging from RMB12.0 trillion to RMB14.8 trillion during the five years ended 2022. Similarly, the total area of properties under construction also remained steady, ranging from 8.2 billion square meters to 9.8 billion square meters during the said five years.

In addition, according to the National Bureau of Statistics of the PRC, the gross domestic product (“GDP”) for 2022 was approximately RMB121.0 trillion, of which approximately RMB8.3 trillion and RMB7.4 trillion was contributed by the construction industry and the real estate industry respectively. The GDP of the PRC in 2022 recorded a steady increase of approximately 5.3%. The GDP growth rate of the PRC is expected to be 5.0% in 2023 and 4.2% in 2024 according to the World Economic Outlook issued by the International Monetary Fund in October 2023.

Hong Kong

According to the data published by the Census and Statistics Department of Hong Kong Government (“C&SD”), Hong Kong’s GDP in 2022 recorded a year-on-year decrease of approximately 3.5% in real terms. A government spokesman attributed the full-year decline in 2022 to the worsening external environment. Nevertheless, as sentiment improved with the removal of anti-epidemic measures in both Hong Kong and the PRC, Hong Kong’s economy continued to recover in 2023. According to the estimates by C&SD, the GDP of Hong Kong recorded a year-on-year increase of approximately 2.9% and 1.5% in the first and second quarters of 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the gross value of construction works performed by main contractors increased by approximately 7.5% in nominal terms in the second quarter of 2023 compared with the first quarters of 2023, showing a pace of recovery in the Hong Kong's construction market.

According to the Chief Executive's 2023 Policy Address, the Hong Kong Government has identified sufficient land to provide about 172,000 public housing units for the coming 5-year period (i.e. from 2024-2025 to 2028-2029). Meanwhile, the Hong Kong Government has also secured land for about 80,000 private housing units in the coming five years.

2. NEW CSCD-CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT

2.1 Reasons for and benefits of entering into the New CSCD-CSCECL Sub-construction Engagement Agreement

Through participation in the CSCECL Works upon successful tender, (i) the CSCECL Works Transactions allow the Group to potentially enhance its operating results; and (ii) the Group can secure a more diverse base of customers, thereby expanding its market reach. The CSCECL Group can also leverage on the Group's extensive experience and expertise in landmark facade projects of skyscrapers to increase construction efficiency, which may enhance its tender success rate in the future, thereby improving potential project pipeline for the Group. In addition, given the satisfactory cooperation between the CSCECL Group and the Group pursuant to the Previous CSCD-CSCECL Sub-construction Engagement Agreement, the continuation of the longstanding and established business relationship between CSCECL and the Company will bring synergy effect to both CSCECL and the Company, thereby facilitating the expansion of the Group's businesses.

Taking into account the principal businesses of the Group and the CSCECL Group as mentioned under the paragraphs headed "1.2 Financial performance of the Group" and "1.4 Principal business of the CSCECL Group" above, the continuation for the CSCECL Group to engage the Group as its subcontractor or service provider for provision of contracting and engineering works, project consultancy service and project management service for the CSCECL Group's construction works from time to time, we concur with the Management that the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement is in the ordinary and usual course of business of the Group.

In addition, taking into consideration (i) the statistics of the property market in the PRC as mentioned in the paragraph headed "1.6 Outlook of the economy and building construction activities" above, where substantial amounts are being invested into the property development; and (ii) the continuation of cooperation with the CSCECL Group under the New CSCD-CSCECL Sub-construction Engagement Agreement could possibly enhance the Group operating results; and enable the Group to expand its market reach, we concur with the Management that the entering into of the New CSCD-CSCECL Sub-construction Engagement Agreement is in the interests of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Principal terms of the New CSCD-CSCECL Sub-construction Engagement Agreement

The New CSCD-CSCECL Sub-construction Engagement Agreement shall commence from 1 January 2024 and ending on 31 December 2026 (both dates inclusive).

Further details of the terms of the New CSCD-CSCECL Sub-construction Engagement Agreement are set out in the section headed “Pricing basis of the Group’s tenders submitted to the CSCECL Group” in the “Letter from the Board” contained in the Circular.

2.3 Pricing basis and tender process of the Group’s tenders submitted to the CSCECL Group

The prices and terms of the contracts shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm’s length basis and at prices and on terms no more favourable to the CSCECL Group than those provided to independent third parties.

The Group will normally go through a tender or similar process before being selected as a subcontractor or service provider (as the case may be) of the CSCECL Group. The prices and terms of the tenders submitted by the Group to the CSCECL Group for the CSCECL Works are subject to the Group’s standard and systematic tender submission procedures (市場營銷管理工作程序) (“**Internal Procedure Manual**”) which apply to tenders submitted to both connected persons and independent third parties, in order to ensure that the prices and terms of the proposed tenders submitted by the Group to the CSCECL Group are no more favourable to the CSCECL Group than those submitted to independent third parties.

We have reviewed the Internal Procedure Manual and noted that it covers procedures on (i) receiving invitations to tender; (ii) initial assessment of tender documents; (iii) further planning and estimation; (iv) preparation for tender report and internal tender adjudication; and (v) tender submission (“**Tender Procedures**”).

We have obtained the full list of tenders submitted by the Group to the CSCECL Group and the independent third parties during the period between 1 January 2021 to 30 June 2023. To ascertain whether the Tender Procedures had been efficiently implemented, we have randomly selected six sample sets of tender assessment forms in relation to the projects undertaken by the Group (the “**Sample Transactions**”) from the successful tenders with both the CSCECL Group and connected parties and independent third parties during the said period. Among the Sample Transactions, three sample sets related to tenders awarded by the CSCECL Group and connected parties, while the other three sample sets related to tenders awarded by independent third parties.

Having reviewed the Sample Transactions, we noted that the tenders were assessed and handled in accordance with the Tender Procedures and that the pricing basis (which is prepared by reference to the costs information maintained by the Group’s in-house computer database for materials supplied and contract process from sub-contractors for the Group’s previous projects and peripheral operations) and terms provided to the CSCECL Group are determined on similar bases as those provided to independent third parties. As such, based on the above, we concur with the Management that the terms of the CSCECL Works Transactions are on normal commercial terms and are fair and reasonable.

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2.4 Basis of determining the CSCECL Works Caps

The following table sets out the proposed CSCECL Work Caps for the three years ending 31 December 2026.

	For the year ending 31 December		
	2024	2025	2026
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Amount of provision of the CSCECL Works	1,200	1,500	1,500

The CSCECL Works Caps are determined with reference to the factors set out below.

2.4.1 Historical transaction amounts and annual caps

The table below sets out the actual amount of provision of the CSCECL Works by the Group for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30
	2021	2022	June
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Actual amount of provision of the CSCECL Works	450	680	129
Annual cap	1,000	1,000	1,000
Utilisation rate	45.0%	68.0%	12.9% (Note)

Note: On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 25.8%.

The historical utilisation rates in relation to the existing annual caps under the Previous CSCD-CSCECL Sub-construction Engagement Agreement ranged from approximately 12.9% to 68% during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 (on a pro-rata basis: 25.8% to 68.0%). The fluctuation in utilisation rate during the said period was primarily due to the number and value of contracts awarded by the CSCECL Group as well as the CSCECL Group's successful tenders.

Despite the fluctuating utilisation rates of the annual caps with regard to the CSCECL Works under the Previous CSCD-CSCECL Sub-construction Engagement Agreement, taking into consideration (i) the development of the PRC economy and construction activities as mentioned under the paragraph headed "1.6 Outlook of the economy and building construction activities" above; and (ii) the potential construction projects available in the market (as further elaborated under the paragraph headed "2.4.2 Calculation of the CSCECL Works Caps" below), the Management considers and we concur that in order to maintain flexibility for the Group to undertake all potential projects, it would be appropriate and in

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the interests of the Company and Shareholders to set the CSCECL Works Caps with reference to their best estimation based on the construction projects which may be secured by the CSCECL Group.

2.4.2 Calculation of the CSCECL Works Caps

As set in in the “Letter from the Board” in the Circular, the CSCECL Works Caps for each of the years ending 31 December 2024, 2025 and 2026 are calculated with reference to the potential construction projects available in the PRC.

CSCECL Works Cap for the year ending 31 December 2024

For the year ending 31 December 2024, the Management’s estimated total contract sum of approximately HK\$1,200 million for new construction projects of the CSCECL Group is estimated based on (i) tenders in the total amount of approximately HK\$196 million already submitted to the CSCECL Group; (ii) tenders in the total amount of approximately HK\$676 million planned to be submitted to, or projects under negotiation with, the CSCECL Group; and (iii) potential projects available from the CSCECL Group in the total amount of approximately HK\$883 million.

In assessing the fairness and reasonableness of the CSCECL Works Caps, we have reviewed and discussed with the Management a schedule (“**Schedule of Potential Projects**”) setting out a list of potential new construction projects available for the CSCECL Group’s tendering for the years ending 31 December 2024 and 2025.

In relation to the potential projects for the year ending 31 December 2024, the Schedule of Potential Projects comprises 18 projects with an estimated aggregate contract sum of approximately HK\$1.8 billion, which upon successful tender, the contracts will be awarded to the Group in 2024 or 2025. We have performed a desktop research on the validity and existence of the stated projects and noted such projects had been announced through various publications such as (i) websites of public tender information operated by regional government of the PRC; (ii) PRC news websites; and (iii) websites of CSCECL. Of the 18 projects with a total estimated contract value of approximately HK\$1.8 billion, (i) we have reviewed the two tenders submitted and noted the tenders amounted to a total of HK\$196.0 million; and (ii) we noted that the Group is in the process of preparation of the tender documents which relate to five tenders in the total amount of approximately HK\$676.0 million which are planned to be submitted to, or projects under negotiation with, the CSCECL Group. Therefore, the two submitted tenders as well as five tenders under preparation or negotiation with the CSCECL Group amount to approximately HK\$872.0 million, being 48.4% of the estimated total contract sum of approximately HK\$1.8 billion. The remaining estimated contract sum of HK\$883.0 million of the aforementioned approximately HK\$1.8 billion relates to 11 potential projects available for the CSCECL Group’s tendering.

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CSCECL Works Cap for the years ending 31 December 2025

For the year ending 31 December 2025, the Management's estimated total contract sum of approximately HK\$1.5 billion of new construction projects of the CSCECL Group is estimated based on potential projects available from the CSCECL Group in the amount of approximately HK\$1.5 billion.

In relation to the potential projects for the year ending 31 December 2025, we noted from the Schedule of Potential Projects that it comprises 12 projects with an estimated aggregate contract sum of HK\$1.5 billion, which upon successful tender, the contracts will be awarded to the Group in 2025 or 2026. We have performed a desktop research on the validity and existence of the stated 12 projects and noted such projects had been announced through various publications such as (i) websites of public tender information operated by regional government of the PRC; (ii) PRC news websites; and (iii) websites of CSCECL.

CSCECL Works Cap for the years ending 31 December 2026

For the year ending 31 December 2026, the estimated total contract sum of approximately HK\$1.5 billion is estimated on the same basis as that for the year ending 31 December 2025.

We understand from the Management that tenders for construction contracts typically relate to construction works to be carried out in the forthcoming 12 to 24 months, and based on the current available information, the Management advised that it is impractical to compile a list of potential contracts similar to the Schedule of Potential Projects beyond 2025. Taking into account the aggregate contract sum of the potential new construction projects for the year ending 31 December 2025 from the CSCECL Group, and assuming no material adverse impact to the overall economy and building construction activities, the Management believes the CSCECL Group will be able to maintain its business scale and a similar amount of construction contracts will be available for tender.

2.4.3 Section summary

Taking into consideration that (i) the potential projects (being those which (a) tenders had been submitted, (b) tenders are under preparation or negotiation, and (c) the CSCECL Group could tender for) for the year ending 31 December 2024 represent approximately 146.3% of the CSCECL Works Cap for the year ending 31 December 2024; (ii) the potential projects for the year ending 31 December 2025 represent approximately 102.5% of the CSCECL Works Cap for the year ending 31 December 2025; (iii) the potential projects for 2024, if upon successful tender, could be awarded in 2025, while potential projects in 2025 could also be awarded in 2026; (iv) the potential new construction projects for 2026 will only be available for tender at a later stage (i.e. 2024 or 2025); (v) the Group shall maintain flexibility to undertake all potential projects; and (vi) the overall outlook of the economy and building construction activities as mentioned under the paragraph headed "1.6 Outlook of the economy and building construction activities" in this letter above, we are of the view that the CSCECL Works Caps have been determined on a fair and reasonable basis and that it is reasonable to use the estimated contract sums of potential project available for the two years ending 31 December 2025 as the basis to determine the annual cap for the year ending 31 December 2026.

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3. NEW CSCD-CSC OPERATIONAL SERVICES AGREEMENT

3.1 Reasons for and benefits of entering into the New CSCD-CSC Operational Services Agreement

The expertise of the CSC Group in building construction and its solid financial standing have demonstrated itself as professional and reliable contractor and supplier to its customers and the continuation of the longstanding and established business relationship with the CSC Group will allow the Group to secure a more diverse base of contractors and suppliers, such that the Group can earn competitive advantages and maximise profits by ensuring its contractors/suppliers offer more competitive pricing and services, reducing the risk of delay in project delivery, and boosting the performance of the contractors/suppliers to meet complex and demanding business needs, thereby bringing synergistic effect to both the CSC Group and the Group, and facilitating the expansion of the Group's businesses.

Taking into account the principal businesses of the Group and the CSC Group as mentioned under the paragraphs headed "1.1 Principal business of the Group" and "1.5 Principal business of the CSC Group" as well as the size of operation of the Group as mentioned under the paragraph headed "1.2 Financial performance of the Group" above, the continuation for the Group to (i) engage the CSC Group as subcontractor of the Group for provision of mechanical and electrical engineering works for the Group's construction works; (ii) lease machineries from the CSC Group for the Group's construction works; (iii) engage the CSC Group to provide insurance services to the Group and issue surety bonds for the Group's construction works; and (iv) engage the CSC Group to supply materials to the Group, we concur with the Management that the entering into of the New CSCD-CSC Operational Services Agreement is in the ordinary and usual course of business of the Group.

Taking into consideration of (i) the outlook of the Group's industry sector as mentioned under the paragraph headed "1.6 Outlook of the economy and building construction activities" above, especially that economy recovery in Hong Kong (being the area where the Group derives the majority of its revenue from), economy recovery has been noticeable and the Chief Executive's 2023 Policy Address on housing units is promising; and (ii) the continuation of cooperation with the CSC Group under the New CSCD-CSC Operational Services Agreement could assist the Group to gain competitive advantages and enhance profitability by ensuring the quality of work that the Group delivers to its clients, we concur with the Management that the entering into of the New CSCD-CSC Operational Services Agreement is in the interests of the Company and Shareholders as a whole.

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3.2 Principal terms of the New CSCD-CSC Operational Services Agreement

The New CSCD-CSC Operational Services Agreement shall commence from 1 January 2024 and ending on 31 December 2026 (both dates inclusive). The CSC Group will (i) provide mechanical and electrical engineering works for the Group's construction works; (ii) lease machineries to the Group; (iii) provide insurance services to the Group and issue surety bonds for the Group's construction works; and (iv) supply materials to the Group.

Further details of the terms of the New CSCD-CSC Operational Services Agreement are set out in the section headed "Pricing basis of the contract awarded by the Group to the CSC Group" in the "Letter from the Board" contained in the Circular.

3.3 Pricing basis of the CSC Works Transactions

The prices and terms of the contracts shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and on terms no less favourable to the Group than those offered by independent third parties.

In relation to the (i) Mechanical and Electrical Engineering Works Transactions; (ii) Machineries Leasing Transactions; (iii) Insurance Services and Surety Bonds Transactions; and (iv) Supply of Materials Transactions as contemplated under the New CSCD-CSC Operational Services Agreement, the Group shall conduct a vetting process to obtain quotations from a list of pre-approved contractors, vendors, insurers or suppliers respectively. Provided that these service providers fulfil all essential requirements such as experience, track records and financial health, the service provider with the lowest fee quotation would be selected by the Group.

We have discussed with the Management and noted that the CSC Works Transactions shall adhere to the pricing policy set out in the material procurement standard procedure (物資採購工作程序) ("**Procurement Procedures**"). We have reviewed the Procurement Procedures and noted that it sets out the requirement that quotations shall be obtained from service providers from the Group's list of pre-approved service providers, where applicable, and that the service provider with the lowest fee quotation shall be selected, given that all other essential requirements as mentioned above are satisfied.

We have obtained the full list of historical transactions in relation the CSC Works Transactions from 1 January 2021 to 30 June 2023 and randomly selected 12 samples ("**Samples**"), of which four samples relate to Machineries Leasing Transactions, four samples relate to Insurance Services and Surety Bonds Transactions and four samples relate to Supply Materials Transactions. In relation to the Samples, we had reviewed the respective approval forms which contained an analysis on quotations submitted by service providers and that the selected services provider was the one with the lowest fee quotation, subject to the fulfilment of the essential requirements.

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As such, taking into account that (i) the CSC Works Transactions allow the Group to source competitively priced service providers; (ii) the Group could enhance its quality of works/services delivered to its customers; and (iii) the pricing basis under the New CSCD-CSC Operational Services Agreement shall be on terms no less favourable than those offered by independent third parties, we are of the view that the terms of the CSC Works Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.4 BASIS OF DETERMINING THE CSC WORKS CAPS

The following table sets out the proposed CSC Works Caps for the three years ending 31 December 2026.

	For the year ending 31 December		
	2024	2025	2026
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Mechanical and Electrical Engineering			
Works Caps	550	550	550
Machineries Leasing Caps	40	40	40
Insurance Services and Surety Bonds Caps	75	75	75
Supply of Materials Caps	270	270	270

The CSC Works Caps are determined with reference to the factors set out below.

3.4.1 Historical transaction amounts and annual caps

The table below sets out the actual amount of the CSC Works Transactions for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended
	2021	2022	30 June 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Mechanical and Electrical			
Engineering Works Caps <i>(Note 1)</i>	Nil	Nil	Nil
Machineries Leasing Caps <i>(Note 2)</i>	5.7	0.5	7.2
Insurance Services and			
Surety Bonds Caps <i>(Note 3)</i>	20.0	1.2	4.2
Supply of Building Materials Caps			
<i>(Note 4)</i>	12.0	13.0	0.3

Notes:

- The Mechanical and Electrical Engineering Works Caps under the Previous CSCD-CSC Operational Services Agreement were HK\$450 million for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023. The utilisation rate had been nil as the CSC Group had not been nominated by the ultimate employer as subcontractor of the Group.

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2. Machineries Leasing Caps under the Previous CSCD-CSC Operational Services Agreement were HK\$25.0 million for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023, and the respective utilisation rates were 22.8%, 2.0% and 28.8%. On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 57.6%.
3. Insurance Services and Surety Bonds Caps under the Previous CSCD-CSC Operational Services Agreement were HK\$70.0 million for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023, and the respective utilisation rates were 28.6%, 1.7% and 6.0%. On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 12.0%.
4. Supply of Building Materials Caps under the Previous CSCD-CSC Operational Services Agreement were HK\$150.0 million for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023, and the respective utilisation rates were 8.0%, 8.7% and 0.2%. On a pro-rata basis, the utilisation rate for the six months ended 30 June 2023 is approximately 0.4%.

The historical utilisation rates in relation to the annual caps under the Previous CSCD-CSC Operational Services Agreement were relatively low and were fluctuating during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023. The low and fluctuating historical utilisation rates were primarily due to the scope and nature of contracts awarded to the Group as well as the preferences of the ultimate employer of the awarded contracts. Despite the low and fluctuating historical utilisation rates, the Management is of the view and we concur that, given the CSC Group is a reliable service provider who can assist the Group in offering more competitive pricing and reduce the risks of delaying projects, it is in the interests of the Company and Shareholders to determine the CSC Works Caps based on their estimation on all potential projects that the Group may be awarded with.

3.4.2 Calculation of the CSC Works Caps

As set in in the “Letter from the Board” in the Circular, the bases of determining the CSC Works Caps for each of the years ending 31 December 2024, 2025 and 2026 are calculated with reference to the Management’s identified potential residential/commercial projects available in Hong Kong as follows:

CSC Works Caps for the year ending 31 December 2024

The CSC Works Caps are determined with reference to the potential residential/commercial construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$6.5 billion that the Group may tender for in the fourth quarter of 2023 and in 2024.

CSC Works Cap for the years ending 31 December 2025

The CSC Works Caps are determined with reference to the potential commercial construction project available from a property developer in Hong Kong with an estimated contract sum of HK\$4.2 billion that may be available for tender by the Group in the fourth quarter of 2024.

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CSC Works Cap for the years ending 31 December 2026

The CSC Works Caps determined with reference to the potential residential construction projects available from property developers in Hong Kong with an estimated total contract sum of HK\$3.3 billion that may be available for tender by the Group in the fourth quarter of 2025.

The abovementioned total contract sum for each of the three years ending 31 December 2026 are estimated based on the Management's knowledge of potential projects in Hong Kong. We have reviewed and discussed the schedule setting out a list of potential new construction projects to be tendered by the Group during the fourth quarter of 2023 to the fourth quarter of 2025 ("**Schedule of Potential Hong Kong Projects**"). We understand from the Management that the projects set out in the Schedule of Potential Hong Kong Projects, if successfully awarded to the Group, will require mechanical and electrical engineering works, leasing of machineries, insurance services and/or surety bonds, and supply of materials.

We noted that the Schedule of Potential Hong Kong Projects comprises 11 potential construction projects with estimated contract sums ranging from approximately HK\$155 million to HK\$4.2 billion. In assessing the reasonableness for the inclusion of the Management's identified potential projects such as the schedule, we have performed a desktop research on the validity and existence of the stated projects and noted such projects had been announced through various publications such as (i) websites of the government authorities of Hong Kong; and (ii) websites of newspapers in Hong Kong, which contain information such as the estimated size, developer, location of the construction sites and usage of the property. From the schedule, we noted that the Group intends to tender for (i) three projects, with an aggregate estimated contract sum of approximately HK\$3.0 billion, in the fourth quarter of 2023 and five projects, with an aggregate estimated contract sum of HK\$3.5 billion, in 2024 (total of HK\$6.5 billion); (ii) one substantial project with an estimated contract sum of HK\$4.2 billion in 2025; and (iii) two projects with an aggregate estimated contract sum of HK\$3.3 billion in 2026.

Based on our discussion with the Management, we understand that the Schedule of Potential Hong Kong Projects for the list of potential new construction projects to be tendered by the Group is not exhaustive and that certain projects may roll over to the following year. As such, in calculating the CSC Works Caps, based on the aforementioned published potential construction projects (i.e. HK\$6.5 billion for the fourth quarter of 2023 and 2024; HK\$4.2 billion for 2025; and HK\$3.3 billion for 2026), the Management assumes that the Group will be awarded with HK\$3.0 billion worth of construction projects for each of the three years ending 31 December 2024, 2025 and 2026. Apart from estimating that the Group will be awarded with HK\$3.0 billion construction contracts, the Management had also compiled a schedule ("**Schedule of Previous Projects**") making reference to the costs of mechanical and electrical engineering works, machineries leasing, insurance services and surety bonds and supply of materials from previous projects in ascertaining the CSC Works Caps. We have reviewed the Schedule of Previous Projects and noted that references are made to four previous projects of the Group.

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3.4.3 Mechanical and Electrical Engineering Works Cap

We noted that mechanical and electrical engineering works contribute to a range of approximately 10.5% to 18.2% of the total contract sum of the previous projects. As such, taking into account the maximum contribution (i.e. 18.2%) of mechanical and electrical engineering works to the contract sum of the Group's previous projects as well as the above mentioned estimation that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Mechanical and Electrical Engineering Works Cap is set at HK\$550 million for each of the three years ending 31 December 2026.

3.4.4 Machineries Leasing Cap

We noted that the cost of machineries leasing contributes to a range of approximately 0.4% to 1.5% of the total contract sum of the previous projects. As such, taking into account the maximum contribution (i.e. 1.5%) of cost of machineries leasing to the contract sum of the Group's previous projects as well as the abovementioned estimation that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Machineries Leasing Cap is set at HK\$40 million for each of the three years ending 31 December 2026.

3.4.5 Insurance Services and Surety Bonds Cap

We noted that the cost of insurance services and surety bonds contributes to a range of approximately 0.8% to 2.4% of the total contract sum of the previous projects. As such, taking into account the maximum contribution (i.e. 2.4%) of cost of insurance services and surety bonds to the contract sum of the Group's previous projects as well as the above mentioned estimation that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Insurance Services and Surety Bonds Cap is set at HK\$75 million for each of the three years ending 31 December 2026.

3.4.6 Supply of Materials Cap

We noted that the cost of supply of materials contributes to a range of approximately 2.8% to 9.2% of the total contract sum of the previous projects. As such, taking into account the maximum contribution (i.e. 9.2%) of cost of supply of materials to the contract sum of the Group's previous projects as well as the abovementioned estimation that the Group will be awarded with HK\$3.0 billion construction contracts for each of the three years ending 31 December 2024, 2025 and 2026, the Supply of Materials Cap is set at HK\$270 million for each of the three years ending 31 December 2026.

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3.5 SECTION SUMMARY

Taking into consideration that (i) the CSC Works Transactions will be a furtherance to the Group business; (ii) the CSC Works Caps are made reference to publicly announced potential construction projects; (iii) the CSC Works Caps take into account the cost of the Group's previous projects; and (iv) the CSC Works Caps would provide the Group the flexibility but not the obligation to engage the CSC Group for the CSC Works Transactions, we are of the view that the CSC Works Caps are determined fairly and reasonably.

4. INTERNAL CONTROL MEASURES

According to the "Letter from the Board" in the Circular, we understand that the Group has adopted a set of internal control measures to monitor the transactions contemplated under the New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement.

On top of the Tender Procedures and the Procurement Procedures described in the respective paragraphs headed "2.3 Pricing basis and tender process of the Group's tenders submitted to the CSCECL Group" and "3.3 Pricing basis of the CSC Works Transactions" above, we noted that the Company's project tendering committee and procurement and sub-contracting committee are responsible for reviewing and approving the terms and prices of all transactions to ensure they are in compliance with the applicable policies and procedures of the Group (such as the Procurement Procedure, the Tender Procedure and the contract management policy). In relation to the six Sample Transactions regarding the CSCECL Works during 1 January 2021 and 30 June 2023 as mentioned under the paragraph headed "2.3 Pricing basis and tender process of the Group's tenders submitted to the CSCECL Group" above, we had randomly selected three samples and noted that approval was obtained from member(s) of the Company's project tendering committee, including the vice chairman and vice president of the Company. Also, in relation to the 12 Samples regarding the CSC Works Transactions during 1 January 2021 and 30 June 2023 as mentioned under the paragraph headed "3.3 Pricing basis of the CSC Works Transactions" above, we had randomly selected four samples and noted that approval was obtained from member(s) of the Company's procurement and sub-contracting committee, including the vice chairman, deputy general managers and general manager of the Company. As such, we are of the view that the Company had adhered to its internal control measures where the Company's project tendering committee and procurement and sub-contracting committee conducted review on the Group's transactions.

In addition, the audit committee of the Board (the "**Audit Committee**") has been provided with details of the specific contracts in relation to the transactions entered into by the Group on a half-yearly basis to ensure the transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and their agreed prices are in compliance with the pricing policies or mechanisms as set out in the New CSCD-CSCECL Sub-construction Engagement Agreement and/or the New CSCD-CSC Operational Services Agreement (as the case may be).

Annual review has also been conducted by the finance and treasury department of the Company to review the processes and systems of internal control to ensure that the policies and procedures are being followed and that the systems are effective. Besides, the Audit Committee will regularly conduct assessment on the internal control system of the Group in order to ensure the effectiveness of the same.

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External auditors are also engaged to report on the continuing connected transactions entered into by the Group during the year, with their findings and conclusions being reported to the Audit Committee in accordance with the relevant standards and practice notes.

During the period from 1 January 2021 to 30 June 2023, we understand that five Audit Committee meetings had been held in relation to the assessment of continuing connected transactions. As such, we have randomly selected two minutes of the Audit Committee meetings, of which one was conducted in 2022 and one was conducted in 2023, and noted that the aforementioned assessment were conducted. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the CSCECL Works Transactions and CSC Works Transactions will be conducted on terms as stipulated in the relevant agreements.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the view that (i) the terms of New CSCD-CSCECL Sub-construction Engagement Agreement and the New CSCD-CSC Operational Services Agreement are on normal commercial terms and are fair and reasonable; and (ii) the CSCECL Works Transactions and CSC Works Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving the renewal of continuing connected transactions under the New CSCD-CSCECL Sub-construction Engagement Agreement (together with the CSCECL Works Caps) and the New CSCD-CSC Operational Services Agreement (together with the CSC Works Caps) at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Leo Tam
Responsible Officer

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the shares in the Company in issue^(Note)
Mr. Zhang Haipeng	Beneficial owner	4,000,000	0.177%
Mr. Wu Mingqing	Beneficial owner	5,500,000	0.244%
Mr. Huang Jiang	Beneficial owner	3,000,000	0.133%

Note: The percentage is based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 2,255,545,000 Shares)

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

As at the Latest Practicable Date: (i) Mr. Zhang Haipeng had personal interests in 880,000 A-shares in CSCECL, held in his capacity as beneficial owner, representing approximately 0.002% of the then issued voting shares in CSCECL; and (ii) Mr. Wang Hai had personal interests in 300,000 A-shares in CSCECL, held in his capacity as beneficial owner, representing approximately 0.001% of the then issued voting shares in CSCECL.

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

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTERESTS

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed Directors or their respective associate(s) (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had or are considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial position or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group was made up.

6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022, the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

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

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

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

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

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

8. DOCUMENTS ON DISPLAY

The following documents are published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cscd.com.hk from the date of this circular to and including the date of the EGM:

- (a) the Previous CSCD-CSCECL Sub-construction Engagement Agreement;
- (b) the Previous CSCD-CSC Operational Services Agreement;
- (c) the New CSCD-CSCECL Sub-construction Engagement Agreement;
- (d) the New CSCD-CSC Operational Services Agreement;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 50 of this circular; and
- (g) the written consent referred to in the section headed “7. EXPERT AND CONSENT” in this Appendix.

NOTICE OF EGM



中國建築興業集團有限公司

CHINA STATE CONSTRUCTION DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 830)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China State Construction Development Holdings Limited (the “**Company**”) will be held at Unit Nos 1507 to 1512, 15th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on Wednesday, 20 December 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions to be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) (i) the New CSCD-CSCECL Sub-construction Engagement Agreement (as defined in the circular of the Company dated 30 November 2023 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the Meeting and marked “**A**” and initialled by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the CSCECL Works Caps (as defined in the Circular) for the respective financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCD-CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

2. “**THAT:**

- (A) (i) the New CSCD-CSC Operational Services Agreement (as defined in the circular of the Company dated 30 November 2023 of which this notice forms part (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 be and are hereby approved, confirmed and ratified;
- (ii) the Mechanical and Electrical Engineering Works Caps (as defined in the Circular) for the respective financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;
- (iii) the Machineries Leasing Caps (as defined in the Circular) for the respective financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;

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- (iv) the Insurance Services and Surety Bonds Caps (as defined in the Circular) for the respective financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved;
- (v) the Supply of Materials Caps (as defined in the Circular) for the respective financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 be and are hereby approved; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the New CSCD-CSC Operational Services Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

By Order of the Board
China State Construction Development Holdings Limited
Zhang Haipeng
Chairman and Non-executive Director

Hong Kong, 30 November 2023

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

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

Notes:

1. A form of proxy for the Meeting is enclosed.
2. Only members are entitled to attend and vote at the Meeting (or at any adjournment thereof).
3. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

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6. Completion and return of a form of proxy shall not preclude a member from attending and voting at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. The register of members of the Company will be closed from Friday, 15 December 2023 to Wednesday, 20 December 2023 (both days inclusive) for the purpose of determining Shareholder's right to attend and vote at the Meeting. In order to qualify for attending and voting at the Meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 December 2023.