



CEC GROUP

ASX ANNOUNCEMENT

13 March 2008

TOWNSVILLE OCEAN TERMINAL & FUTURE DEVELOPMENT AREA PROJECT

Key Points:

- **Conditional contract to acquire the Townsville Ocean Terminal and Future Development Area project**
- **CEC will not be utilising existing or expanded debt facilities or any of its own equity to acquire the assets**
- **CEC Group is in discussion with potential JV partners to form a Special Purpose Vehicle for the acquisition**
- **CEC will not be providing any security for any debt arrangements for the Special Purpose Vehicle, other than the project itself.**

Background:

The CEC Group Limited (ASX: CEG) announces that it has entered into a conditional contract for the purchase of the Townsville Ocean Terminal and Future Development Area Project (“the assets”) for A\$30 million. This fact was announced by City Pacific Limited yesterday, before CEC had been able to finalise key arrangements with potential Joint Venture partners and financiers. This project is not inconsistent with the substantial debt reduction program currently being undertaken by CEC Group which is presently refocusing its business operations and is in the process of divesting certain non-core assets to reduce outstanding debt.

The Development includes a dedicated cruise ship terminal and wharf area and the reclamation of land which will feature up to 700 luxury waterfront lots and waterfront units including a retail precinct.

Acquisition Details:

CEC identified the Townsville Ocean Terminal and Future Development Area Project as having significant strategic benefit to the core operations of the Group and the capability of generating substantial financial returns to shareholders. Consequently, the company has actively pursued the acquisition over the past few years. The opportunity to acquire these assets arose recently, enabling CEC to negotiate a conditional contract. This has provided CEC the ability to formalise a Joint Venture arrangement and complete detailed due diligence on the assets. Negotiations on the proposed Joint Venture are currently in progress.

CEC will not be utilising existing or expanded debt facilities or any of its own equity to acquire the assets. The key elements of the structuring of the funding for this acquisition are as follows:

- The purchase would be entered into by a Special Purpose Vehicle (“SPV”).
- Funding will be undertaken in a Special Purpose Vehicle (“SPV”) and not by the CEC Group, with the Joint Venture partner providing all equity contributions.
- Debt associated with the financing of the acquisition will be on a non-recourse basis to CEC Group.
- The agreement has been signed subject to a number of conditions including the points listed above.

Additional conditions include:

- Completion of due diligence by no later than 2 June 2008;
- Finalisation of documentation; and
- Consent from key stakeholders (Townsville City Council and the Queensland State Government).
- The total cash sale price is \$30 million with \$12.5 million expected to be paid in FY08, \$12.5 million in FY09 and \$5 million in FY10.

CEC Benefits:

Although the assets would be acquired in a SPV, a number of benefits to the CEC Group are expected to be generated from the acquisition. Owing to the vertical integration of the CEC Group business operations, CEC anticipates that CEC Constructions would perform some of the development activities associated with the Future Development Area project. This would likely involve CEC subsidiaries in the supply of building materials, project management and construction activities.

About The CEC Group Ltd

CEC Group is a vertically integrated construction, property and waste management company operating in North Queensland. CEC is engaged in civil engineering and construction, supply of building and construction materials, and property development. The company has operations in Cairns, Townsville, Mt Isa, Cooktown and Port Stevens. CEC was founded in 1977 and listed on the Australian Stock Exchange in June 2004 (ASX: CEG).

ENDS

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