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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)**

**TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

**AND**

**ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS**

**WITH**

**中國建築股份有限公司**

**(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**

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

On 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement, whereby: (i) the Company and CSCECL agreed to terminate the Previous Engagement Agreement upon the taking effect of the CSCECL Sub-construction Engagement Agreement; (ii) the Group may engage the CSCECL Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSCECL Sub-construction Engagement Cap; and (iii) the CSCECL Group may engage the Group as Contractors upon successful tender for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 subject to the CSC Sub-construction Engagement Cap.

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

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

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

An independent board committee of the Company comprising all the Independent Non-executive Directors of the Company will be formed to advise the Independent Shareholders in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this connection.

A circular containing, among other things, further particulars of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions together with, the recommendations of the independent board committee of the Company, a letter from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders, and a notice convening the EGM will be expected to be despatched to the Shareholders on or before 7 October 2011 in accordance with the Listing Rules.

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

## **TERMINATION OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

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

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

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

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

The Directors also confirm that the termination of the Previous Engagement Agreement was occasioned by the expansion of scope of business transactions with CSCECL and that the termination of the Previous Engagement Agreement will not cause any material adverse impact to the Group due to the entering into of the CSCECL Sub-construction Engagement Agreement.

## **CSCECL SUB-CONSTRUCTION ENGAGEMENT AGREEMENT**

### **Date**

20 September 2011

### **Parties**

1. The Company; and
2. CSCECL.

### **CSCECL Sub-construction Engagement Transactions**

The Directors expect that the Group will invite the CSCECL Group to participate in competitive tender as construction sub-contractor, project management contractor, project consultant and/or construction material supplier (collectively, "Contractors") for the Group's construction works from time to time. In this connection, on 20 September 2011, the Company and CSCECL entered into the CSCECL Sub-construction Engagement Agreement for a term of three years commencing from 1 November 2011 and ending on 31 October 2014 whereby the parties agreed, among other things, that:

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

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

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

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

### **CSC Sub-construction Engagement Transactions**

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

- (a) the Group may tender for the CSCECL Group's construction works as Contractors in accordance with the tendering procedure of the CSCECL Group from time to time and on the same and normal terms as offered to other independent third party Contractors;
- (b) if any contract is granted in favour of the Group as a result of the above tender, the Group may act as Contractors for the CSCECL Group's construction works based on the terms of the successful tender provided that the maximum total contract sum that may be awarded by the CSCECL Group to the Group for the period between 1 November 2011 and 31 December 2011 is nil, for each of the

two financial years ending 31 December 2013 shall not exceed HK\$3,000 million, and for the period between 1 January 2014 and 31 October 2014 shall not exceed HK\$3,000 million (i.e. the CSC Sub-construction Engagement Cap); and

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

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

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

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

### **Conditions Precedent**

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

## **REASONS FOR THE CSCECL SUB-CONSTRUCTION ENGAGEMENT TRANSACTIONS AND CSC SUB-CONSTRUCTION ENGAGEMENT TRANSACTIONS**

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

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

On the same date of the CSCECL Sub-construction Engagement Agreement, the Company has also entered into an engagement agreement with COHL, whereby the COHL Group (including the COLI Group) may engage the Group as construction contractor (on the basis of "Build-Transfer" mode) for the construction of housing and infrastructure in relation to urban-rural coordination projects of the COHL Group (including the COLI Group) in the PRC in compliance with the continuing connected transaction requirements under the Listing Rules. Further details of such engagement agreement are set out in the announcement of the Company dated 20 September 2011. The maximum total contract sum that may be awarded by the COHL Group (including the COLI Group) under such arrangement to the Company for each year/period is separate and distinct from the CSC Sub-construction Engagement Cap.

Reference is made to the announcement dated 17 November 2010 of the Company relating to the renewal of the Master Dubai Construction Agreement between the Company and CSCEC regarding the Company's permission for the CSCEC Group to



participate in the construction market in Dubai. Under an agreement dated 17 November 2010 between the Company and CSCEC, the Company and CSCEC agreed to renew the Master Dubai Construction Agreement for a further term of three years commencing from 1 January 2011 to 31 December 2013 and the Company permitted the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai for a fee of 2.5% over the final contract sum received by the CSCEC Group in respect of these construction works. For clarification purposes, any engagement of the CSCECL Group as Contractors in Dubai by the Group pursuant to the CSCECL Sub-construction Engagement Agreement will not be subject to the provisions of the said agreements between the Company and CSCEC.

The Directors (other than the Independent Non-executive Directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) consider that the CSCECL Sub-construction Engagement Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the CSCECL Sub-construction Engagement Transactions contemplated under the CSCECL Sub-construction Engagement Agreement (together with the CSCECL Sub-construction Engagement Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSCECL Sub-construction Engagement Transactions (together with the CSCECL Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors (other than the Independent Non-executive Directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) consider that the CSC Sub-construction Engagement Transactions are expected to be entered into in the ordinary and usual course of business of the Group, and the CSC Sub-construction Engagement Transactions contemplated under the CSCECL Sub-construction Engagement Agreement (together with the CSC Sub-construction Engagement Cap) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the CSC Sub-construction Engagement Transactions (together with the CSC Sub-construction Engagement Cap) are fair and reasonable and in the interests of the Shareholders as a whole.

## **GENERAL**

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

The CSCECL Group is principally engaged as contractors in the PRC construction market.



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

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

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

An independent board committee of the Company comprising all the Independent Non-executive Directors of the Company will be formed to advise the Independent Shareholders in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this connection.

A circular containing, among other things, further particulars of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions together with, the recommendations of the independent board committee of the Company, a letter from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders, and a notice convening the EGM will be expected to be despatched to the Shareholders on or before 7 October 2011 in accordance with the Listing Rules. If

there is expected to be delay in despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

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

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate(s)”, “connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company;
“COHL Group”	COHL and its subsidiaries from time to time, other than the Group and the COLI Group;
“COLI”	China Overseas Land & Investment Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);
“COLI Group”	COLI and its subsidiaries from time to time;

“Company”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“Contractors”	collectively, construction sub-contractor, project management contractor, project consultant and/or construction material supplier;
“CSC Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the CSCECL Group to the Group for each year/period under the CSCECL Sub-construction Engagement Agreement;
“CSC Sub-construction Engagement Transactions”	the engagement by the CSCECL Group of the Group as Contractors for the CSCECL Group’s construction works as described under the sub-section headed “CSC Sub-construction Engagement Transactions” in this announcement;
“CSCEC”	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, being the ultimate holding company of the Company;
“CSCEC Group”	CSCEC and its subsidiaries (including the COLI Group but excluding the Group) from time to time;
“CSCECL”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited), a joint stock company incorporated in the PRC (which is held more than 50% by CSCEC) and whose shares are listed on the Shanghai Stock Exchange (stock code: 601668);
“CSCECL Group”	CSCECL and its subsidiaries (excluding the Group, the COHL Group and the COLI Group) from time to time;
“CSCECL Sub-construction Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 20 September 2011 in respect of the CSCECL Sub-construction Engagement Transactions and the CSC Sub-construction Engagement Transactions;

“CSCECL Sub-construction Engagement Cap”	the maximum total contract sum of the construction sub-contracts, project management contracts, project consultancy contracts and construction material supplying contracts that may be awarded by the Group to the CSCECL Group for each year/period under the CSCECL Sub-construction Engagement Agreement;
“CSCECL Sub-construction Engagement Transactions”	the engagement by the Group of the CSCECL Group as Contractors for the Group’s construction works as described under the sub-section headed “CSCECL Sub-construction Engagement Transactions” in this announcement;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the CSCECL Sub-construction Engagement Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholder(s)”	the Shareholder(s), other than CSCECL and its associates;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“Master Dubai Construction Agreement”	the agreement dated 19 November 2007 entered into by the Company and CSCEC in relation to the permission by the Company for the CSCEC Group to tender for and/or enter into contracts in the construction works in Dubai;
“PRC”	the People’s Republic of China, which for the purpose of this announcement exclude Hong Kong, Macau and Taiwan;

“Previous Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 2 April 2009 in respect of continuing connected transactions of the Company involving (i) the engagement by the Group of the CSCECL Group (including the COHL Group) as construction sub-contractor and/or project management contractor for the Group’s construction works in the PRC and the United Arab Emirates; and (ii) the engagement by the CSCECL Group (including the COHL Group) of the Group as construction sub-contractor for construction works of the CSCECL Group (including the COHL Group) in the PRC;
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent..

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

Hong Kong, 20 September 2011

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