

If you are in 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, solicitor, professional accountant or other professional adviser.

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

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中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3311)

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



China Everbright Capital Limited

A letter from the Board is set out on pages 3 to 7 of this circular and a letter from the Independent Board Committee is set out on pages 8 to 9 of this circular. A letter from China Everbright, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 18 of this circular.

A notice convening the extraordinary general meeting to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 29 December 2005 at 4:30 p.m. is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of China State Construction International Holdings Limited in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

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DEFINITIONS

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

“Board”	the board of directors of the Company
“Cap”	the annual cap for the CSC Engagement Agreement as set out in the section headed “Letter from the Board” of this circular
“China Everbright”	China Everbright Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transaction, and a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) regulated activities under the SFO
“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong, which is interested, directly and indirectly, in approximately 51% of the issued share capital of COLI, and in approximately 64% of the issued share capital of the Company
“COLI”	China Overseas Land & Investment Limited (中國海外發展有限公司), a company incorporated in Hong Kong with limited liability
“COLI Directors”	the directors of COLI
“COLI EGM”	the extraordinary general meeting of COLI to be held for approving, among others, the Continuing Connected Transaction
“COLI Group”	COLI and its subsidiaries
“COLI Independent Shareholders”	the shareholders of COLI, other than CSCEC, COHL, the Company and their respective associates (as defined under the Listing Rules)
“COLI Shareholders”	the shareholders of COLI
“Company”	China State Construction International Holdings Limited (中國建築國際集團有限公司), a company incorporated in the Cayman Islands with limited liability
“connected person”	has the meaning given to it by the Listing Rules
“Continuing Connected Transaction”	the transaction as contemplated under the CSC Engagement Agreement (together with the Cap)

DEFINITIONS

“CSCEC”	中國建築工程總公司 China State Construction Engineering Corporation, a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of COLI and the Company
“CSC Engagement Agreement”	the engagement agreement entered into between COLI and the Company on 22 November 2005 in respect of the engagement by COLI Group of the Group as construction contractor for COLI Group in Hong Kong as set out in the section headed “Letter from the Board” of this circular
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company for approving the Continuing Connected Transaction
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the committee of the Board, consisting of Dr. Raymond Ho Chung Tai, Adrian David Li Man Kiu, Raymond Leung Hai Ming and Lee Shing See, all being Independent Non-executive Directors
“Independent Shareholders”	the shareholders of the Company other than CSCEC, COHL, COLI and their respective associates (as defined under the Listing Rules)
“Latest Practicable Date”	7 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Shareholders”	the shareholders of the Company from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong and Macau
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Kong Qingping (*Chairman*)

Executive Directors:

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

Yip Chung Nam

Fu He

Zhou Hancheng

Cheong Chit Sun

Independent Non-executive Directors:

Raymond Ho Chung Tai

Adrian David Li Man Kiu

Raymond Leung Hai Ming

Lee Shing See

Registered Office:

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Head Office and Principal Place of
Business in Hong Kong:*

28th Floor, China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

12 December 2005

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

INTRODUCTION

The COLI Directors and the Directors jointly announced on 22 November 2005 that COLI and the Company entered into the CSC Engagement Agreement whereby COLI Group may continue to engage the Group as construction contractor in Hong Kong upon successful tender for each of the following three financial years ending 31 December 2008 subject to the Cap.

The Company stated in its prospectus dated 14 June 2005 that it may participate in competitive tender for works from the COLI Group from time to time.

LETTER FROM THE BOARD

CSCEC is the ultimate holding company of both COLI and the Company. As at the Latest Practicable Date, CSCEC, through its wholly owned subsidiary, COHL, holds approximately 51% of the issued share capital of COLI and approximately 64% of the issued share capital of the Company. Accordingly, COLI is a connected person of the Company.

The provision of services by the Group to the COLI Group as construction contractor for COLI Group's construction works in Hong Kong under the CSC Engagement Agreement constitute non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Continuing Connected Transaction is subject to the approval of the Independent Shareholders at the EGM.

The purpose of this circular is to provide you with the particulars of the CSC Engagement Agreement (together with the Cap), the letter from the Independent Board Committee with their view on the CSC Engagement Agreement (together with the Cap) to the Independent Shareholders and the letter from the independent financial adviser with their advice on the CSC Engagement Agreement (together with the Cap) to the Independent Board Committee and the Independent Shareholders as well as to seek the approval of the Independent Shareholders. A notice convening the EGM is set out at the end of this circular.

The engagement by COLI Group of the Group as construction contractor for its construction works under the CSC Engagement Agreement constitutes non-exempt continuing connected transaction of the Company, and the Company is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions. Refer to the section headed "Listing Rules Implications" below.

CONTINUING CONNECTED TRANSACTION

The Directors expect that COLI Group may invite the Group to participate in competitive tender for COLI Group's construction works from time to time in Hong Kong. In order to capture the business opportunities of construction works in Hong Kong, the Company has entered into the CSC Engagement Agreement with COLI on 22 November 2005 for a three-year term expiring on 31 December 2008 whereby the parties agreed that:

- (a) the Group may continue to tender for COLI Group's construction works in Hong Kong in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third party construction contractors; and
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for COLI Group in Hong Kong based on the terms of the successful tender provided that the total contract sum to be awarded by COLI Group to the Group each year shall not exceed HK\$900 million for each of the three financial years ending 31 December 2008.

LETTER FROM THE BOARD

COLI has not undertaken any construction project in Hong Kong in the past two financial years ended 31 December 2004, and in fact, has not expanded its land reserves since 1998 for a number of years. In view of the recent recovery and improved sentiments in the Hong Kong property market, COLI has in 2004 begun to expand its land reserves in Hong Kong. The Cap is therefore calculated with reference to the following factors:

- (i) total contract sum of new construction projects undertaken by COLI Group each year for the three financial years ended 31 December 1999 when COLI was still relatively active in the Hong Kong property market. The total contract sum in each of these years were approximately HK\$294 million, HK\$482 million and HK\$868 million respectively all of which were awarded to entities in the Group, being then wholly owned subsidiaries of COLI at the relevant time;
- (ii) total contract sum of new construction projects in Hong Kong of COLI Group in each of the next three financial years ending 31 December 2008 estimated with reference to COLI Group's future growth and expansion in its land reserves in Hong Kong in the next three years; and
- (iii) the maximum amount of projects which may be awarded by COLI Group to the Group in the next three financial years ending 31 December 2008 should not exceed the highest of 100% of COLI Group's total contract sum of new construction projects in Hong Kong for the periods as mentioned in (ii) above, but in any event will not exceed the amount of the Cap.

The CSC Engagement Agreement (together with the Cap) will take effect conditional upon the COLI Independent Shareholders' and the Independent Shareholders' approval at the COLI EGM and the EGM respectively.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The Directors consider that being able to participate in the construction of COLI Group's property development projects upon successful tender allows the Group to secure a more diverse base of customers for building construction in Hong Kong.

The Directors confirm that the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms after arm's length negotiations between the parties, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Shareholders should note that the Cap represents the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not provide construction services to COLI Group up to the level of the Cap, if at all, as its engagement by COLI Group is subject to tender procedures which are open to other independent third party contractors.

LETTER FROM THE BOARD

PRINCIPAL BUSINESS OF THE GROUP AND COLI GROUP

The Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building and civil construction and foundation engineering.

CSCEC is a main contractor participating mainly in the PRC construction market. COLI Group mainly engages in property development and investment project management, infrastructure project investments, investment holding, real estate agency and management and treasury operations. It engages contractors to construct its property projects in the PRC, Hong Kong and Macau.

LISTING RULES IMPLICATIONS

The applicable percentage ratios calculated for the Company in respect of the total contract sum under the CSC Engagement Agreement, i.e. the Cap, exceeds 2.5%. Accordingly, the provision of services by the Group to the COLI Group as construction contractor for COLI Group's construction works in Hong Kong under the CSC Engagement Agreement constitutes non-exempt continuing connected transaction for both COLI and the Company. As such, the Company is required to comply with the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction.

The Company will seek the Independent Shareholders' approval of the Continuing Connected Transaction at the EGM by way of poll. CSCEC, COHL, COLI and their respective associates (as defined under the Listing Rules) shall abstain from voting at the EGM. The Independent Board Committee has been appointed to advise the Independent Shareholders, and China Everbright has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, on whether the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The procedures for voting by poll by the Shareholders are set out in Appendix II to this circular.

EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 29 December 2005 at 4:30 p.m. at which ordinary resolution will be proposed to approve the CSC Engagement Agreement (together with the Cap) is set out on pages 28 to 29 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 8 to 9 of this circular which contains its recommendation to the Independent Shareholders on the CSC Engagement Agreement (together with the Cap). Your attention is also drawn to the letter of advice received from China Everbright which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the CSC Engagement Agreement (together with the Cap). The letter from China Everbright is set out on pages 10 to 18 of this circular.

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
China State Construction International Holdings Limited
Zhou Yong
Vice-chairman and Chief Executive Officer



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

12 December 2005

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 12 December 2005 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the Continuing Connected Transaction and the CSC Engagement Agreement (together with the Cap) and to advise the Independent Shareholders whether, in our opinion, the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. China Everbright has been appointed to advise the Independent Board Committee and the Independent Shareholders whether the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 3 to 7 of the Circular which contains information about the CSC Engagement Agreement (together with the Cap), and the letter of advice from China Everbright set out on pages 10 to 18 of the Circular which contains advice in respect of the CSC Engagement Agreement (together with the Cap).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the advice of China Everbright, we consider that the Continuing Connected Transaction is expected to be entered into in the ordinary and usual course of business of the Group and the CSC Engagement Agreement (together with the Cap) was agreed on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to be held on 29 December 2005.

Yours faithfully,

For and on behalf of

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

Raymond Ho Chung Tai

Independent Non-executive Director

Adrian David Li Man Kiu

Independent Non-executive Director

Raymond Leung Hai Ming

Independent Non-executive Director

Lee Shing See

Independent Non-executive Director

LETTER FROM CHINA EVERBRIGHT

The following is the text of a letter received from China Everbright setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction for inclusion in this Circular.



China Everbright Capital Limited

40/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong

12 December 2005

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and Independent Shareholders with respect to the Continuing Connected Transaction (together with the Cap), details of which are contained in the circular of the Company dated 12 December 2005 to its shareholders (the “Circular”) of which this letter forms a part.

The terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

CSCEC is the ultimate holding company of both COLI and the Company. As at the Latest Practicable Date, CSCEC, through its wholly owned subsidiary, COHL, held approximately 51% of the issued share capital of COLI and approximately 64% of the issued share capital of the Company. Accordingly, COLI is a connected person of the Company.

Accordingly, the possible provision of construction services by the Group to COLI Group as construction contractor for COLI Group’s construction works in Hong Kong under the CSC Engagement Agreement constitutes non-exempt continuing connected transaction for the Company pursuant to the Listing Rules, and the CSC Engagement Agreement are subject to annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As such, the Company will convene an EGM to consider and, if thought fit, to approve the CSC Engagement Agreement (including the Cap). Voting will be by poll, and CSCEC, COHL, COLI and their respective associates (as defined under the Listing Rules) shall abstain from voting at the EGM.

LETTER FROM CHINA EVERBRIGHT

China Everbright is independent from and not connected with Company or any of its substantial shareholders, directors or chief executive, or any of their respective associates, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transaction.

In formulating our recommendation, we have relied on the statements, information and representation provided by the management of the Company (“Management”). We have assumed that all such statements, information and representations contained or referred to in the Circular provided by the Management, for which the Directors have collectively and individually accepted full responsibility, are true, accurate, and complete in all material respects at the time they were made and continue to be so at the date hereof.

We have also relied on our discussions with the Directors and the Management regarding the information and representations contained in the Circular. We have been advised by the Directors and the Management that no material facts have been withheld or omitted from the information provided and referred to in the Circular. The Directors have further confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading in any material respects.

We consider that we have reviewed sufficient information to reach an informed view and to justify relying on the accuracy of the information contained in the Circular to provide a reasonable basis for our advice. We are not aware of, and have no reason to suspect that, any facts or circumstances which would render the information provided or the representations made to us untrue, inaccurate or misleading in any material respects, nor do we suspect that any material facts have been omitted or withheld from the information supplied in the Circular. We have not, however, carried out any independent verification of the information provided to us by the Group, or conducted any in-depth investigation into the business and affairs of the Group and their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms of the CSC Engagement Agreement and the Continuing Connected Transaction (including the Cap), we have considered the following principal factors and reasons:

i **Background**

a. *Historical relationship between the Group and COLI Group*

COLI Group mainly engages in property development and investment, project management, infrastructure project investments, investment holding, real estate agency and management and treasury operations. It engages contractors to construct its property projects in the PRC, Hong Kong and Macau.

The Group is a main contractor mainly participating in the Hong Kong construction market and is principally engaged in building and civil construction and foundation engineering. The Group is a registered general building contractor (building) and a registered specialist contractor (site formation, foundation, ground investigation field work and ventilation work) under the Buildings Ordinance.

Prior to the shares of the Company were listed in the Stock Exchange in July 2005, certain members of the Group, including China Overseas Building Construction Limited, China Overseas Civil Engineering Limited and China Overseas Foundation Engineering Limited (collectively, “Project Management Group”), were indirect subsidiaries of COLI and served as the construction arm of the COLI Group. It derives the majority of its revenues from performing construction projects in Hong Kong, and focuses on the private sector construction projects which include the construction projects obtained from COLI Group.

b. *Services to be provided*

Pursuant to the CSC Engagement Agreement, the Group may continue to tender for COLI Group’s construction works in Hong Kong in accordance with the tendering procedure of COLI Group from time to time and on the same and normal terms as offered to other independent third parties. If any contract is granted in favour of the Group as a result of the above tender, the Group may act as construction contractor for COLI Group in Hong Kong based on the terms of the successful tender.

Shareholders should note that the CSC Engagement Agreement does not impose any contractual obligation for the Group to tender for COLI Group’s construction works. As confirmed by the Management, they have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender from COLI Group and other independent third parties as described in the paragraph headed “Key Terms of the CSC Engagement Agreement — Pricing Basis” below.

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

ii **Reasons for, and benefits of, the CSC Engagement Agreements**

As mentioned above, the Group has established a long relationship with COLI Group in the Hong Kong construction industry. As mentioned in the letter from the Board, during the three years ended 31 December 1999, the total contract sum of new construction projects undertaken by COLI Group amounted to approximately HK\$294 million, HK\$482 million and HK\$868 million respectively, and all of which were awarded to the Project Management Group. As stated in the letter from the Board, COLI has not undertaken any construction project in Hong Kong in the past two financial years ended 31 December 2004, and in fact, has not expanded its land reserves since 1998 for a number of years. Therefore, the Group had not been invited by COLI Group to submit tender for construction works in Hong Kong from 2000 to present.

In view of the recent recovery and improved sentiments in the Hong Kong property market, COLI Group has begun to expand its land reserves for its property development projects in Hong Kong. Therefore, COLI Group will resume to invite construction contractors, including the Group, to participate in competitive tender for its construction work in Hong Kong from time to time.

As COLI Group is one of the reputable property developers in Hong Kong, the Directors consider that being able to participate in the construction of COLI Group's property development projects upon successful tender allows the Group to expand its customer base and to facilitate its future growth. In addition, the Directors consider that the Group's participation in competitive tender for construction works from the COLI Group can assist the Group in keeping abreast with the latest market news and trends, placing the Group in a competitively more advantageous position in relation to the Group's competitors in view of the changing property and construction market and customers' needs.

Taking into account of the above, we are of the view that the entering into the CSC Engagement Agreement is in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole.

iii **Key terms of the CSC Engagement Agreement**

a. *Terms*

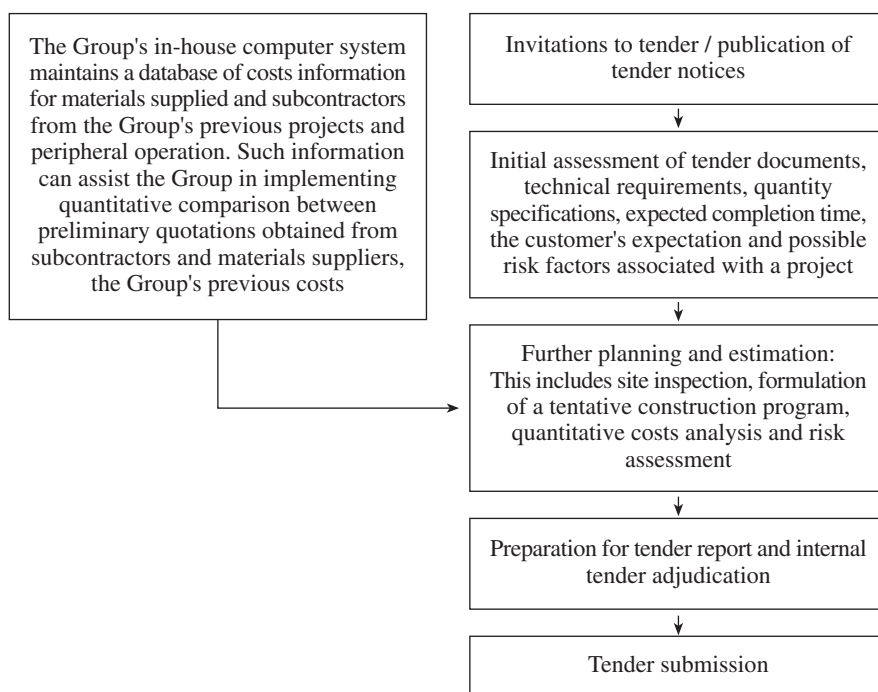
The CSC Engagement Agreement covers a three-year period expiring on 31 December 2008. The CSC Engagement Agreement (together with the Cap) will only take effect conditional upon the approval of COLI Independent Shareholders and the Independent Shareholders at the COLI EGM and the EGM respectively.

b. *Pricing basis*

Pursuant to CSC Engagement Agreement, the Group will tender for COLI Group's construction works in Hong Kong under the Group's tender review procedure, which is also applicable to other independent third parties. The Directors have confirmed that the terms of the CSC Engagement Agreements are on normal commercial terms and have been arrived at after arm's length negotiations.

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

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



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

To ascertain whether the tender review procedure of the Group has been implemented by the Group to review the feasibility and profitability of invitations to tender received by the Group, we have reviewed some sample tender reports of the Group and noted that the tender review process is implemented by the tender review committee (“Committee”). We further understand that the Committee may approve or reject an invitation to tender based on the analysis result of the tender review process. In addition, the Committee is also responsible to decide the contents and pricing term of the proposed tender. If any contract is granted in favour of the Group as a result of the competitive tender, the relevant property developers will issue a letter of award to the Group and the Group will act as construction contractor for the relevant construction works based on the terms of the successful tender. Based on the Management’s confirmation and representation, we understand that the Continuing Connected Transactions will be reviewed and approved in the same manner. Therefore, we are of the view that adequate measures will be in place to mitigate any conflict of interest between the Group and COLI Group regarding the tender submission.

Taking into consideration the above factors and having reviewing the relevant documents, we are of the opinion that the terms of the CSC Engagement Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

iv **The Cap**

According to the CSC Engagement Agreement, total contract sum to be awarded by COLI Group to the Group each year shall not exceed HK\$900 million for each of the three financial years ending 31 December 2008. To reach our opinion on whether the Annual Caps are fair and reasonable, we have considered the following factors:

a. *Basis of the Cap*

As stated in the letter from the Board, the Cap is calculated with reference to (i) total contract sum of new construction projects undertaken by COLI Group each year for the three financial years ended 31 December 1999; and (ii) total contract sum of new construction projects in Hong Kong of COLI Group in each of the next three financial years ending 31 December 2008 as estimated by COLI Group with reference to COLI Group’s future growth and expansion in its land reserves in Hong Kong in the next three years.

b. *Historical transaction values*

Historical transaction values for the three years ended 31 December 1999 amounted to approximately HK\$294 million, HK\$482 million and HK\$868 million respectively. As stated in the letter from the Board, COLI has not undertaken any construction project in Hong Kong in the past two financial years ended 31 December 2004, and in fact, has not expanded its land reserves since 1998 for a number of years. Therefore, the Group had not been invited by COLI Group to submit tender for construction works in Hong Kong from

2000 to present. We note that Cap represented a 3.7% increase over the historical transaction value in 1999. The Directors consider that such minor increase in the Cap provides more flexibility to the Group in providing construction services to COLI Group in the next three years.

c. *The possible competitive tender for the COLI Group's construction works in Hong Kong*

As advised by the Management, they discussed with the management of COLI Group about the possible competitive tender for the COLI Group's construction works in Hong Kong in the next three years. The Management was informed that the COLI Group's demand for construction services in Hong Kong for the next three years may restore to its previous level in 1999, which is estimated by the COLI Group with reference to COLI Group's future growth and expansion in its land reserves in Hong Kong in the next three years.

Taking into consideration the above factors and having reviewed the basis of the Cap, we are of the opinion that the Cap is fair and reasonable so far as the Independent Shareholders are concerned.

However, the Shareholders should note that the Cap represents the best estimates by the Directors based on the information currently available. They bear no direct relationships to, nor should be taken to have any direct bearings to, the Group's financial or potential financial performance. The Group may or may not provide construction services to COLI Group up to the level of the Cap, if at all, as its engagement by COLI Group is subject to tender procedures which are open to other independent third party contractors.

v **Annual review of the Continuing Connected Transaction**

According to Rule 14A.37 of the Listing Rules, each year the independent non-executive directors of the Company must review the Continuing Connected Transaction and confirm in the annual report and accounts that the Continuing Connected Transaction has been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM CHINA EVERBRIGHT

In addition, according to Rule 14A.38 of the Listing Rules, each year the auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Continuing Connected Transaction: (1) has received the approval of the Board; (2) is in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the listed issuer; (3) has been entered into in accordance with the relevant agreement governing the transactions; and (4) has not exceeded the cap disclosed in previous announcement.

We have discussed the above continuing obligations with the Management and have been advised that the Company will implement sufficient procedures and appropriate measures to comply with Rule 14A.38 to Rule 14A.40 of the Listing Rules and to govern itself in carrying out the Continuing Connected Transaction, thereby safeguarding the interest of the Shareholders.

RECOMMENDATION

Having analysed and considered the principal factors as set out in our letter above, we would draw your attention to the following key factors, which should be read in conjunction with and interpreted in the full context of the Circular, in arriving at our conclusion:

1. the Group has established a long relationship with COLI Group in the Hong Kong construction industry and the transactions to be contemplated under the CSC Engagement Agreement will form part of the ordinary and usual course of commercial activities of the Group;
2. As COLI Group is one of the reputable property developers in Hong Kong, the Directors consider that being able to participate in the construction of COLI Group's property development projects upon successful tender allows the Group to expand its customer base and to facilitate its future growth. In addition, the Directors consider that the Group's participation in competitive tender for works from the COLI Group can assist the Group in keeping abreast with the latest market news and trends, placing the Group in a competitively more advantageous position in relation to the Group's competitors in view of the changing property and construction market and customers' needs;
3. the Group have maintained a systematic tender review procedure to review the feasibility and profitability of invitations to tender received by the Group, and the same review process is applicable to either invitations to tender received by the Group from COLI Group or such from other independent third parties;
4. the Cap has been determined by reference to (i) total contract sum of new construction projects undertaken by COLI Group each year for the three financial years ended 31 December 1999; and (ii) total contract sum of new construction projects in Hong Kong of COLI Group in each of the next three financial years ending 31 December 2008 as estimated by COLI Group with reference to COLI Group's future growth and expansion in its land reserves in Hong Kong in the next three years; and

LETTER FROM CHINA EVERBRIGHT

5. the Continuing Connected Transaction will be subject to the annual review by the independent non-executive Directors and auditors under Rule 14A.37 and Rule 14A.38 of the Listing Rules.

Based on the above, we are of the opinion that (i) the entering into the CSC Engagement Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the CSC Engagement Agreement (together with the Cap) were agreed on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned. Accordingly, we would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution in respect of the CSC Engagement Agreement and the Continuing Connected Transaction (including the Cap) to be proposed at the EGM.

Your faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

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

(a) Long positions in ordinary shares of the Company and associated corporation

	Interests in	Name of Director	Capacity	Nature of interests	Number of ordinary shares held	% of total issued shares
1.	The Company	Kong Qingping	Beneficial owner	Personal	200,000	0.041%
		Yip Chung Nam	Beneficial owner	Personal	122,222	0.025%
		Zhou Hancheng	Beneficial owner	Personal	10,000	0.002%
2.	COLI (fellow subsidiary)	Kong Qingping	Beneficial owner	Personal	3,600,000	0.056%
		Yip Chung Nam	Beneficial owner	Personal	2,600,000	0.040%
		Cheong Chit Sun	Beneficial owner	Personal	80,000	0.001%

(b) Long positions in underlying shares of the Company and associated corporation

		Share options						
		Number of ordinary shares attached to the share options						
Interest in	Name of Director	Date of grant	Outstanding at 1 January 2005	Granted during the period	Exercised during the period	Outstanding at the Latest Practicable Date	Exercise price	Exercise period
The Company	Kong Qingping	04.11.2005	—	1,200,000	—	1,200,000	HK\$1.03	14.09.2006 to 13.09.2015
	Zhou Yong	04.11.2005	—	1,050,000	—	1,050,000	HK\$1.03	14.09.2006 to 13.09.2015
	Yip Chung Nam	04.11.2005	—	750,000	—	750,000	HK\$1.03	14.09.2006 to 13.09.2015
	Fu He	04.11.2005	—	750,000	—	750,000	HK\$1.03	14.09.2006 to 13.09.2015
	Zhou Hancheng	04.11.2005	—	700,000	—	700,000	HK\$1.03	14.09.2006 to 13.09.2015
	Cheong Chit Sun	04.11.2005	—	450,000	—	450,000	HK\$1.03	14.09.2006 to 13.09.2015
	Raymond Ho Chung Tai	04.11.2005	—	200,000	—	200,000	HK\$1.03	14.09.2006 to 13.09.2015
	Adrian David Li Man Kiu	04.11.2005	—	200,000	—	200,000	HK\$1.03	14.09.2006 to 13.09.2015
	Raymond Leung Hai Ming	04.11.2005	—	200,000	—	200,000	HK\$1.03	14.09.2006 to 13.09.2015
	Lee Shing See	04.11.2005	—	200,000	—	200,000	HK\$1.03	14.09.2006 to 13.09.2015
COLI	Kong Qingping	17.07.1997	1,000,000	—	—	1,000,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	10,720,000	—	(280,000)	10,440,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	920,000	—	(460,000)	460,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	1,200,000	—	(400,000)	800,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	3,360,000	—	—	3,360,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>17,200,000</u>			<u>16,060,000</u>		

Share options								
Number of ordinary shares attached to the share options								
Interest in	Name of Director	Date of grant	Outstanding at 1 January 2005	Granted during the period	Exercised during the period	Outstanding at the Latest Practicable Date	Exercise price	Exercise period
COLI	Zhou Yong	17.07.1997	20,000	—	—	20,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	150,000	—	—	150,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	60,000	—	—	60,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	180,000	—	—	180,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	1,920,000	—	—	1,920,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>2,330,000</u>			<u>2,330,000</u>		
	Yip Chung Nam	17.07.1997	800,000	—	—	800,000	HK\$4.06	17.07.1998 to 16.07.2007
		18.06.2004	2,000,000	—	(400,000)	1,600,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>2,800,000</u>			<u>2,400,000</u>		
	Fu He	17.07.1997	250,000	—	—	250,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	280,000	—	(70,000)	210,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	220,000	—	(100,000)	120,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	360,000	—	(120,000)	240,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	2,000,000	—	—	2,000,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>3,110,000</u>			<u>2,820,000</u>		

Share options								
Number of ordinary shares attached to the share options								
Interest in	Name of Director	Date of grant	Outstanding at 1 January 2005	Granted during the period	Exercised during the period	Outstanding at the Latest Practicable Date	Exercise price	Exercise period
COLI	Zhou Hancheng	17.07.1997	100,000	—	—	100,000	HK\$4.06	17.07.1998 to 16.07.2007
		14.02.1998	160,000	—	(40,000)	120,000	HK\$1.08	14.02.1999 to 13.02.2008
		30.09.1998	160,000	—	(80,000)	80,000	HK\$0.52	30.09.1999 to 29.09.2008
		04.01.2000	320,000	—	(160,000)	160,000	HK\$0.58	04.01.2001 to 03.01.2010
		18.06.2004	640,000	—	(128,000)	512,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>1,380,000</u>			<u>972,000</u>		
	Cheong Chit Sun	18.06.2004	400,000	—	(80,000)	320,000	HK\$1.13	18.06.2005 to 17.06.2014
			<u>400,000</u>			<u>320,000</u>		

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable 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 are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

None of the Directors has had any direct or indirect interest in any assets which have since 31 December 2004 (being the date to which the audited consolidated financial statements of the Company as set out in the Company's prospectus dated 14 June 2005 were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies were interested in 5% or more in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions of substantial shareholders in the shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares held	% of total issued share
COHL (<i>Note</i>)	Beneficial owner	316,318,956	—	64.28%
CSCEC (<i>Note</i>)	Interest of a controlled corporation/ beneficial owner	316,318,956	—	64.28%

Note: Mr. Kong Qingping is also a director of CSCEC and COHL. Messrs. Zhou Yong, Yip Chung Nam, Fu He are also directors of COHL.

COHL is a direct wholly owned subsidiary of CSCEC, thus CSCEC is deemed by the SFO to be interested in 316,318,956 Shares directly owned by COHL.

Save as disclosed above, none of the Directors are directors or employees of a company which, and so far as was known to the Directors or chief executive of the Company, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, 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.

- (b) As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Subsidiaries	Name of Substantial Shareholders	Percentage of Shareholdings
China Overseas Installation Works Limited (中國海外安裝工程有限公司)	Shanghai Industrial Equipment Installation Corp. (上海市工業設備安裝公司)	35%
China Overseas - Young's Mechanical & Electrical Engineering Limited (中景機電工程有限公司)	Young's Engineering Holdings Limited	49%

Save as disclosed above, the Directors or chief executive of the Company are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not expiring or determinable by the Company within one year without the payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the audited consolidated financial statements of the Company as set out in the Company's prospectus dated 14 June 2005 were made up.

6. COMPETING BUSINESS INTERESTS OF DIRECTORS

The Company is a main contractor participating mainly in the Hong Kong construction market. CSCEC is a main contractor participating mainly in the PRC construction market. Mr. Kong Qingping is a director of CSCEC. CSCEC has agreed not to participate in the Hong Kong, Dubai and India construction markets and has executed non-competition undertakings in the favour of the Company on 16 June 2004 and 29 April 2005 respectively.

As at the Latest Practicable Date, in so far as the Directors were aware, other than as set out herein, none of the Directors or their respective associates had any interest in a business which competed or was likely to compete with the business of the Group.

7. INDEPENDENT FINANCIAL ADVISER

China Everbright has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which it appears.

The qualification of the independent financial adviser who has given advice contained in this circular is set out as follows:

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

China Everbright has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

China Everbright does not have any interest, direct or indirect, 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 Group since 31 December 2004, being the date to which the audited consolidated financial statements of the Company as set out in the Company's prospectus dated 14 June 2005 were made up.

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

8. MISCELLANEOUS

- The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
- The head office and principal place of business of the Company is 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- The branch share registrar of the Company in Hong Kong is Standard Registrars Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- The qualified accountant of the Company is Wong Fu Kei, *FCCA, HKICPA*.
- The company secretary of the Company is Connie Y.W. Chiang, *FCS, FCIS*.
- The English text of this circular will prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the office of the Company at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong from the date of this circular up to and including 29 December 2005:

- (a) the “Letter from the Independent Board Committee” as set out in this circular;
- (b) the “Letter from China Everbright” as set out in this circular; and
- (c) the CSC Engagement Agreement.

Pursuant to Articles 66 and 67 of the Articles of Association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

In accordance with the requirement under Chapter 13 of the Listing Rules, the Company will publish an announcement in newspapers of the results of any voting by poll at the general meeting on the business day following the meeting.



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China State Construction International Holdings Limited (the “Company”) will be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 29 December 2005 at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1 “THAT

- (a) the CSC Engagement Agreement (as defined in the circular of the Company dated 12 December 2005 (the “Circular”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purposes) and the continuing connection transaction contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Cap (as defined in the Circular) for the three financial years ending 31 December 2008 be and is hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are 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 CSC Engagement Agreement.”

By Order of the Board
**China State Construction
International Holdings Limited**
Zhou Yong

Vice-chairman and Chief Executive Officer

Hong Kong, 12 December 2005

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
4. 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 of such power or authority, must be lodged at the office of the Company's branch share registrar, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.