

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**CONTINUING CONNECTED TRANSACTION**

**AND**

**CONNECTED TRANSACTION**

**PERMISSION FOR THE CSCEC GROUP**

**TO PARTICIPATE IN THE CONSTRUCTION MARKET IN DUBAI**

The Directors announce that after the close of trading hours on 19 November 2007, the Company entered into the Master Dubai Construction Agreement with CSCEC, whereby CSCEC and its subsidiaries (including COLI but excluding the Group) (i.e. the “**CSCEC Group**”) may tender for and/or enter into contracts in construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works for an initial term of three (3) years.

As stated in the Company’s listing document dated 14 June 2005, CSCEC has in anticipation of the Group’s intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group will, be engaged in the construction market in, among others, Dubai except, among other things, in joint venture with the Group. In this respect, the Company will also enter into the Supplemental Agreement to amend the Non-Competition Undertaking so that the CSCEC Group may participate in construction works in Dubai pursuant to the Master Dubai Construction Agreement.

CSCEC is the ultimate holding company of COHL, which in turn holds approximately 62.08% interest in the issued share capital of the Company and is a connected person of the Company. The granting of permission to the CSCEC Group to tender for and/or enter into contracts in construction works in Dubai under the Master Dubai Construction Agreement constitute continuing connected transaction (“**Continuing Connected Transaction**”) of the Company. The amendment of the Non-Competition Undertaking under the Supplemental Agreement to the Non-Competition Undertaking will also constitute a connected transaction of the Company.

The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company for the fee receivable under the Master Dubai Construction Agreement in respect of the maximum value of contract awarded in each of the three years ending 31 December 2010, i.e. the Cap, would exceed 0.1% but will be less than 2.5%. As such, the Company is required to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction. In addition, as the Agreements will lead to a change to CSCEC’s obligations under the Non-Competition Undertaking, the Directors will also submit the Agreements to the Independent Shareholders for approval.

The Company will seek the Independent Shareholders’ approval of the Agreements and the Continuing Connected Transaction (including the Cap) at the extraordinary general meeting of the Company to be convened to consider the same (the “EGM”) by way of poll. CSCEC and its associates (as defined under the Listing Rules) shall abstain from voting at the EGM. An independent financial adviser will be appointed to advise the independent board committee (comprising all the independent non-executive Directors of the Company) and the Independent Shareholders on whether the Agreements, the Continuing Connected Transaction (including the Cap) were agreed on normal commercial terms and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, details of the Agreements, the Continuing Connected Transaction (including the Cap) together with the letter from the independent board committee of the Company, the advice of the independent financial adviser to be appointed and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **BACKGROUND**

As stated in the Company's listing document dated 14 June 2005, CSCEC has in anticipation of the Group's intention to explore the construction market in Dubai given the Non-Competition Undertaking in favour of the Company on 29 April 2005 that it will not, and will procure that no member of the CSCEC Group will be engaged in the construction market in, among others, Dubai, except, among other things, in joint venture with the Group. The Group's operation in Dubai is still in its early stage of development, and the Directors believe that there are still many business opportunities in the construction market in Dubai that the Group has not or the Group is not yet ready to pursue. Under the Master Dubai Construction Agreement, the CSCEC Group may, for a cash consideration and subject to the prior written consent of the Company, tender for and/or enter into contracts in construction works in Dubai. The Directors consider that the Master Dubai Construction Agreement is an attractive opportunity for the Group to capitalise on the business opportunities that the Group would not otherwise pursue in Dubai. In order that the CSCEC Group may participate in construction works in Dubai pursuant to the Master Dubai Construction Agreement, the Company will also enter into the supplemental agreement to amend the Non-Competition Undertaking.

## **MASTER DUBAI CONSTRUCTION AGREEMENT**

### **Date:**

19 November 2007

### **Parties:**

- (a) CSCEC, the ultimate holding company of the Company; and
- (b) the Company.

### **Subject:**

For so long as the Non-Competition Undertaking remains in force and pursuant to the Master Dubai Construction Agreement, the CSCEC Group may subject to the prior written consent of the Company, tender for and/or enter into contracts in construction works in Dubai, provided that the total contracts that may be awarded to the CSCEC Group in each of the three financial years ending 31 December 2010 shall not exceed HK\$5,000 million (the relevant fee thereon calculated on a 2.5% basis would be HK\$125 million) (i.e. the "Cap").

Subject to the Master Dubai Construction Agreement becoming unconditional, the Company has also agreed to execute the Supplemental Agreement to Non-Competition Undertaking effective from 1 January 2008.

**Condition:**

Independent Shareholders approving the Master Dubai Construction Agreement and the Supplemental Agreement to the Non-Competition Undertaking (collectively the “**Agreements**”) at the extraordinary general meeting of the Company to be convened to consider the same (the “**EGM**”).

**Term:**

Three (3) years commencing from 1 January 2008 with an option for the Company to renew for a further three (3) years on the same terms by written notice.

**Consideration:**

A fee of 2.5% of the final contract sum received by the CSCEC Group in respect of each construction works awarded and undertaken by the CSCEC Group in Dubai calculated on a quarterly basis with reference to the value of the contract work certified as completed in that quarter and payable within one month from the end of each relevant quarter. Other than the giving of the consent and the execution of the Supplemental Agreement to Non-Competition Undertaking, no other services will need to be provided nor obligations will be undertaken by the Group incidental to the Master Dubai Construction Agreement.

Consideration receivable by the Group under the Master Dubai Construction Agreement will be used as general working capital.

**SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION UNDERTAKING**

**Parties:**

- (a) CSCEC, the ultimate holding company of the Company; and
- (b) the Company.

**Subject:**

Any engagement or involvement of the CSCEC Group in construction works in Dubai in respect of contracts awarded in accordance with the Master Dubai Construction Agreement will be taken as an exception to the general undertakings of CSCEC that it will not, and will procure that no member of the CSCEC Group will be engaged in the construction market in Dubai.

The Supplemental Agreement to the Non-Competition Undertaking is not conditional on the Master Dubai Construction Agreement, but as a term of the Master Dubai Construction Agreement, the Company has agreed to sign the Supplemental Agreement effective from 1 January 2008 as mentioned above.

#### **FURTHER INFORMATION ON AND REASONS FOR THE AGREEMENTS**

As mentioned above, the operation of the Group in Dubai is still in an early development stage. The total contract sum of construction projects undertaken by the Group in Dubai in the past three financial years were approximately HK\$2,126 million, HK\$1,561 million and HK\$1,916 million respectively, representing approximately 23%, 11% and 20% of the contract sum of the construction contracts undertaken by the Group for the relevant period. The Directors believe that there are still many business opportunities in Dubai that the Group has not or the Group is not yet ready to pursue. Under the Non-Competition Undertaking, CSCEC Group may also participate in the construction in Dubai through joint venture with the Group. In order to capitalise fully on the business opportunities that the Group may not otherwise pursue in Dubai, the Directors believe it to be in the interest of the Group to permit the CSCEC Group to participate in the Dubai market on its own otherwise than in joint venture with the Group.

The Directors believe that the construction market in Dubai in the coming three years may exceed HK\$100,000 million in terms of contract value each year. The Cap and the fee were set with the view of maximising the Group's ability to capitalise on the business opportunities in Dubai through the CSCEC Group.

It is the intention of the Directors that the Group will continue to explore its business opportunities to develop the construction market in Dubai. As the Group will maintain a first right of refusal over the CSCEC Group to participate in the construction market in Dubai, the Directors believe that the Agreements will not have any negative impact on the Group's business prospects in Dubai.

The Directors (including the independent non-executive Directors) consider the terms of the Agreements and the Cap to be reasonable and fair and in the interest of the Company and its Shareholders as a whole. The Agreements were negotiated on an arm's length basis and were arrived at on normal commercial terms.

#### **INFORMATION ON THE COMPANY AND CSCEC**

The Company is principally engaged in building construction and civil engineering. CSCEC is the ultimate holding company of COHL which in turn holds approximately 62.08% of the issued share capital of the Company. The granting of permission to the CSCEC Group to tender for and/or enter into contracts in construction projects in

Dubai under the Master Dubai Construction Agreement constitute continuing connected transaction of the Company. The amendment of the Non-Competition Undertaking under the Supplemental Agreement to the Non-Competition Undertaking will also constitute a connected transaction of the Company.

## **LISTING RULES IMPLICATIONS**

The Master Dubai Construction Agreement was entered into after close of trading hours on 19 November 2007. The Directors believe that there is no prior transaction between CSCEC Group and the Group that require aggregation under Rule 14A.25 of the Listing Rules. The applicable percentage ratios as defined under Rule 14A.10 of the Listing Rules calculated for the Company for the fee receivable under the Master Dubai Construction Agreement in respect of the maximum value of contract awarded in each of the three years ending 31 December 2010, i.e. the Cap, would exceed 0.1% but will be less than 2.5%. As such, the Company is required to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transaction. In addition, as the Agreements will lead to a change to CSCEC's obligations under the Non-Competition Undertaking, the Directors will also submit the Agreements to the Independent Shareholders for approval.

The Company will seek the Independent Shareholders' approval of the Agreements, the Continuing Connected Transaction (including the Cap) at the EGM by way of poll. CSCEC and its associates (as defined under the Listing Rules) shall abstain from voting at the EGM. An independent financial adviser will be appointed to advise the independent board committee (comprising all the independent non-executive Directors of the Company) and the Independent Shareholders on whether the Agreements, the Continuing Connected Transaction (including the Cap) were agreed on normal commercial terms and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, details of the Agreements, the Continuing Connected Transaction (including the Cap) together with the letter from the independent board committee of the Company, the advice of the independent financial adviser to be appointed and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

"Agreements"	the Master Dubai Construction Agreement and the Supplemental Agreement to the Non-Competition Undertaking
--------------	---

“Cap”	the annual cap for the Master Dubai Construction Agreement set out above
“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 62.08% of the issued share capital of the Company
“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, the shares of which are listed on the Main Board of the Stock Exchange
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“Continuing Connected Transaction”	the transactions contemplated under the Master Dubai Construction Agreement (together with the Cap)
“CSCEC Group”	CSCEC and its subsidiaries (including COLI but excluding the Group)
“CSCEC”	China State Construction Engineering Corporation, a state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for approving the Agreements and the Continuing Connected Transaction (including the Cap)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the shareholders of the Company, other than CSCEC and its associates (as defined under the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Master Dubai Construction Agreement”	the agreement dated 19 November 2007 entered into by the Company and CSCEC in relation to the permission by the Company for the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai
“Non-Competition Undertaking”	the non-competition undertaking given by CSCEC in favour of the Company dated 29 April 2005
“PRC”	the People’s Republic of China, which for the purpose of this announcement exclude Hong Kong and Macau
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement to Non-Competition Undertaking”	the supplement agreement to be entered into by the Company and CSCEC to amend the Non-competition Undertaking
“%”	per cent.

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

*Vice-chairman and Chief Executive Officer*

Hong Kong, 20 November, 2007

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Kong Qingping (Chairman and Non-executive Director); Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam, Mr. Fu He, Mr. Zhou Hancheng and Mr. Cheong Chit Sun as Executive Directors; and Dr. Raymond Ho Chung Tai, Mr. Adrian David Li Man Kiu, Mr. Raymond Leung Hai Ming and Mr. Lee Shing See as Independent Non-executive Directors.*