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**POLY DEVELOPMENT HOLDINGS LIMITED**

**保興發展控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1141)**

**(1) VERY SUBSTANTIAL AND CONNECTED TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF  
100% INTEREST IN THE ISSUED SHARE CAPITAL OF  
CHINA INFRASTRUCTURE INDUSTRIES CORPORATION  
中國建設重工集團有限公司；**

- (2) INTENTION TO RAISE FUNDS;  
(3) PROPOSED CHANGE OF NAME;  
(4) PROPOSED CHANGE OF AUDITORS;  
AND  
(5) RESUMPTION OF TRADING**

**Financial Adviser to the Company**

**Morgan Stanley**

**Morgan Stanley Asia Limited**

Reference is made to the announcement of the Company dated 12 June 2009 and the announcement of the Company dated 2 July 2009 in relation to the Acquisition.

**THE ACQUISITION**

On 20 July 2009, WDL, an indirect wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement with the Vendors and the Guarantor pursuant to which WDL agrees to acquire in aggregate 100% of the issued share capital in CIIC and the First Loan and the Second Loan for the aggregate consideration of not more than HK\$2,043,000,001, payable in a combination of Consideration Shares, Convertible Notes and cash as detailed below.

\* *for identification only*

The CIIC Group is a leading provider of specialized heavy infrastructure construction equipment and related services in the PRC, and is primarily engaged in the design, manufacturing, sales and leasing of infrastructure equipment together with the provision of related construction and after sales services by technical personnel in the construction of high-speed elevated railways, urban subways, and cargo and container markets in the PRC. The main products produced by the CIIC Group include DCM hydraulic module vehicles, self-propelled platform transporters, beam lifting machinery, girder carriers and gantry cranes. The CIIC Group currently has plans to develop a new business segment of shielding machinery used for tunnel boring and excavation.

Upon completion of the Acquisition, CIIC will be indirectly wholly-owned by the Company. CIIC and its subsidiaries will become subsidiaries of the Company. The Board believes the diversification into specialized infrastructure machinery business will enable the Group to benefit from the PRC government's recent initiative in mandating investments in the infrastructure sector, thereby enhancing the Group's financial results.

Prior to the signing of the Sale and Purchase Agreement, the CIIC Group has undergone a Reorganisation as detailed in the section headed "Reorganisation" below.

In respect of the Acquisition, the relevant ratio under Chapter 14 of the Listing Rules exceeds 100%. As each of the Vendors is a person connected with the Company within the meaning of the Listing Rules, and Mr. Li, an executive Director and a person connected with the Company within the meaning of the Listing Rules will be receiving equity and/or equity linked securities in the Company pursuant to the Call Option Agreement, the Acquisition is a very substantial acquisition and a connected transaction for the Company. Accordingly, the Acquisition is conditional on the approval of the independent Shareholders of the Company, among other reporting, announcement and other requirements of Chapter 14 and Chapter 14A of the Listing Rules.

The Guarantor, Mr. Li and their respective associates, if they are entitled to vote at the SGM, will be required to abstain from voting on the resolutions in relation to the Acquisition to be proposed at the SGM.

## **RISKS ASSOCIATED WITH THE ACQUISITION**

Shareholders and investors are urged to review carefully the risks associated with the Acquisition set out on pages 31 to 33 of this announcement.

## **INTENTION TO RAISE FUNDS**

The Company intends to undertake one or more fund raising exercises by issue of equity or equity linked securities to fund part of the Consideration, to fund working capital and capital expenditure of the Group and the CIIC Group upon completion of the Acquisition and to finance other investment opportunities in the infrastructure machinery segment in the PRC and/or other countries. The Company intends to raise up to US\$700 million and may consider, among other things, seeking a specific mandate to issue Shares at its general meeting. If and when the Company decides to seek a specific mandate to issue Shares to raise fund, the Company will publish further announcement and/or circular to advise the Shareholders of the necessary details as required under the Listing Rules.

## **PROPOSED CHANGE OF COMPANY NAME**

The Board proposes to change the official registered English name of the Company from “Poly Development Holdings Limited” to “China Infrastructure Industries Corporation Limited” and to adopt the Chinese name of “中國建設重工集團有限公司” as secondary name of the Company.

## **PROPOSED CHANGE OF AUDITORS**

As KPMG is the reporting accountant for the CIIC Group and the CIIC Group will become a major subsidiary of the Company upon Completion, the Company has invited KPMG to be appointed as the auditors of the Company at the forthcoming AGM. The invitation is subject to KPMG’s internal client acceptance evaluation. HLB Hodgson Impey Cheng, who are the current auditors of the Company and will hold office as such until the forthcoming AGM, have indicated that they will not seek for re-appointment as the Company’s auditors at the forthcoming AGM.

## **CIRCULAR**

A circular containing, among other things, further particulars of the Acquisition, and the proposed change of English and Chinese names of the Company, together with the notice of the SGM to be convened for the purpose of approving the Acquisition and the proposed change of English and Chinese names of the Company will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 2:30 p.m. on 20 July 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in the trading of the Shares at 9:30 a.m. on 12 August 2009.

## **THE SALE AND PURCHASE AGREEMENT DATED 20 JULY 2009**

### **Parties**

- Purchaser : Wealthy Dynasty Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
- First Vendor : Advanced Easy Limited, a company incorporated in the BVI with limited liability and the registered shareholder of 51% of the issued share capital of CIIC. It is a special purpose vehicle incorporated for the purpose of holding shares in CIIC.

- Second Vendor : Wonder Glory Limited, a company incorporated in the BVI with limited liability and the registered shareholder of 49% of the issued share capital of CIIC. It is a special purpose vehicle incorporated for the purpose of holding shares in CIIC
- Guarantor : Mr. Wong Danny F., the ultimate beneficial shareholder of the Vendors and executive Director of the Company
- Poly Development : the Company  
Holdings limited

As at the date of this announcement, none of the Vendors, the Guarantor, Mr. Li and their respective associates has any shareholding in the Company.

### **Assets to be acquired**

Entire issued share capital of CIIC as to 51% from the First Vendor and 49% from the Second Vendor, and the Shareholder's Loan. As at the date of this announcement, the amounts of the First Loan and the Second Loan are HK\$43,000,000 and HK\$79,123.20 respectively.

### **Consideration**

The Consideration payable for the First Sale Shares and the Second Sale Shares shall be HK\$2,000,000,000 which shall be payable as follows on Completion:

- (a) the Cash Portion shall be satisfied in cash to the Vendors or their respective nominees or as they may respectively direct;
- (b) the remaining balance of the Consideration (i.e. HK\$1,500,000,000) shall be satisfied by the issue and allotment of Consideration Shares to the Vendors or their respective nominees or as they may respectively direct, credited as fully paid at HK\$1.116 per Share. Such Consideration Shares, together with any Shares beneficially owned by the Vendors, the Guarantor, the Suzhou Individual Management Shareholders and parties acting in concert and their respective associates at Completion shall not exceed 29% of the enlarged issued share capital of the Company at Completion; and
- (c) the shortfall taking into account the Cash Portion paid under item (a) and the value of the Consideration Shares issued and allotted under item (b) shall be satisfied by the issue of the Convertible Notes to the Vendors or their respective nominees or as they may respectively direct.

It is a commercially agreed term further to arm's length negotiation that at any time prior to Completion the Company may at its discretion decide whether or not and when to pay the Cash Portion to the Vendors (or their respective nominees) as deposit. If the Cash Portion has been paid

to the Vendors (or their respective nominees) prior to Completion and subsequently the parties do not proceed to Completion, the Cash Portion (which includes the earnest money in the sum of HK\$1,000,000 already paid upon the signing of the Framework Agreement) shall be refunded without interest by the Vendors (or their respective nominees) to the Purchaser or as the Purchaser may direct within 7 days from the Long Stop Date. As the Cash Portion represents approximately 25% of the consideration payable for the First Sale Shares and the Second Sale Shares and the Company has the option to pay the Cash Portion at any time prior to Completion as a deposit (which will be refundable to the Company if the parties do not proceed to Completion) or at Completion, the Company hence considers the payment of the Cash Portion prior to Completion as a deposit (should it decides to do so at its discretion) is on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole.

The Cash Portion, if paid, will be in one lump sum and the Company will only consider whether or not to make the payment after completion of the due diligence review of the CIIC Group and having taken into consideration the then cashflow position of the Group. The Company may pay the Cash Portion before or after obtaining independent Shareholders' approval for the Acquisition. The Company considers the payment of the Cash Portion before Completion as a demonstration of the Company's commitment to proceed with the Acquisition. Hence, no interest is payable by the Vendors in the event of a refund in accordance with the terms of the Sale and Purchase Agreement.

On Completion, in respect of any Consideration Shares that each of the Suzhou Individual Management Shareholders (or their respective nominees) become entitled to as a result of the exercise of the Call Option, each of the Suzhou Individual Management Shareholders (or their respective nominees) shall not, and shall procure its associates not to dispose of or otherwise create any encumbrance over such Consideration Shares or any interests therein or any company controlled by it which is the beneficial owner of such Consideration Shares within two years from the date of their issuance and allotment, and in respect of any Consideration Shares that each of the Vendors, the ultimate beneficial owners of the Vendors and the nominees of the Vendors (except for any nominee who is a Suzhou Individual Management Shareholder) become entitled to, each of the Vendors, the ultimate beneficial owners of the Vendors and the nominees of the Vendors (except for any nominee who is a Suzhou Individual Management Shareholder) shall not, and shall procure its associates not to dispose of or otherwise create any encumbrance over such Consideration Shares or any interests therein or any company controlled by it which is the beneficial owner of such Consideration Shares within six months from the date of their issuance and allotment.

The Company believes that the lock-up periods in respect of the Consideration Shares will reinforce the commitment of Mr. Wong and the Suzhou Individual Management Shareholders towards the Group. The lock-up period in respect of the Consideration Shares to be issued to the Suzhou Individual Management Shareholders is longer, as the Company has taken into account the length of service of the Suzhou Individual Management Shareholders with the CIIC Group, and the technical, research and development, and operational expertise that they have developed since they have been part of the CIIC Group business, and considers that it will be in the interest of the Group that the Suzhou Individual Management Shareholders be given incentives to grow with the Group on a long term basis.

The Consideration Shares will be issued at an issue price of HK\$1.116 per Consideration Share, credited as fully paid, such price represents:

- (i) a discount of approximately 16.72% over the closing price of HK\$1.34 per Share as quoted on the Stock Exchange on 20 July 2009, being the date of the Sale and Purchase Agreement;
- (ii) equals to the average of the closing prices of HK\$1.116 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 July 2009, being the date of the Sale and Purchase Agreement; and
- (iii) a premium of approximately 4.59% over the average of the closing prices of HK\$1.067 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 20 July 2009, being the date of the Sale and Purchase Agreement.

Assuming that no fund raising exercise is undertaken by the Company prior to Completion and that at Completion, the Vendors, the Guarantor, the Suzhou Individual Management Shareholders, their respective associates and parties acting in concert with them shall be interested in not more than 29% of the enlarged issued share capital of the Company at Completion (as further illustrated in the shareholding structure table on pages 13 to 16 below):

- (a) 125,369,214 Consideration Shares representing approximately 8.0% of the existing issued share capital of 1,568,892,608 Shares as at the date of this announcement and approximately 7.4% of the enlarged issued share capital at Completion, will be issued and allotted to the Vendors and/or their respective nominees at Completion; and
- (b) 1,218,716,808 Conversion Shares representing approximately 77.68% of the existing issued share capital of 1,568,892,608 Shares as at the date of this announcement and approximately 41.84% of the enlarged issued share capital at Completion (assuming full conversion of the Convertible Notes), will be issued to the Vendors and/or their nominees upon full conversion of the Convertible Notes issued to the Vendors and/or their nominees.

The consideration payable for the assignment of the First Loan shall be calculated on a dollar for dollar basis (i.e. not more than HK\$43,000,000) to be satisfied in cash by the Purchaser to the First Vendor or its nominee on Completion. The Guarantor undertakes to procure that the First Vendor will not demand repayment of the First Loan prior to Completion. The Guarantor undertakes to procure and CIIC undertakes that it shall not and it shall procure that its subsidiaries shall not repay the First Loan before Completion. The First Vendor shall inform the Purchaser in writing the exact amount of the consideration for the First Loan not less than three days prior to the Completion Date. On the Business Day following the date of the written notice issued by the First Vendor, the Purchaser shall have the discretion to inform the First Vendor the deferral of payment of the consideration up to 12 months from the date of Completion and no interest shall be payable during the deferred period.

A specific mandate to issue and allot the Consideration Shares and the Conversion Shares will be sought from the independent Shareholders at the SGM.



The consideration payable for the assignment of the Second Loan shall be HK\$1 to be satisfied in cash by the Purchaser to the Second Vendor or its nominee on Completion.

Suzhou Dingyou is ultimately established by the Vendors via Topbest. Prior to Completion, the Vendors will pay HK\$10,000,000 as registered capital into Suzhou Dingyou. Neither Zhengzhou Dafang nor Suzhou Dafang was established by the Vendors.

Based on confirmation from the Vendors, the Company was informed that in respect of Zhengzhou Dafang, as at the date of this announcement, the Vendors via Chinaequity is ultimately interested in 89.6% of its issued share capital as a result of Chinaequity's acquisition of 74% of the issued share capital in Zhengzhou Dafang from Mr. Li at a consideration of RMB18.66 million (equivalent to approximately HK\$21.27 million) and Chinaequity's contribution to Zhengzhou Dafang's increase in registered capital at a total sum of approximately RMB37.82 million (equivalent to approximately HK\$43 million). Prior to Completion, the Vendors via Chinaequity will pay for the acquisition of the 74% issued share capital in Zhengzhou Dafang, and complete the acquisition of the remaining 10.4% issued share capital in Zhengzhou Dafang from the Zhengzhou Management Shareholders for RMB6.8 million (equivalent to approximately HK\$7.75 million). Therefore, at Completion, the Vendors via Chinaequity will hold 100% of the issued share capital in Zhengzhou Dafang.

In addition, at Completion the Vendors will direct the Company to issue and allot equity and/or equity linked securities in the Company of value equivalent to HK\$650 million to Asia Eternal out of the Consideration Shares and the Convertible Notes to be issued to the Vendors pursuant to the Sale and Purchase Agreement. The amount of HK\$650 million is determined by reference to the net profit after taxation of Suzhou Dafang for the year ended 31 December 2008 at approximately 16 times price/earning ratio which has been determined by the parties after arm's length negotiations.

The aggregate consideration for the Acquisition was determined by the Vendors and the Purchaser on the basis of normal commercial terms and arm's length negotiations by reference to, inter alia, (i) the synergistic effect of operating Suzhou Dafang and Zhengzhou Dafang, which have different but complementary businesses in the infrastructure sector, under the same Group; (ii) the value of the opportunity for the Group to gain access to the infrastructure machinery market in the PRC and to strategically diversify the income base of the Group; (iii) the further business and growth potential of the infrastructure machinery market in the PRC; and (iv) the Valuation. In arriving at the aggregate consideration, the Directors are of the view that the aggregate consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Conditions

Completion is conditional upon satisfaction of the following conditions on or before the Long Stop Date:

- (a) the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by independent Shareholders in accordance with the Listing Rules and such approval not having been proposed to be revoked;
- (b) completion of the legal and financial due diligence review of the business, affairs, operation and financial position of the CIIC Group and the due incorporation of, the valid existence of and the power and capacity to carry on the business by the CIIC Group to the satisfaction of WDL;
- (c) the granting by the Listing Committee of the Stock Exchange of a listing of and permission to deal in (i) the Conversion Shares; and (ii) the Consideration Shares;
- (d) the obtaining of all necessary approvals, authorisations or consents in Hong Kong, BVI, Bermuda, PRC or elsewhere in relation to the transactions contemplated under the Sale and Purchase Agreement (if necessary);
- (e) the completion of the Reorganisation as detailed in the section headed “Reorganisation”;
- (f) the delivery of the Call Option Notice by CIIC to Asia Eternal pursuant to the Call Option Agreement;
- (g) the delivery of one or more PRC legal opinion(s) in respect of, inter alia, the due establishment and valid existence of each of the PRC entities within the CIIC Group; the legal operation, the power and capacity of each of the PRC entities with the CIIC Group to carry on its business; the legality and enforceability of the Structure Contracts and the Undertaking Deed; and completion of all necessary filing and registration procedures with the State Administration for Foreign Exchange and, where necessary, other authorities in the PRC in connection with the Restructuring in a form satisfactory to the Purchaser; and
- (h) the obtaining of a valuation report (in substance satisfactory to the Purchaser) from Asset Appraisal and showing the total fair value of 100% shareholders’ equity of Suzhou Dafang and Zhengzhou Dafang to be not less than HK\$2,000,000,000.

As at the date of this announcement, the Purchaser has completed the due diligence review referred to in (b) above and has notified the Vendors of the satisfaction of that condition.

If any of the conditions shall not have been satisfied (or waived, where applicable, pursuant to the Sale and Purchase Agreement) by the Long Stop Date, the Sale and Purchase Agreement shall, subject to the liability of any party to the other parties in respect of any antecedent breach of the terms hereof, automatically terminate and be null and void and of no further effect and the parties shall be released from all obligations thereunder.



## **Completion**

Completion will take place as soon as practicable after satisfaction or waiver (as the case may be) of the conditions set out in the Sale and Purchase Agreement on a date to be agreed among the parties, or such later date as the parties may agree in writing prior to Completion. Upon completion of the Sale and Purchase Agreement, CIIC and its subsidiaries will be wholly-owned by WDL and will become indirect wholly-owned subsidiaries of the Company. The results of the CIIC Group will be consolidated into the Group's financial results for the financial year ending 31 March.

## **Guarantee by the Guarantor**

The Guarantor unconditionally and irrevocably guarantees to WDL the due and punctual performance by each of the Vendors of all of its obligations under the Sale and Purchase Agreement and agrees to indemnify WDL against all losses, damages, costs and expenses which WDL may suffer through or arising from any breach by any of the Vendors of such obligations.

## **Major terms of the Convertible Notes**

- Issue date : The date of issue of the Convertible Notes.
- Principal amount : Up to HK\$1,360,087,958.
- Maturity : The fifth anniversary of the issue date.
- Interest : The Convertible Notes shall not bear any interest.
- Conversion price : HK\$1.116 per share, being a price equivalent to the price of a Consideration Share, subject to adjustments in accordance with the terms and conditions of the Convertible Notes in the event the Company undertakes reorganisation and distributions including, share consolidation, share subdivisions, capitalization issues, capital distributions; rights issues, options, warrants or other rights to subscribe for or purchase shares of the Company at a consideration per share less than 80% of the current market price per share of the Company; issues shares of the Company at a consideration per share less than 80% of the current market price per share of the Company whether or not from a conversion or exchange of other securities.
- Conversion right : The holder shall be entitled to convert the principal amount of the Convertible Notes in multiples of HK\$5,000,000 at any one time of conversion into Conversion Shares at the conversion price.

- Conversion period : The conversion right may be exercised by the holder at any time during the period from the issue date up to (and excluding) the fifth business day immediately before its maturity date except during the periods or times in which Directors are prohibited from dealing in Shares under the required standard of dealings of the Listing Rules or any other code(s) on securities dealing restrictions adopted by the Company with similar effect, if the holder is a Director or an associate of a Director.
- Early redemption : The Company shall not be entitled to redeem the Convertible Notes before the maturity date.
- Events of default : Upon occurrence of an event of default set out in the conditions of the Convertible Notes, including among others, a sufficient number of authorised but unissued Shares is not available for the fulfilment of the obligations regarding the conversion of the Convertible Notes, a default is made for more than seven days in the payment of the principal in respect of the Convertible Note when due; and a default is made by the Company in the performance or observance of any covenant, condition or provision of the Convertible Notes and on its part to be performed or observed, the holder may give notice to the Company that the Convertible Notes are immediately due and payable on the business day following seven business days of the date of such notice at their principal amount.
- Settlement on maturity : The holder may by giving a notice to the Company not less than six months before the maturity date requesting for settlement of the Convertible Notes by issue of Conversion Shares to the holder at the conversion price. If no notice for settlement is issued by the holder, the Company shall repay the outstanding principal amount of the Convertible Notes on the date of maturity.
- Transferability : (1) Subject to paragraphs (2) and (3) below, the Convertible Notes are freely transferable other than to connected persons of the Company and except for the Convertible Notes in respect of which:
- (a) a conversion notice has been served by the holder on the Company; or
  - (b) a settlement notice has been served by the holder on the Company.

- (2) In respect of Convertible Notes issued to a Suzhou Individual Management Shareholder (and/or their respective nominees), such Convertible Notes are not freely transferable for a period of 2 years commencing from the date of the issuance of such Convertible Notes.
- (3) In respect of Convertible Notes issued to a Vendor or its ultimate beneficial owner or its nominee (other than a nominee who is a Suzhou Individual Management Shareholder), such Convertible Notes are not freely transferable for a period of 6 months commencing from the date of the issuance of such Convertible Notes.

The lock-up period of the Convertible Notes to be issued to the Suzhou Individual Management Shareholders (or their respective nominees) is longer than that in relation to the Vendors (or their respective nominees) as the Company, after having taken into account the length of service of the Suzhou Individual Management Shareholders with the CIIC Group, and the technical, research and development, and operational expertise that they have developed since they have been part of the CIIC Group business, considers that it will be in the interest of the Group that the Suzhou Individual Management Shareholders be given incentives to grow with the Group on a long term basis.

- Ranking of conversion shares : Shares issued upon conversion shall rank pari passu in all respects with all other shares of the Company in issue as at the date of conversion.
- Voting rights : The holder shall not be entitled to vote at general meeting of the Company. However, the holder is entitled to receive all reports and circular issued by the Company from time to time.

Undertaking : It is a term of the Convertible Notes that the holder shall undertake to (i) fully comply with all applicable laws, rules and regulations, including but not limited to the Listing Rules and the Takeover Code in respect of, among other things, the exercise of its conversion rights under the Convertible Notes and acceptance of the Shares to be issued to it upon exercise of such conversion rights; (ii) not exercise the conversion rights to the extent that following such conversion, the holder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in more than 29% of the then issued share capital of the Company or that the Company's minimum public float requirements under the Listing Rules could not be maintained; (iii) not and shall procure its associates not to dispose of or otherwise create any encumbrance over any Conversion Shares for a period of 2 years commencing from the date of the issuance of such Convertible Note where the holder of a Convertible Note is a Suzhou Individual Management Shareholder (and/or their respective nominees), and he exercises the conversion rights attached to the Convertible Note during the two-year period commencing from the date of issue of the relevant Convertible Note; and (iv) not, and shall procure its associates not to, dispose of or otherwise create any encumbrance over any Conversion Shares for a period of 6 months from the date of the issuance of such Convertible Note where the holder of a Convertible Note is a Vendor or its ultimate beneficial owner or its nominee (other than a nominee who is a Suzhou Individual Management Shareholder), and it exercises the conversion rights attached to the Convertible Note during the six-month period commencing from the date of issue of the relevant Convertible Note. Any conversion, including the conversion referred to in the paragraph headed "Settlement on maturity" above, which will result in a breach of the above undertaking will be treated as void.

Restriction on Conversion Shares : Where the holder of a Convertible Note is a Suzhou Individual Management Shareholder (and/or their respective nominees), and he exercises the conversion rights attached to the Convertible Note during the two-year period commencing from the date of issue of the relevant Convertible Note, he shall not and shall procure its associates not to dispose of or otherwise create any encumbrance over any Conversion Shares for a period of 2 years commencing from the date of the issuance of such Convertible Note.

Where the holder of a Convertible Note is a Vendor or its ultimate beneficial owner or its nominee (other than a nominee who is a Suzhou Individual Management Shareholder), and it exercises the conversion rights attached to the Convertible Note during the six-month period commencing from the date of issue of the relevant Convertible Note, it shall not, and shall procure its associates not to, dispose of or otherwise create any encumbrance over any Conversion Shares for a period of 6 months from the date of the issuance of such Convertible Note.

The lock-up period of the Conversion Shares to be issued to the Suzhou Individual Management Shareholders is longer than that in relation to the Vendors (or their respective nominees) as the Company, after having taken into account the length of service of the Suzhou Individual Management Shareholders with the CIIC Group, and the technical, research and development, and operational expertise that they have developed since they have been part of the CIIC Group business, considers that it will be in the interest of the Group that the Suzhou Individual Management Shareholders be given incentives to grow with the Group on a long term basis.

Revocability of conversion notice : A conversion notice, once served, shall be irrevocable and takes effect immediately upon the conversion date except where the exercise of the conversion rights would result in change in control of the Company, and in which event either the Company or the holder may revoke the conversion notice.

## **INTENTION TO RAISE FUNDS**

Reference is made to the announcement of the Company dated 2 July 2009 which states the Company's intention to raise up to US\$700 million.

The Company intends to undertake one or more fund raising exercises by issue of equity or equity linked securities to fund part of the Consideration, to fund working capital and capital expenditure of the Group and the CIIC Group upon completion of the Acquisition and to finance other investment opportunities in the infrastructure machinery segment in the PRC and/or other countries in line with the future strategy of the enlarged Group post-Completion. The Company intends to raise up to US\$700 million and may consider, among other things, seeking a specific mandate to issue Shares from its Shareholders at its general meeting. If and when the Company decides to seek a specific mandate to issue Shares to raise fund, the Company will publish further announcement and/or circular to advise the Shareholders of the necessary details as required under the Listing Rules.

## **EFFECT ON SHAREHOLDING STRUCTURE**

The shareholding structure of the Company (i) as at the date of this announcement; (ii) under Scenario (a): for illustrative purpose only, immediately upon the issue and allotment of the Consideration Shares up to 29% of the enlarged issued share capital (but before the exercise of the conversion rights attaching to the Convertible Notes); and (iii) under Scenario (b): upon the issue and allotment of the Consideration Shares and full exercise of the conversion rights attaching to the Convertible Notes is set out below:

**Scenario (a):  
Immediately upon the  
issue and allotment of the  
Consideration Shares (which  
together with any Shares  
beneficially owned by the  
Vendors, the Guarantor,  
Mr. Li and parties acting in  
concert and their respective  
associates do not exceed  
29% of the enlarged issued  
share capital) (but before the  
exercise of the conversion  
rights attaching to the  
Convertible Notes)**

**Scenario (b):  
Upon the issue and allotment  
of the Consideration Shares  
and full exercise of the  
conversion rights attaching to  
the Convertible Notes  
(Notes 3 and 4)**

	As at the date of this announcement		Scenario (a): Immediately upon the issue and allotment of the Consideration Shares (which together with any Shares beneficially owned by the Vendors, the Guarantor, Mr. Li and parties acting in concert and their respective associates do not exceed 29% of the enlarged issued share capital) (but before the exercise of the conversion rights attaching to the Convertible Notes)		Scenario (b): Upon the issue and allotment of the Consideration Shares and full exercise of the conversion rights attaching to the Convertible Notes (Notes 3 and 4)	
	Number of Shares	Approx %	Number of Shares	Approx %	Number of Shares	Approx %
Global Wealthy Limited (Note 1)	358,966,714	22.88	358,966,714	21.18	358,966,714	12.32
<b>Other Directors</b>						
Mr. Lo Ming Chi, Charles	3,000,000	0.19	3,000,000	0.18	3,000,000	0.10
Mr. Sue Ka Lok (Note 6)	4,000,000	0.25	4,000,000	0.24	4,000,000	0.14
<b>Sub-total</b>	<b>7,000,000</b>	<b>0.44</b>	<b>7,000,000</b>	<b>0.42</b>	<b>7,000,000</b>	<b>0.24</b>
<b>The Vendors, Mr. Li and the other Suzhou Individual Management Shareholders</b>						
The Vendors	—	—	94,026,910 (Note 8)	5.55	761,648,746	26.15
Mr. Li and the other Suzhou Individual Management Shareholders (Note 2)	—	—	31,342,304 (Note 8)	1.85	582,437,276	19.99
<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>125,369,214</b>	<b>7.40</b>	<b>1,344,086,022</b>	<b>46.14</b>
<b>Public Shareholders</b>						
Existing public Shareholders	1,202,925,894	76.68	1,202,925,894	71.00	1,202,925,894	41.30
<b>Total</b>	<b>1,568,892,608</b>	<b>100.00</b>	<b>1,694,261,822</b>	<b>100.00</b>	<b>2,912,978,630</b>	<b>100.00</b>



*Notes:*

1. Global Wealthy Limited, a company incorporated in the BVI with limited liability, is a wholly-owned subsidiary of Excelsior Kingdom Limited, which in turn is wholly-owned by Mr. Suen. Mr. Suen is an executive Director and the Chairman of the Company.
2. Consideration Shares and Convertible Notes will be issued and allotted to the Suzhou Individual Management Shareholders at Completion as consideration for the transfer of the 80% interest in Topbest pursuant to the Call Option Agreement.
3. For illustrative purposes only, the principal amount of the Convertible Notes under Scenario (b) is HK\$1,360,087,958 convertible to 1,218,716,808 Conversion Shares at the conversion price of HK\$1.116 each Conversion Share.
4. The exercise of the conversion rights attached to the Convertible Notes is subject to the restrictions set out in the paragraphs headed “Undertaking” and “Restriction on Conversion Shares” under the section headed “Major terms of the Convertible Notes”.
5. The above table assumes no fund raising exercise has been undertaken by the Company prior to Completion.
6. As at the date of this announcement, each of Mr. Suen and Mr. Sue Ka Lok holds share options to subscribe for 10,000,000 Shares and 6,000,000 Shares respectively.
7. As at the date of this announcement, Mr. Suen via Global Wealthy Limited holds convertible notes entitling him to convert into 78,467,152 Shares.
8. The Vendors on the one hand and Mr. Li and the other Suzhou Individual Management Shareholders on the other have agreed that the Consideration Shares to be issued and allotted to them shall be in the ratio of 3:1.

Global Wealthy Limited, Mr. Suen, the Vendors, Mr. Wong, Mr. Li, the other Suzhou Individual Management Shareholders, Mr. Lo Ming Chi, Charles and Mr. Sue Ka Lok are presumed to be parties acting in concert for the reasons set out below.

Global Wealthy Limited is a substantial Shareholder and is interested in approximately 22.88% of the issued share capital of the Company as at the date of this announcement. Global Wealthy Limited is indirectly wholly-owned by Mr. Suen, an executive Director and the Chairman of the Company; therefore the Company falls within the meaning of an associated company of Mr. Suen under the Takeovers Code.

Each of Mr. Wong, Mr Li, Mr. Lo Ming Chi, Charles and Mr. Sue Ka Lok is an executive Director of the Company which is the associated company of Mr. Suen, and will be deemed to be parties acting in concert under the Takeovers Code.

In addition, Mr. Li is an executive Director, one of the Suzhou Individual Management Shareholders, the legal representative of each of Zhengzhou Hesheng, Zhengzhou Dafang, Suzhou Dingyou and Suzhou Dafang. He, together with other Suzhou Individual Management Shareholders, will be issued and allotted some of the Consideration Shares and/or Convertible Notes upon Completion in return

for their giving up of the economic benefits of and control over Suzhou Dafang to Suzhou Dingyou. Similar to Mr. Li, Mr. Wong will be issued with Shares and/or Convertible Notes upon Completion. Therefore, Mr. Wong, Mr. Li and the other Suzhou Individual Management Shareholders are parties acting in concert as they will be entitled to interests in the Company under the Sale and Purchase Agreement and the Call Option Agreement.

None of Mr. Suen, Mr. Lo Ming Chi, Charles and Mr. Sue Ka Lok is a party to the Acquisition or the Sale and Purchase Agreement, nor will any of them be obtaining any benefit (economic or otherwise) from the Acquisition that is not available to other Shareholders. Further, there is no agreement or arrangement of any kind among Mr. Suen, Mr. Lo Ming Chi, Charles and Mr. Sue Ka Lok, and between each of them with any other Director of the Company which is conditional on or dependant upon the outcome of the Acquisition or otherwise connected with it. The Acquisition does not confer upon a benefit (economic or otherwise) to any of Mr. Suen, Mr. Lo Ming Chi, Charles or Mr. Sue Ka Lok that is not available to other Shareholders. Accordingly, each of Mr. Suen, Mr. Lo Ming Chi, Charles and Mr. Sue Ka Lok does not have any material interests in the Acquisition or the Sale and Purchase Agreement and hence will not be required to abstain from voting at the SGM.

As at the date of this announcement, none of Mr. Wong, Mr. Li and the other Suzhou Individual Management Shareholders, and their respective associates holds any shareholding in the Company. Should they become entitled to vote at the SGM, they will be required to abstain from voting on the resolutions in relation to the Acquisition to be proposed at the SGM, because of their interests in the Acquisition.

## **INFORMATION ON THE CIIC GROUP**

### **General information**

The CIIC Group is a leading provider of specialized heavy infrastructure construction equipment and related services in the PRC. It is primarily engaged in the design, manufacturing, sales and leasing of infrastructure equipment together with the provision of related construction and after sales services by technical personnel in the construction of high-speed elevated railways, urban subways, and cargo and container markets in the PRC. The main products produced by the CIIC Group include hydraulic module vehicles, self-propelled platform transporters, beam lifting machinery, girder carriers and gantry cranes. The CIIC Group is one of the five major suppliers in the PRC of high-speed elevated railroad equipment (“**HSER**”) that provides a full set of girder, lifting and gantry construction equipment and is one of the largest suppliers of module self-propelled platform hydraulic transporters in the PRC in terms of market share.

The CIIC Group operates through Suzhou Dafang, which is principally engaged in production, sales and leasing of heavy equipment for HSER and hydraulic self-propelled platform transporters; and Zhengzhou Dafang, which is principally engaged in installation of roads and bridges, leasing of equipment, after sales and contracting services in the infrastructure sector. The CIIC Group has manufacturing bases in Suzhou, Jiangsu Province and Zhengzhou, He’nan Province. The base in Suzhou includes office, research, manufacturing and factory space of over 90,000 square metres of

floor space. New facilities are being built in its Zhengzhou base which will include office space and manufacturing facilities totaling over 60,000 square metres. Zhengzhou Dafang was established in 1996 and according to its management, it was one of the first privately owned companies to provide equipment for the first HSER in the PRC (Qinshen Railway) in 1999. Hydraulic module vehicles were added to the product lineup several years ago and Suzhou Dafang was established in 2005. By 2007, the CIIC Group launched their proprietary 2,500 tonne self-propelled hydraulic module trailer. In 2008, the CIIC Group participated in and won over 90% of the bidding contracts for self-propelled platform transporters and became a leading player in the HSER equipment sector. The CIIC Group is one of few players in the PRC with an independent research and development laboratory focused on integrated hydraulic, mechanical and automation solutions for heavy infrastructure construction equipment with precision engineering capabilities matching leading foreign players in high specification and low tolerance applications such as hydraulic transporter joints. With a team of over 50 dedicated research and development personnel, the CIIC Group produces most of their hydraulic components, circuit boards and control panels in-house. It has a high calibre design board, prototype testing and serial production cycle as a result of proprietary, highly automated engineering process.

The Group has recently strengthened its management team by appointing Mr. Zeng QingYu (曾慶玉) as head of Japan operation to develop and oversee future sales, marketing and training in its operations in Japan. Mr. Zeng has over 17 years experience in mechanical and vehicles development, manufacturing and sales industry and his appointment will further strengthen the CIIC Group's operations in the Japan market.

The Group has also recently set up a technology consultant committee to oversee the technology, training and overall growth strategy of the enlarged Group's shielding equipment businesses in the PRC post Completion and has hired Mr. Nobuhiko Kimura and Mr. Katsuhiko Kimura to sit on the committee. Both Mr. Nobuhiko Kimura and Mr. Katsuhiko Kimura have extensive experience in underground boring business in Japan.

Mr. Nobuhiko Kimura has over 24 years of experience in underground boring business in Japan. He was the chairman and director of Japan Kidoh Construction Limited for over 20 years and was the vice-chairman of Japan Micro Tunneling Association in 2005. Mr. Nobuhiko Kimura has received numerous industry awards including Fukuda Special Award. In 1996, he was awarded the Medal of Honour with Yellow Ribbon, and in 1999, The Commendation by Japan's Director — General of Science and Technology Agency as a result of his research into Long-Distance Sharp-Curve Jacking System. Mr. Katsuhiko Kimura is the son of Mr. Nobuhiko Kimura. He also has over 20 years of experience in underground boring in Japan and he was the vice chairman and director of Japan Kidoh Construction Company Limited from 2001 to 2006, overseeing its project and technology developments. Mr. Katsuhiko Kimura obtained his doctorate in civil engineering in underground boring from Fukuyama University in Japan, and is one of the few such doctorate holders in Japan. The Kimura family has over the years developed numerous technology and knowhow in underground boring in Japan.

## **CIIC Group's products and provision of services**

### ***Heavy equipment for HSER Construction***

The CIIC Group's specialized infrastructure equipment including hydraulic module vehicles, beam lifting machinery, girder carriers, bridge building machines and gantry cranes are produced in its independent research division. Hydraulic module vehicles provide flexible and economical transportation for heavy construction equipment payloads of up to 10,000 tonnes in aggregate. In 2007, they developed the biggest load capacity trailer in the PRC with their 2,500 tonne self-propelled hydraulic module full drawbar trailer. Proprietary bridge construction equipment allows the CIIC Group to perform automated start-to-finish cross bridge tunnel lifting processes creating cost saving benefits during construction.

The CIIC Group also provides sets of girder carriers, bridge building machines, platform transporters, rail type gantry cranes, and roadtrailers, some of which have been improvised and customised to end users' needs to create a full package of construction machinery needed for HSER construction. The CIIC Group's strong manufacturing capabilities combined with experienced servicing and operating personnel allows them to offer well differentiated HSER products.

### ***Hydraulic self-propelled platform transporters***

The CIIC Group also independently developed self-propelled platform transporters suitable for extra large equipment transportation, and transfer of hull segments under construction in ship building, steel factories and large steel construction plants. The CIIC Group owns intellectual property rights to the mechanical, electrical and hydraulic designs of the hydraulic self-propelled platform transporters. Before the CIIC Group's development, such platform transporters in the PRC were generally imported from overseas.

The hydraulic transporters support self-propelled movement, multi-mode omni directional steering, as well as automatic elevation and leveling of loading platforms. It also has side-by-side and end-to-end coupling function for up to 10 units and allows operators to control each driving compartment by external remote controls. The CIIC Group's unique in-house designed standardized module self-propelled platform hydraulic transporters are used for heavy infrastructure parts transportation and in all areas of construction and large scale manufacturing, reducing delivery lead times and costs.

### ***The CIIC Group's products development***

The CIIC Group currently plans to develop a new business segment of shielding machinery used for tunnel boring and excavation. Such shielding machines are equipped with spiral cutters, internal soil discharger and self-protective casing. The CIIC Group has researched and produced business plans relating to product specification, technology sourcing and production planning. In 2009, the CIIC Group entered into an agreement with a leading manufacturer of shielding machines and tunnel construction machinery in Japan to purchase a shielding machine which is expected to be delivered in the forth quarter of 2009. The CIIC Group will lease the shielding machine to Beijing Chengde

Construction Company Limited for an amount of RMB10.89 million for seven months with expected delivery in the fourth quarter of 2009 pursuant to a leasing agreement between the parties.

The CIIC Group has also signed non-legally binding MOUs, subject to final confirmation of orders, to sell and/or lease heavy equipments such as shielding and bridge machines to major engineering and construction companies in the PRC including China Railway 15th Construction Bureau Co. Ltd. and Beijing Chengde Construction Company Limited.

The CIIC Group believes that its technological lead over local Chinese competitors and cost leadership has allowed the CIIC Group to make a strong entry into the tunneling equipment industry. Going forward, after the completion of the CIIC Group's Zhengzhou factory expected to take place in the first half of 2010, CIIC intends to enhance its capability of manufacturing and assembling shielding machines and begin leasing operation to selected first tier cities in the PRC. At the same time, the CIIC Group is exploring strategic opportunities overseas to further increase its production and technical capabilities. The goal of the CIIC Group is to have an established shielding machines leasing presence in all the first tier and key second tier cities in the PRC by the end of 2011.

For each of its infrastructure machinery product lines mentioned above (heavy equipment, hydraulic vehicles and shielding machines), the CIIC Group has continued and intends to continue to provide leasing and related management, technical support and after sales services. The CIIC Group currently provides construction services such as lifting of bridges for railways and urban highways, and provision of a full range of design, manufacture, lease, repair and construction services. In 2009, the CIIC Group has extended its equipment leasing and construction business to the construction of HSER. To maximize technical specialization and expediency, the CIIC Group believes that it is one of the few companies in the PRC to provide leasing of entire sets of HSER and bridge building machinery combined with a full range of construction services described above. The CIIC Group also intends to extend such services to its future product lines.

### **CIIC Group's main customers**

The CIIC Group's primary customers are large scale state owned, private construction enterprises and builders of HSER, including the respective subsidiaries of China Railway Group and China Railway Construction Company, both of which have signed sales or leasing contracts with the CIIC Group to procure infrastructure equipment and relevant services. Large shipbuilders in Jiangsu, Zhejiang, Anhui and Guangdong provinces are also customers of CIIC Group's self-propelled platform hydraulic transporters. The CIIC Group has begun selling self-propelled platform hydraulic transporters several years ago to overseas customers including customers in South Korea, Vietnam, Singapore, Qatar, the Netherlands and the Philippines.

### **Backlog**

As of 31 March 2009, the CIIC Group's total backlog amounted to approximately RMB486 million. Backlog represents the CIIC Group's estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that the CIIC Group expects to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting standards.

## FINANCIAL INFORMATION

CIIC is an investment holding company incorporated in the BVI for the sole purpose of holding interests in Chinaequity and Topbest. As at the date of this announcement, CIIC has not commenced any business operation save for holding interests in Chinaequity and Topbest, and Chinaequity and Topbest have not commenced any business operation save for holding interests in Zhengzhou Dafang and Suzhou Dingyou respectively. The business and operation of the CIIC Group is carried out through Zhengzhou Dafang and Suzhou Dingyou, which has entered into the Structure Contracts with Suzhou Dafang and/or the shareholders of Suzhou Dafang. As such no financial information of the CIIC Group as at 31 March 2009 is available for disclosure.

Set out below is the unaudited consolidated financial information of each of Zhengzhou Dafang and Suzhou Dafang. They are preliminary and may be subject to changes. Shareholders and investors are urged to review the audited financial information which will be published in the circular to be despatched as soon as practicable.

As detailed in the section headed “Reorganisation” below, upon the Structure Contracts becoming unconditional and effective, CIIC will obtain all the economic benefits of Suzhou Dafang and effective control over Suzhou Dafang, Suzhou Dafang will be deemed to be a 100% owned subsidiary of CIIC under Hong Kong Financial Reporting Standards. Furthermore, pursuant to the Management Agreement, upon it becoming unconditional and effective, Suzhou Dingyou will be entitled to the net profit of Suzhou Dafang. Other than entering into the Structure Contracts, Suzhou Dingyou has not carried out any other business.

### Zhengzhou Dafang and its subsidiary, Zhengzhou Hesheng

Based on the unaudited consolidated financial statements of Zhengzhou Dafang, the unaudited consolidated net asset value of Zhengzhou Dafang as at 31 March 2009 was approximately RMB23.46 million (equivalent to approximately HK\$26.75 million). The unaudited consolidated non-current asset, the current asset, the current liabilities and the non-current liabilities of Zhengzhou Dafang as at 31 December 2007, 31 December 2008 and 31 March 2009 are set out below:

	As at 31 December 2007		As at 31 December 2008		As at 31 March 2009	
	(unaudited)		(unaudited)		(unaudited)	
	<i>Approx</i> <i>RMB</i> <i>(million)</i>	<i>Approx</i> <i>HK\$</i> <i>(million)</i>	<i>Approx</i> <i>RMB</i> <i>(million)</i>	<i>Approx</i> <i>HK\$</i> <i>(million)</i>	<i>Approx</i> <i>RMB</i> <i>(million)</i>	<i>Approx</i> <i>HK\$</i> <i>(million)</i>
Non-current asset	23.11	26.35	20.47	23.33	95.79	109.20
Current asset	17.75	20.23	28.42	32.40	30.62	34.91
Current liabilities	(16.47)	(18.77)	(15.30)	(17.44)	(102.95)	(117.36)
Non-current liabilities	(1.64)	(1.87)	0	0	0	0



The following are the unaudited consolidated revenue, gross profit and operating income of Zhengzhou Dafang for the two financial years ended 31 December 2008 and the three months ended 31 March 2009:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the 3 months ended</b>	
	<b>31 December 2007</b>		<b>31 December 2008</b>		<b>31 March 2009</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>		<b>(unaudited)</b>	
	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>
<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	
<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	
Revenue	19.65	22.40	19.70	22.46	4.69	5.35
Gross profit	6.83	7.79	3.32	3.78	0.87	0.99
Operating income	4.19	4.78	1.18	1.35	(0.06)	(0.07)

The following are the unaudited consolidated profit/(loss) before and after taxation of Zhengzhou Dafang for the two financial years ended 31 December 2008 and the three months ended 31 March 2009:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the 3 months ended</b>	
	<b>31 December 2007</b>		<b>31 December 2008</b>		<b>31 March 2009</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>		<b>(unaudited)</b>	
	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>
<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	
<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	
Profit/(Loss) before taxation	4.19	4.78	1.16	1.32	(0.06)	(0.07)
Profit/(Loss) after taxation	3.68	4.20	0.86	0.98	(0.13)	(0.15)

## Suzhou Dafang and its subsidiary, Suzhou Hesheng Technology Limited

Based on the unaudited consolidated financial statements of Suzhou Dafang, the unaudited consolidated net asset value of Suzhou Dafang as at 31 March 2009 was RMB209.41 million (equivalent to approximately HK\$238.73 million). The unaudited consolidated non-current asset, the current asset, the current liabilities and the non-current liabilities of Suzhou Dafang as at 31 December 2007, 31 December 2008 and 31 March 2009 are set out below:

	As at 31 December 2007		As at 31 December 2008		As at 31 March 2009	
	(unaudited)		(unaudited)		(unaudited)	
	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Non-current asset	73.18	83.43	91.38	104.17	94.90	108.19
Current asset	203.25	231.71	343.90	392.05	486.05	554.10
Current liabilities	(154.33)	(175.94)	(278.75)	(317.78)	(371.54)	(423.56)
Non-current liabilities	(2.50)	(2.85)	0	0	0	0

The following are the unaudited consolidated revenue, gross profit and operating income of Suzhou Dafang for the two financial years ended 31 December 2008 and the three months ended 31 March 2009:

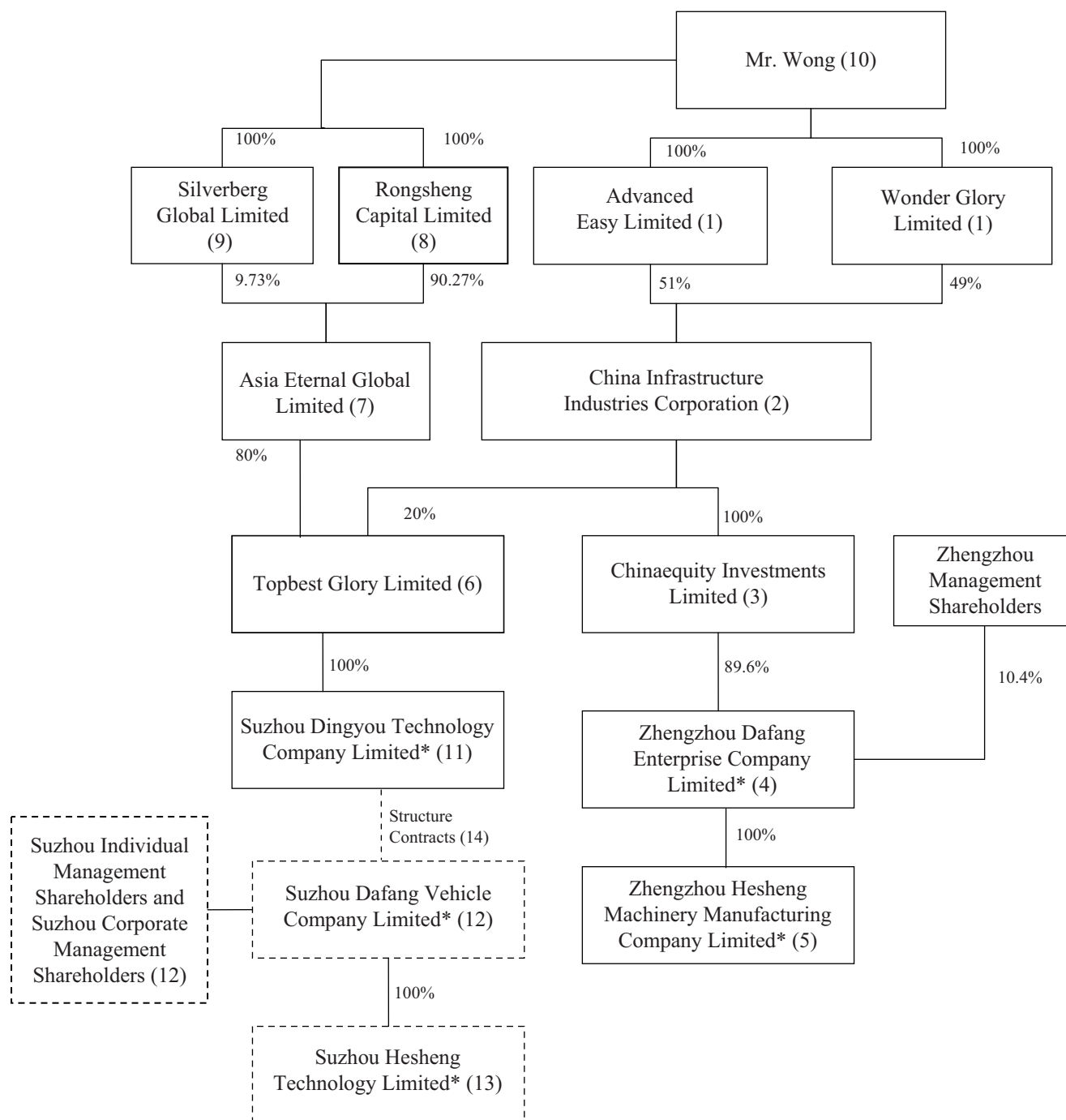
	For the year ended		For the year ended		For the 3 months ended	
	31 December 2007		31 December 2008		31 March 2009	
	(unaudited)		(unaudited)		(unaudited)	
	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Revenue	120.94	137.87	365.21	416.34	223.78	255.11
Gross profit	24.75	28.22	89.13	101.61	59.99	68.39
Operating income	4.77	5.44	39.97	45.57	50.29	57.33

The following are the unaudited consolidated profit before and after taxation of Suzhou Dafang for the two financial years ended 31 December 2008 and the three months ended 31 March 2009:

	For the year ended		For the year ended		For the 3 months ended	
	31 December 2007		31 December 2008		31 March 2009	
	(unaudited)		(unaudited)		(unaudited)	
	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>	<i>Approx</i>
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Profit before taxation	4.77	5.44	42.98	48.99	50.49	57.56
Profit after taxation	3.60	4.10	35.74	40.74	42.88	48.88

## CIIC GROUP STRUCTURE

Chart 1 below sets out the CIIC Group structure as at the date of this announcement:



\* for identification purpose only

Notes to Chart 1:

- Each of Wonder Glory Limited and Advanced Easy Limited is a company incorporated under the laws of the BVI with limited liability on 13 May 2009 and wholly-owned by Mr. Wong. Wonder Glory Limited and Advanced Easy Limited respectively owns 49% and 51% of the issued share capital of CIIC.

2. CIIC is a company incorporated under the laws of the BVI with limited liability on 21 May 2009 and CIIC owns 100% of the issued share capital in Chinaequity and 20% of the issued share capital in Topbest.
3. Chinaequity is a company incorporated under the laws of the BVI with limited liability on 9 January 2009, and owns 89.6% of the issued share capital in Zhengzhou Dafang. The Zhengzhou Management Shareholders together own the remaining 10.4% of the issued share capital in Zhengzhou Dafang. It is a condition to Completion that the entire shareholding of the Zhengzhou Management Shareholders be acquired by Chinaequity so that Zhengzhou Dafang becomes a wholly-owned subsidiary of Chinaequity.
4. Zhengzhou Dafang is a company established with limited liability under the laws of the PRC on 27 August 1996. Its business scope is the provision of services in the installation of roads and bridges, leasing of equipment and contracting services in the infrastructure industries subject to the relevant qualification certificate. It owns all of the issued share capital in Zhengzhou Hesheng.
5. Zhengzhou Hesheng is a company established with limited liability under the laws of the PRC on 3 November 2008 with its business scope as the production and sale of and provision of after-sale services in bridge construction equipment, handling appliance for containers and platform transporters.
6. Topbest is a company incorporated under the laws of the BVI with limited liability on 25 March 2009, and owns all the equity interest in Suzhou Dingyou. Apart from CIIC's shareholding of 20% of the issued share capital in Topbest, the remaining 80% of the issued share capital is held by Asia Eternal.
7. Asia Eternal is a company incorporated under the laws of the BVI with limited liability on 1 July 2009 and is owned as to 90.27% by Rongsheng and 9.73% by Silverberg.
8. Rongsheng is a company incorporated under the laws of the BVI with limited liability on 9 April 2009 and is wholly-owned by Mr. Wong.
9. Silverberg is a company incorporated under the laws of the BVI with limited liability on 1 July 2009 and is wholly-owned by Mr. Wong.
10. Mr. Wong has entered into the Undertaking Deed to transfer his entire shareholding in Silverberg and Rongsheng respectively to the Suzhou Individual Management Shareholders (except Mr. Li) and Mr. Li.
11. Suzhou Dingyou is a wholly-foreign owned enterprise established under the laws of the PRC on 12 June 2009 with its business scope as the provision of services relating to software development, management, market analysis and sales, technical process and technical consultation.
12. Suzhou Dafang is a stock limited company established under the laws of the PRC on 15 December 2005. Its business scope is the provision of services relating to production, sales and leasing; hydraulic platform transporters, heavy duty automobile for special engineering, portal crane, modular crane, bridge girder erection machine, straddle carrier, modular hydraulic trailer, autorail, shield, excavation machine. It owns 100% of the issued share capital in Suzhou Hesheng Technology Limited. The issued share capital in Suzhou Dafang is owned as to 81.98% by the Suzhou Individual Management Shareholders and as to 18.02% by the Suzhou Corporate Management Shareholders. Mr. Li and the Suzhou Corporate Management Shareholders have entered into the Suzhou Dafang Share Purchase Agreement whereby Mr. Li will acquire all the shareholding held by the Suzhou Corporate Management Shareholders in Suzhou Dafang at a cash consideration of RMB117 million when it is permissible under PRC laws.

13. Suzhou Hesheng Technology Limited is a company established with limited liability under the laws of the PRC on 15 June 2007. Its business scope is the provision of services relating to logistics and software development and related equipment; electronics research and development, hydraulic transporters, research and development of hydraulic power platform transporter, straddle carrier, autorail, bridge girder erection machine, crane, hydraulic trailer and heavy duty automobile for special engineering, assembly manufacturing, sales and related technical service.
14. Structure Contracts become unconditional and effective upon the Suzhou Individual Management Shareholders having completed the PRC Foreign Exchange Registration Requirements and Mr. Wong having completed transferring his entire shareholding in Rongsheng and Silverberg to the Suzhou Individual Management Shareholders.

## **REORGANISATION**

As a condition to Completion, the CIIC Group will undergo a reorganisation in respect of Zhengzhou Dafang, Suzhou Dafang, and will implement the Restructuring.

Chinaequity owns 89.6% of the issued share capital in Zhengzhou Dafang. The Zhengzhou Management Shareholders together own the remaining 10.4% of the issued share capital in Zhengzhou Dafang. The entire shareholding of the Zhengzhou Management Shareholders will be acquired by Chinaequity so that Zhengzhou Dafang becomes a wholly-owned subsidiary of Chinaequity.

As at the date of this announcement, Mr. Li, as a founder of Suzhou Dafang, has invested approximately RMB82.14 million for his 74% shareholding in Suzhou Dafang. Mr. Li and the Suzhou Corporate Management Shareholders have entered into the Suzhou Dafang Share Purchase Agreement whereby Mr. Li will acquire all the shares held by the Suzhou Corporate Management Shareholders in Suzhou Dafang when it is permissible under PRC laws. Mr. Li, the other Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders have also entered into the Share Escrow Agreement with Suzhou Dingyou in respect of their shares in Suzhou Dafang. Under the terms of the Share Escrow Agreement, if Mr. Li pursuant to the Suzhou Dafang Share Purchase Agreement acquires the shares in Suzhou Dafang held by the Suzhou Corporate Management Shareholders, when Suzhou Dingyou exercises its right under the Share Escrow Agreement to buy all of the shares in Suzhou Dafang, Mr. Li will then be obliged to sell all of his then entire shareholding in Suzhou Dafang (including the shares that he would have acquired from the Suzhou Corporate Management Shareholders) to Suzhou Dingyou.

Conditions to Completion which relate to the reorganisation in respect of Zhengzhou Dafang, Suzhou Dafang, and the Restructuring include:

- (a) completion of the transfer of an aggregate of 10.4% of the equity interests of Zhengzhou Dafang held by the Zhengzhou Dafang Management Shareholders to Chinaequity so that Zhengzhou Dafang becomes a wholly-owned subsidiary of Chinaequity;

- (b) the entire registered capital of Zhengzhou Dafang in the amount of RMB25,000,000 being paid up in full;
- (c) the submission of all necessary documentation and applications to the relevant authority in the PRC for registration and/or filing of intellectual property rights currently being used by the CIIC Group such that the same intellectual property rights may be transferred in favour of Suzhou Dingyou; and
- (d) each of the Structure Contracts and the Undertaking Deed becoming unconditional and effective upon the Suzhou Individual Management Shareholders having completed the PRC Foreign Exchange Registration Requirements and Mr. Wong having completed transferring his entire shareholding in Rongsheng and Silverberg to the Suzhou Individual Management Shareholders.

On 4 August 2009, the Suzhou Individual Management Shareholders completed the PRC Foreign Exchange Registration Requirements. Accordingly, each of the Structure Contracts and the Undertaking Deed has become unconditional and effective.

### **Restructuring**

Suzhou Dafang became a stock limited company on 4 May 2009 and under PRC laws, the shares of a stock limited company cannot be transferred in the first 12 months of its establishment.

The Restructuring involves, among other things, the Suzhou Individual Management Shareholders obtaining 100% of the issued share capital in Asia Eternal via Rongsheng and Silverberg in return for their entering into the Structure Contracts whereby all the economic benefits derived from and control of Suzhou Dafang will be passed to Suzhou Dingyou. Completion of the Acquisition is conditional upon, among other things, the Structure Contracts becoming legally valid and enforceable under the laws of the PRC.

In order that CIIC may obtain all the economic benefits of the business being carried on by Suzhou Dafang, CIIC has caused Suzhou Dingyou to enter into the four Structure Contracts set out below:

- (a) the Business Cooperation Framework Agreement;
- (b) the Technical Support Agreement;
- (c) the Management Agreement; and
- (d) the Non-Competition Agreement.

Under the Management Agreement, Suzhou Dingyou will provide certain management and consultation services to Suzhou Dafang and Suzhou Dafang shall pay all of its net profit to Suzhou Dingyou.

As security for performance of the Business Cooperation Framework Agreement, the Technical Support Agreement and the Management Agreement, Suzhou Dingyou, Suzhou Dafang and the Suzhou Individual Management Shareholders have entered into the Share Pledge Agreement whereby the Suzhou Individual Management Shareholders have pledged their shares in Suzhou Dafang to



Suzhou Dingyou. The Suzhou Corporate Management Shareholders are not parties to the Share Pledge Agreement because it was anticipated that their shares would in so far as PRC laws permit be eventually sold to Mr. Li under the Suzhou Dafang Share Purchase Agreement. The performance of the Business Corporation Framework Agreement, the Technical Support Agreement and the Management Agreement will not be affected if Mr. Li cannot acquire the shares held by the Suzhou Corporate Management Shareholders in Suzhou Dafang because the aforesaid agreements are not conditional upon Mr. Li's acquisition of such shares.

In order that CIIC may obtain effective control over Suzhou Dafang, CIIC has caused Suzhou Dingyou to enter into the Share Escrow Agreement whereby Suzhou Dingyou may, among other things and insofar as PRC laws permits, require each of the Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders to sell its shares in Suzhou Dafang at the lowest amount permissible under the PRC laws to Suzhou Dingyou, and until such sale, to entrust its shares in Suzhou Dafang in escrow to Suzhou Dingyou and during the escrow period, Suzhou Dingyou or its nominee shall enjoy all the rights accorded to the shareholder of Suzhou Dafang, exercise of the voting rights of the shares, appointment of directors and employment of general manager and other members of the senior management. Further, whenever it is permissible under the PRC laws, upon the transfer of the shares held by the Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders in Suzhou Dafang to Suzhou Dingyou, any consideration that will have been paid by Suzhou Dingyou for such transfer will be repaid to Suzhou Dingyou by the Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders. There is no conflict between the arrangements under the Share Escrow Agreement and the Suzhou Dafang Share Purchase Agreement because it is a term of the Share Escrow Agreement that transfer of shares in Suzhou Dafang among existing shareholders of Suzhou Dafang is permissible.

The Structure Contracts referred to in (a) to (d) above have terms of 10 years and which may be extended at the request of Suzhou Dingyou. Upon the Structure Contracts becoming unconditional and effective, Suzhou Dafang will in economic substance become a subsidiary of Suzhou Dingyou. Each of the Structure Contracts referred to above will only become unconditional and effective upon the Suzhou Individual Management Shareholders having completed the PRC Foreign Exchange Registration Requirements such that they will be registered as shareholders in Rongsheng and Silverberg. It is a condition to Completion that each of the Structure Contracts and the Undertaking Deed referred to below is unconditional and effective. Pursuant to a legal opinion obtained from the PRC lawyers of the Company, the execution, delivery and performance of the Structure Contracts pursuant to their respective terms are not in contravention of existing laws of the PRC. Upon the Structure Contracts becoming unconditional and effective, they will become enforceable and be binding on the parties involved.

In consideration of the execution of the Structure Contracts by the Suzhou Individual Management Shareholders and Suzhou Dafang (as the case may be), Mr. Wong has entered into the Undertaking Deed in favour of the Suzhou Individual Management Shareholders whereby Mr. Wong undertakes to, upon completion of the PRC Foreign Exchange Registration Requirements on the part of the Suzhou Individual Management Shareholders and execution of the Structure Contracts, transfer his entire shareholding in Rongsheng to Mr. Li, and in Silverberg to the Suzhou Individual

Management Shareholders (other than Mr. Li). The effect of the aforementioned transfer of Mr. Wong's shareholding in Rongsheng and Silverberg is to enable the Suzhou Individual Management Shareholders to become, via Asia Eternal, the beneficial owner of 80% of the issued share capital of Topbest.

CIIC has entered into the Call Option Agreement whereby Asia Eternal has granted CIIC the Call Option to require Asia Eternal to sell to CIIC its entire shareholding in Topbest (being 80% of the issued share capital of Topbest) in return for equity and/or equity linked securities in the Company of value equivalent to HK\$650 million to be issued to Asia Eternal. The consideration of HK\$650 million is determined by reference to the net profit after taxation of Suzhou Dafang for the year ended 31 December 2008 at approximately 16 times price/earning ratio which is determined by the parties after arm's length negotiations.

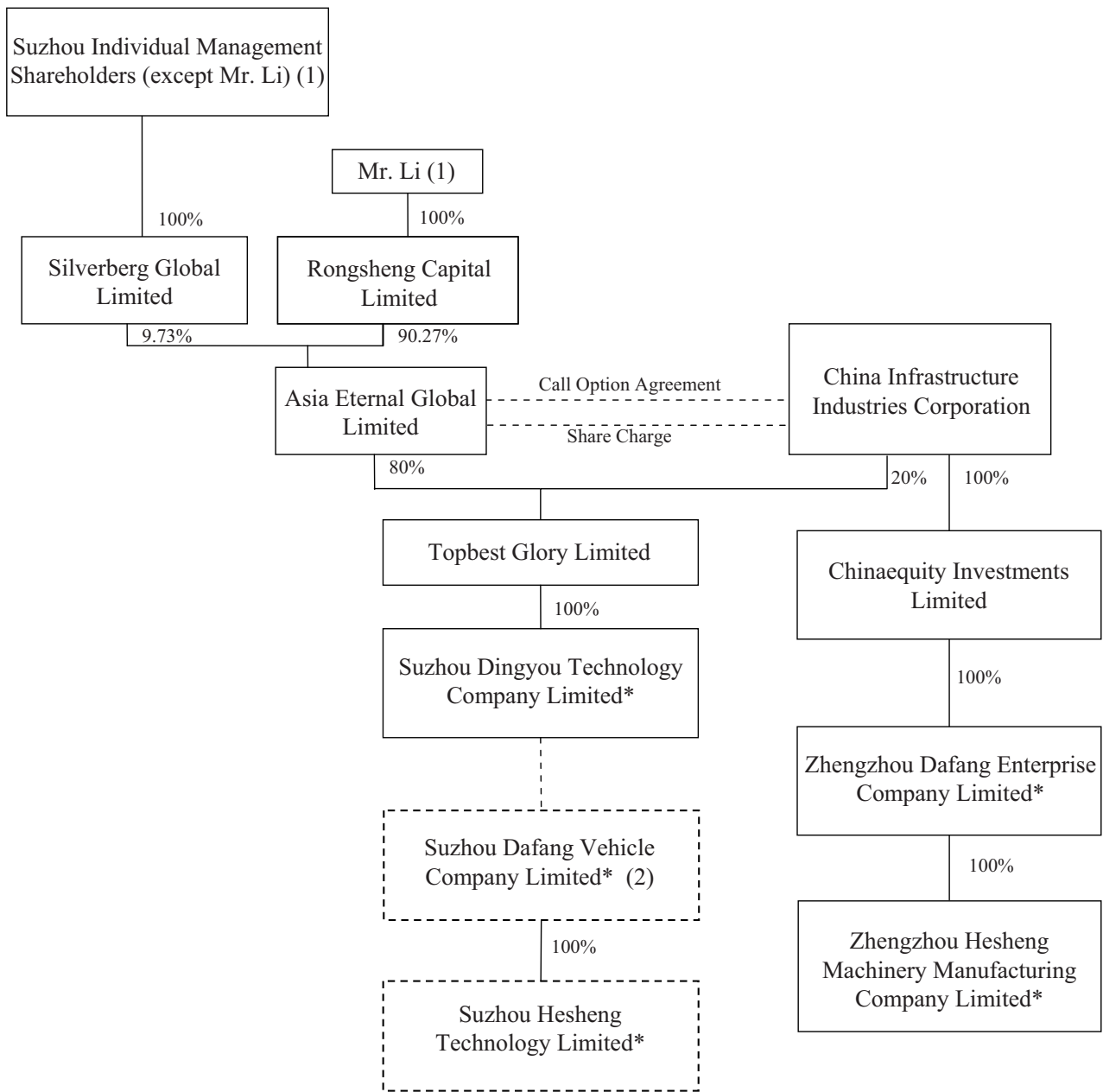
Completion is conditional upon, among other things, the exercise of the Call Option by delivery of the Call Option Notice by CIIC to Asia Eternal. Upon the exercise of the Call Option, CIIC shall procure that the Company issue and allot Consideration Shares and/or Convertible Notes of value equivalent to HK\$650 million to Asia Eternal. As the exercise of the Call Option and the Acquisition are expected to complete simultaneously, it is expected that the Vendors will direct the Company to issue and allot Consideration Shares and/or Convertible Notes of value equivalent to HK\$650 million to Asia Eternal out of the Consideration Shares and the Convertible Notes to be issued to the Vendors and/or their respective nominees pursuant to the Sale and Purchase Agreement.

The purpose of the Undertaking Deed and the Call Option Agreement is to facilitate CIIC to pay the Suzhou Individual Management Shareholders in return for their giving up of the economic benefits of and control over Suzhou Dafang to Suzhou Dingyou pursuant to the execution of the Structure Contracts. As a result, whenever it is permissible under the laws of the PRC, upon the transfer of the shares held by the Suzhou Individual Management Shareholders in Suzhou Dafang to Suzhou Dingyou, any consideration that will have been paid by Suzhou Dingyou for such transfer pursuant to the Share Escrow Agreement will be repaid to Suzhou Dingyou by Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders.

It is a condition to Completion that the call option under the Call Option Agreement should have been exercised by CIIC. The transfer of the 80% of the issued share capital in Topbest held by Asia Eternal to CIIC will be completed simultaneously with the completion of the Acquisition.

CIIC has entered into the Share Charge with Asia Eternal whereby Asia Eternal by way of first fixed charge charges its 80% shareholding in Topbest to CIIC as security for discharge of its obligations under the Call Option Agreement.

Chart 2 below illustrates the Reorganisation on the basis that Mr. Wong has transferred his entire shareholding in each of Silverberg and Rongsheng to the Suzhou Individual Management Shareholders pursuant to the Undertaking Deed:

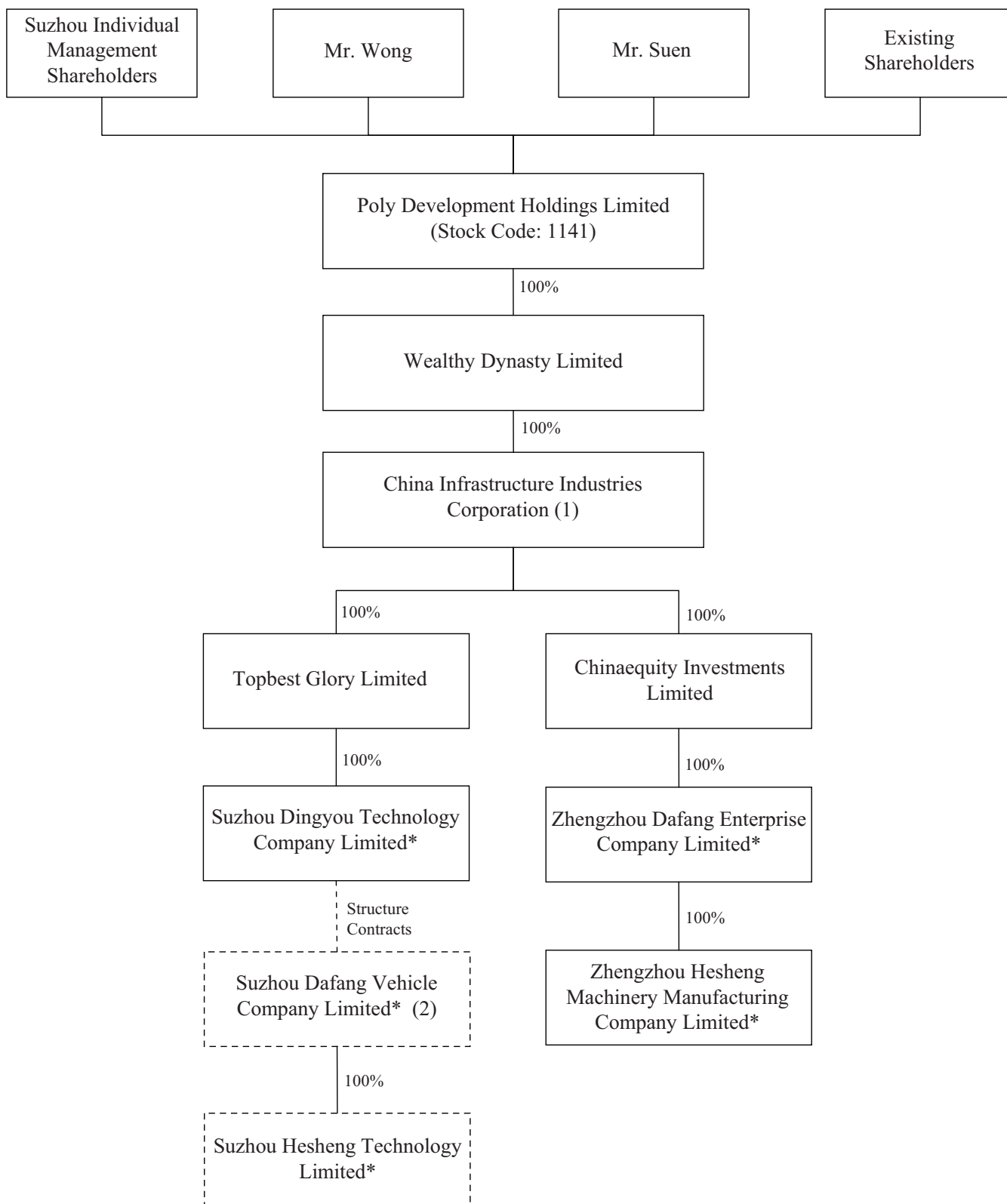


\* for identification only

Notes to Chart 2:

1. On the basis that Mr. Wong has pursuant to the Undertaking Deed transferred his entire shareholding in Rongsheng to Mr. Li and in Silverberg to the Suzhou Individual Management Shareholders (other than Mr. Li).
2. The issued share capital in Suzhou Dafang is owned as to 81.98% by the Suzhou Individual Management Shareholders and as to 18.02% by the Suzhou Corporate Management Shareholders.

Chart 3 below illustrates the shareholding structure of the Company and the CIIC Group upon completion of the Acquisition:



\* for identification only

*Notes to Chart 3:*

1. Upon Completion, CIIC will become a subsidiary of the Company and its accounts will be consolidated with the accounts of the Company. As Suzhou Dafang will be deemed a 100% subsidiary of CIIC under Hong Kong Financial Reporting Standards upon the Structure Contracts becoming unconditional and effective, the accounts of Suzhou Dafang will be consolidated with the accounts of CIIC.
2. Pursuant to the Share Escrow Agreement, the Suzhou Corporate Management Shareholders and Suzhou Individual Management Shareholders will only transfer their shares in Suzhou Dafang to Suzhou Dingyou when it is permissible under the PRC laws. As Suzhou Dafang became a stock limited company on 4 May 2009, and under PRC laws; the shares of a stock limited company cannot be transferred in the first 12 months of its establishment, it is expected that such transfer will not take place prior to Completion. Therefore, the legal ownership of Suzhou Dafang will remain unchanged upon Completion although the economic benefits will be transferred to Suzhou Dingyou pursuant to the Structure Contracts.

## **RISKS ASSOCIATED WITH THE ACQUISITION**

### **Investment into specialized heavy infrastructure construction equipment**

Prior to the Acquisition, the Group has been principally engaged in supply and procurement of fuel, metal minerals and recycled metal materials; office equipment and supplies, machinery and parts, lubricating oil and bunkering for vessels, and provision of finance and securities investment. Upon completion of the Acquisition, the Company will diversify its business into specialized heavy infrastructure construction equipment and related services in the PRC, which it has not previously had exposure to or experience in. Although Mr. Li, an executive Director, and other senior management, such as Mr. Zeng Qingyu, have experience in the specialized heavy infrastructure construction equipment industry, there is no assurance on timing and amount of any return or benefits that may be derived from this new business.

### **Expansion into the shielding machinery business**

To improve profitability, the CIIC Group has just begun branching out to the shielding machinery business from its existing business scope. Expansion into this new business carries with it various risks, including risks related to insufficient operating experience. There can be no assurance that the expansion plans will be successful and the timing and amount of any return or benefits that may be derived from the shielding machinery business is uncertain.

### **Completion risk**

Completion of the Acquisition is subject to the conditions as detailed in the section headed “The Sale and Purchase Agreement dated 20 July 2009 — Conditions” in this announcement, not all of which are within the control of the Company. In particular, there is no assurance that the Restructuring (as more particularly described in the section headed “Reorganisation” in this announcement”) will be

completed satisfactorily and that the independent Shareholders will approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM, and if such approval is granted, there is no assurance that such approval will not be or be proposed to be revoked.

### **Reorganisation risk**

As a condition to Completion, the CIIC Group will undergo a reorganisation in respect of Zhengzhou Dafang and Suzhou Dafang, and will implement the Restructuring, as further described in the section headed “Reorganisation” in this announcement. As part of the Restructuring, the relevant parties will execute the Structure Contracts to pass all the economic benefits derived from and control of Suzhou Dafang to Suzhou Dingyou. There is no assurance that the Structure Contracts will not be considered to be in breach of any existing or future PRC laws or regulations. Should that happen, there is no assurance on how the relevant regulatory authorities would, with their broad discretion, deal with the breach, which may include discontinuing or restricting the CIIC Group’s operations, taking other regulatory or enforcement action or revoking the business licences of the companies within the CIIC Group, which may adversely impact the Group’s business, financial conditions, results of operations and prospects.

### **Performance largely dependent on public spending on infrastructure**

The CIIC Group’s business is largely dependent on the PRC government’s spending on building ports, roads, bridges tunnels and other transportation infrastructure. Major customers include PRC government agencies. The enlarged Group will therefore be exposed to public works budgets of the PRC government. Should there be any significant reduction in public spending in transportation infrastructure related projects in the PRC, the Group’s operations and profits may be adversely affected.

### **Projected revenue amount reported in the CIIC Group’s backlog may decline and may not result in actual revenue or translate into profits**

Backlog represents the CIIC Group’s estimate of the contract value of work that remains to be completed as at a certain date. Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. As at 31 March 2009, the CIIC Group’s backlog was RMB486 million as more particularly described in the section headed “Information on the CIIC Group — Backlog”. Project cancellations or adjustments to the scope of the projects in the backlog may occur from time to time, which could reduce the dollar amount of the backlog and the revenue and profits that the CIIC Group ultimately earn from those contracts. There is no assurance that the turnover projected in the CIIC Group’s backlog will be realized, and if realized, will translate into profits. Shareholders and investors are urged not to unduly rely on the backlog information as an indicator of the enlarged Group’s future earnings.

## **Operation risks**

The CIIC Group may experience difficulties and/or delays in the performance of its contracts for the sale and/or leasing of machineries caused by factors such as technical issues and availability of labour and materials, which may cause the actual overall risks and costs to substantially differ from its original estimates. There is no assurance that the CIIC Group will not encounter cost overruns or delays in the performance of its current and future contracts. If such cost overruns or delays occur, the CIIC Group may experience an increase in costs exceeding its budget, or be required to pay liquidated damages to its customers with a consequent reduction in, or elimination of, the profits on its contracts, or a delay in the realisation of its revenue and profits, if any.

### **The operations of the enlarged Group will require the relevant permits and/or licences and the loss of these permits and/or licences could significantly affect the business of the enlarged Group and reduce its expected turnover and profits**

The operation of the CIIC Group requires the relevant permits and/or license issued by the relevant government agencies and it must comply with the restrictions and conditions imposed by various levels of government agencies in order to maintain such permits and/or licenses. Should the CIIC Group fail to comply with any of the regulations, restrictions or conditions, its permits and/or licenses could be temporarily suspended, revoked, or not renewed, and the business operation of the enlarged Group may be adversely affected.

## **Foreign exchange risk**

The CIIC Group will generate revenue in RMB from its operation, while incurring operation and production costs (e.g. importing components) in currencies other than RMB. Fluctuating foreign exchange rates may have a material impact on the ongoing financial performance and position of the enlarged Group.

## **REASONS FOR THE ACQUISITION**

The principal businesses of the Group are supply and procurement of fuel, metal minerals and recycled metal minerals; office equipment and supplies, machinery and parts, lubricating oil and bunkering for vessels, as well as provision of finance and securities investment. The Group believes the diversification into specialized infrastructure machinery business will benefit the Group's financial results.

Following the global financial crisis and subsequent economic downturn, the PRC government has taken a strong initiative in mandating investments in the infrastructure sector in order to stimulate the Chinese economy. The Company believes that one of the main beneficiaries of this policy will be the HSER construction and related industries.



In 2007, the CIIC Group established a leading position in the specialized transportation equipment market in the PRC by developing their own standardized module self-propelled platform hydraulic transporter. Currently, the CIIC Group is one of the few heavy machinery manufacturers in the PRC that has the technological ability to manufacture standardized module self-propelled platform hydraulic transporter and they are also the sole provider of the 2,500 tonne hydraulic module full drawbar trailer in the PRC. With technical superiority and cost leadership, the CIIC Group effectively increased its market share to what it believes to be approximately 20% within the PRC for its HSER equipment sales and after-sales services, and is currently one of the few companies offering leasing of full sets of HSER equipment.

In view of the above and the reasons set out in the section headed “Strategies/Business Plans” below, the Directors are of the view that the terms of the Sale and Purchase Agreement including the aggregate consideration are on normal commercial terms, and fair and reasonable so far as the Shareholders are concerned and the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **STRATEGIES/BUSINESS PLAN**

The vision of the Group is to build a nationwide sales/leasing network of specialized heavy infrastructure machinery throughout the PRC.

### **Near term value creation through steadily growing HSER and shielding machinery businesses**

The Group believes that the CIIC Group will continue to grow by increasing market share in specialized heavy machinery business due to the expansion of the HSER equipment sales and leasing business. The Group believes the CIIC Group’s shielding machinery business to continue to grow from the existing MOU contract volumes to one of the largest importers and manufacturers in this segment. A new premises/assembly base dedicated to the assembly/manufacturing of shielding machinery of more than 60,000 square metres is in construction pending expected completion in the first half of 2010.

### **Long term shareholder value**

The Group is also actively reviewing selective acquisition and/or investment opportunities in both downstream and upstream businesses related to the existing business segments of the CIIC Group. The criteria for selecting the right acquisition targets or joint venture partners include capabilities to enhance the CIIC Group’s research and development, construction, sourcing and leasing capabilities with an aim to create long term shareholder value. The Group is also exploring plans to increase the construction equipment leasing business by providing term lease and financing options through possible joint venture with a Chinese financial institution.

## **GENERAL**

In respect of the Acquisition, the relevant ratio under Chapter 14 of the Listing Rules exceeds 100%. As each of the Vendors is a person connected with the Company within the meaning of the Listing Rules, and Mr. Li, an executive Director and a connected person of the Company within the meaning of the Listing Rules, will be receiving equity and/or equity linked securities in the Company pursuant to the Call Option Agreement, the Acquisition is a very substantial acquisition and a connected transaction for the Company. Accordingly, the Acquisition is conditional on the approval of the independent Shareholders of the Company, reporting, announcement and other requirements of Chapter 14 and Chapter 14A of the Listing Rules.

The Guarantor, Mr. Li and their respective associates, if they are entitled to vote at the SGM, will be required to abstain from voting on the resolutions in relation to the Acquisition to be proposed at the SGM.

Application will be made for the listing of, and permission to deal in the Consideration Shares and the Conversion Shares.

## **PROPOSED CHANGE OF NAME OF THE COMPANY**

The Board proposes to change the official registered English name of the Company from “Poly Development Holdings Limited” to “China Infrastructure Industries Corporation Limited” and to adopt the Chinese name of “中國建設重工集團有限公司” as secondary name of the Company.

The proposed change of English and Chinese names of the Company shall be subject to, (i) the passing of a special resolution by the Shareholders at the SGM; and (ii) the approval by the Registrar of Companies in Bermuda.

The proposed change of English and Chinese names of the Company will take effect from the date of entry of the new English name and the Chinese name as secondary name on the register of companies maintained by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures in respect of the proposed change of English and Chinese names of the Company with the Registrar of Companies in Hong Kong.

The Board believes that the proposed change of English and Chinese names of the Company will better reflect the business diversity of the Group in light of the Acquisition and the future focus of the Group, and provide the Group with a fresh new corporate identity which is in the interests of the Company and the Shareholders as a whole.

## **PROPOSED CHANGE OF AUDITORS**

As KPMG is the reporting accountant for the CIIC Group and the CIIC Group will become a major subsidiary of the Company upon Completion, the Company has invited KPMG to be appointed as the auditors of the Company at the forthcoming AGM. The invitation is subject to KPMG's internal client acceptance evaluation. HLB Hodgson Impey Cheng, who are the current auditors of the Company and will hold office as such until the forthcoming AGM, have by notice informed the Company that they will not seek for re-appointment as the Company's auditors at the forthcoming AGM. In their notice informing the Company of their decision not to seek for re-appointment, HLB Hodgson Impey Cheng have also indicated that there are no matters that need to be brought to the attention of the holders of securities of the Company, and that there are no circumstances regarding their decision not to seek for re-appointment that need to be brought to the attention of the members or creditors of the Company or those subsidiaries of the Company which are incorporated in Hong Kong.

## **CIRCULAR**

A circular containing, among other things, further particulars of the Acquisition, and the proposed change of English and Chinese names of the Company together with the notice of the SGM to be convened for the purpose of approving the Acquisition and the proposed change of English and Chinese names will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 2:30 p.m. on 20 July 2009 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in the trading of the Shares at 9:30 a.m. on 12 August 2009.

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company to be held in September 2009;
“Acquisition”	the proposed acquisition of 51% of the issued share capital of CIIC and the First Loan by WDL from the First Vendor and the proposed acquisition of 49% of the issued share capital of CIIC and the Second Loan by WDL from the Second Vendor;

“Asia Eternal”	Asia Eternal Global Limited 亞億環球有限公司, a company incorporated under the laws of the BVI with limited liability and is ultimately wholly-owned by Mr. Wong as at the date of this announcement;
“Asset Appraisal”	Asset Appraisal Limited, an independent valuer appointed by WDL;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Cooperation Framework Agreement”	a business cooperation framework agreement in Chinese (《業務合作框架協議》) dated 15 June 2009 entered into between Suzhou Dingyou and Suzhou Dafang in relation to, inter alia, the cooperation of business development and the provision of management team by Suzhou Dingyou to assist Suzhou Dafang in planning, managing and operating the business of Suzhou Dafang and in consideration of which Suzhou Dingyou shall be entitled to the income of Suzhou Dafang in the manner as provided in the Management Agreement and the Technical Support Agreement;
“Business Day”	a day on which banks in Hong Kong and the PRC are open for normal banking business (excluding Saturdays and Sundays);
“BVI”	the British Virgin Islands;
“Call Option”	the call option granted by Asia Eternal to CIIC under the Call Option Agreement;
“Call Option Agreement”	the call option agreement dated 18 July 2009 between Asia Eternal and CIIC pursuant to which CIIC was granted a call option to request Asia Eternal to transfer Asia Eternal’s 80% shareholding interests in Topbest to CIIC;
“Call Option Notice”	the notice referred to in the Call Option Agreement and to be delivered by CIIC to Asia Eternal where CIIC exercises the Call Option under the Call Option Agreement;
“Cash Portion”	HK\$500,000,000 which includes the earnest money in the amount of HK\$1,000,000 paid by the Purchaser pursuant to the Framework Agreement as announced by the Company on 12 June 2009 and any deposit paid prior to Completion pursuant to the Sale and Purchase Agreement;

“Chinaequity”	Chinaequity Investments Limited, a company incorporated under the laws of the BVI;
“CIIC”	China Infrastructure Industries Corporation 中國建設重工集團有限公司, a company incorporated in the BVI with limited liability;
“CIIC Group”	CIIC and its subsidiaries upon completion of the Reorganisation; where the context requires, any reference to the CIIC Group shall include members of the CIIC Group before completion of the Reorganisation;
“CIIC Shares”	ordinary share(s) of US\$0.01 in the share capital of CIIC;
“Company”	Poly Development Holdings Limited (Stock Code: 1141), a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement;
“Consideration”	the aggregate consideration of the Sale Shares, being HK\$2,000,000,000;
“Consideration Shares”	new Shares to be issued to the Vendors or their respective nominees or as they may respectively direct in satisfaction of part of the Consideration pursuant to the Sale and Purchase Agreement;
“Convertible Notes”	the convertible notes to be issued by the Company to the Vendors or their respective nominees or as they may respectively direct in satisfaction of part of the Consideration pursuant to the Sale and Purchase Agreement;
“Conversion Shares”	new Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Notes;
“Director(s)”	the director(s) of the Company;
“Financial Adviser”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, which is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Company;

“First Loan”	an amount of not more than HK\$43,000,000 owed by CIIC and/or its subsidiaries to the First Vendor as at the date of Completion;
“First Sale Shares”	51 CIIC Shares held by the First Vendor, representing 51% of the issued share capital of CIIC;
“First Vendor”	Advanced Easy Limited, a company incorporated in the BVI with limited liability, and the registered shareholder of 51% of the issued share capital of CIIC;
“Framework Agreement”	the framework agreement dated 12 June 2009 entered into among the Purchaser, the First Vendor and the Guarantor in relation to the proposed acquisition of the First Sale Shares and the First Loan by the Purchaser from the First Vendor and the payment of HK\$1,000,000 as earnest money by the Purchaser to the First Vendor;
“Group”	the Company and its subsidiaries;
“Guarantor”	Mr. Wong Danny F., the ultimate beneficial owner of the the Vendors and an executive Director;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 September 2009 or such other later date as the parties to the Sale and Purchase Agreement may agree;
“Management Agreement”	an exclusive management and consultation service agreement (《獨家管理及諮詢服務合同》) dated 15 June 2009 entered into between Suzhou Dingyou and Suzhou Dafang in relation to the provision of certain management and consultation services by Suzhou Dingyou to Suzhou Dafang and Suzhou Dafang shall pay all of its net profit to Suzhou Dingyou;
“MOU(s)”	memorandum of understanding;
“Mr. Li”	Mr. Li Rongsheng, an executive Director and one of the Suzhou Individual Management Shareholders;

“Mr. Suen”	Mr. Suen Cho Hung, Paul, an executive Director and the Chairman of the Company;
“Mr. Wong”	Mr. Wong Danny F., the ultimate beneficial owner of each of the First Vendor and the Second Vendor, and an executive Director;
“Non-Competition Agreement”	a non-competition agreement in Chinese (《不競爭協議》) dated 15 June 2009 entered into between Suzhou Dingyou, Suzhou Dafang and registered owners of Suzhou Dafang containing, inter alia, non-competition warranties and undertakings in favour of Suzhou Dingyou;
“Parties”	the parties to the Sale and Purchase Agreement, being the Vendors, WDL, the Guarantor and the Company;
“PRC”	the People’s Republic of China;
“PRC Foreign Exchange Registration Requirements”	the foreign exchange registration requirements in respect of ownership of shares in overseas companies by PRC nationals with the State Administration for Foreign Exchange of the PRC and/or other authorities in the PRC;
“Purchaser”	WDL;
“Reorganisation”	the reorganisation in respect of Zhengzhou Dafang; Suzhou Dafang and the Restructuring referred to the section headed “Reorganisation”;
“Restructuring”	the matters referred to in the section headed “Restructuring” in this announcement;
“Rongsheng”	Rongsheng Capital Limited 榮生資本有限公司, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wong as at the date of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the agreement for sale and purchase dated 20 July 2009 and entered into among the Vendors, WDL, the Guarantor and the Company in relation to the Acquisition;
“Second Loan”	an amount owed by CIIC and/or its subsidiaries to the Second Vendor as at the date of Completion;



“Second Sale Shares”	49 CIIC Shares held by the Second Vendor, representing 49% of the issued share capital of CIIC;
“Second Vendor”	Wonder Glory Limited, a company incorporated in the BVI with limited liability, the registered shareholder of 49% of the issued share capital of CIIC;
“Shareholder(s)”	holder(s) of the Shares;
“Shareholder’s Loan”	the First Loan and the Second Loan;
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company;
“Share Charge”	the share charge dated 18 July 2009 from Asia Eternal in favour of CIIC in relation to Asia Eternal’s 80% shareholding interests in Topbest;
“Share Escrow Agreement”	an exclusive share purchase and escrow agreement in Chinese (《獨家購股權及股權托管協議》) dated 15 June 2009 entered into between Suzhou Dingyou, Suzhou Dafang and the Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders whereby Suzhou Dingyou may, insofar as PRC laws permits, require each of the Suzhou Individual Management Shareholders and the Suzhou Corporate Management Shareholders to sell its shares in Suzhou Dafang at the lowest amount permissible under PRC laws to Suzhou Dingyou, and insofar as PRC laws permits, such amount will be returned to Suzhou Dingyou, and until such sale, to entrust its shares in Suzhou Dafang in escrow to Suzhou Dingyou;
“Share Pledge Agreement”	a share pledge agreement in Chinese (《股權質押協議》) dated 15 June 2009 entered into between Suzhou Dingyou, Suzhou Dafang and the Suzhou Individual Management Shareholders whereby the Suzhou Individual Management Shareholders have pledged their shares in Suzhou Dafang to Suzhou Dingyou as security for performance of the Business Cooperation Framework Agreement, the Technical Support Agreement and the Management Agreement;
“Silverberg”	Silverberg Global Limited 時發環球有限公司, a company incorporated in the BVI with limited liability and is wholly owned by Mr. Wong as at the date of this announcement;

“SGM”	the special general meeting of the Company to be convened to consider and approve, among other things, the Acquisition and the proposed change of company name, the details of which will be set out in the circular to be issued by the Company in relation to the Acquisition and the proposed change of company name pursuant to the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Structure Contracts”	the Business Corporation Framework Agreement; the Management Agreement; the Non-Competition Agreement; the Technical Support Agreement; the Share Escrow Agreement; and the Share Pledge Agreement;
“Suzhou Corporate Management Shareholders”	three companies established under the laws of the PRC respectively holding 7.21%, 3.6% and 7.21% or together holding 18.02% in the issued share capital of Suzhou Dafang, and which are third parties independent of and not connected with the connected persons of the Company;
“Suzhou Dafang Share Purchase Agreement”	a share purchase agreement in relation to Suzhou Dafang in Chinese (《關於蘇州大方特種車股份有限公司的股份交易協議》) dated 15 June 2009 entered into between Mr. Li and the Suzhou Corporate Management Shareholders in relation to the 18.02% shares held by the Suzhou Corporate Management Shareholders and in the share capital of Suzhou Dafang;
“Suzhou Dafang”	蘇州大方特種車股份有限公司 or for identification only “Suzhou Dafang Vehicle Company Limited”, a stock limited company established in the PRC;
“Suzhou Dingyou”	蘇州鼎優科技有限公司 or for identification only “Suzhou Dingyou Technology Company Limited”, a wholly foreign owned enterprise established in the PRC;
“Suzhou Individual Management Shareholders”	Mr. Li (74%), Chen Yong Chang (陳永昌) (1%), Cao Xin Jie (曹新杰) (1%), Zhang Shi Biao (張世彪) (1%), Du Hai Yun (杜海雲) (1%), Li Rong Cai (李榮才) (1%), Huang Jing Hui (黃敬輝) (1%), Yang Hui (楊暉) (0.9%), Zhang Wen Shan (張文山) (0.63%) and Qi Wei (齊威) (0.45%), who together hold 81.98% in the issued share capital in Suzhou Dafang (the shareholding of each of the Suzhou Individual Management Shareholders is set out in the bracket immediately after each individual);

“Takeovers Code”	the Codes on Takeover and Mergers issued by the Securities and Futures Commission;
“Technical Support Agreement”	an exclusive technical support and service agreement in Chinese (《獨家技術支持及技術服務合同》) dated 15 June 2009 entered into between Suzhou Dingyou and Suzhou Dafang in relation to, inter alia, the provision of technical support and services by Suzhou Dingyou to Suzhou Dafang for a monthly fee of RMB100,000;
“Topbest”	Topbest Glory Limited, a company incorporated under the laws of the BVI;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Undertaking Deed”	an undertaking deed in Chinese (《承諾契約》) dated 18 July 2009 entered into by the Guarantor in relation to the transfer of shares in Rongsheng and Silverberg by the Guarantor to the Suzhou Individual Management Shareholders such that Mr. Li will become the 100% beneficial owner of Rongsheng, and the Suzhou Individual Management Shareholders (except Mr. Li) will together become the 100% beneficial owner of Silverberg;
“Valuation”	an independent valuation of Suzhou Dafang and Zhengzhou Dafang based on market approach by reference to companies engaged in similar line of business conducted by Asset Appraisal, according to which the preliminary fair value of 100% shareholder’s equity of Suzhou Dafang and Zhengzhou Dafang as at 30 June 2009 is approximately RMB\$2,000,000,000;
“Vendors”	the First Vendor and the Second Vendor;
“WDL”	Wealthy Dynasty Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company;
“Zhengzhou Dafang”	鄭州大方實業有限公司 or for identification only “Zhengzhou Dafang Enterprise Company Limited”, a company established in the PRC with limited liability;
“Zhengzhou Hesheng”	鄭州和聲特種機械製造有限公司 or for identification only “Zhengzhou Hesheng Machinery Manufacturing Company Limited”, a company established in the PRC with limited liability;

“Zhengzhou Management Shareholders” four individuals who together hold 10.4% in the issued share capital of Zhengzhou Dafang and who are third parties independent of and not connected with the connected persons of the Company; and

“%” per cent.

*Unless otherwise specified, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$1.14. No representation is made that any amounts in RMB or in HK\$ could have been or could be converted at that rate or any other rate or at all.*

By Order of the Board  
**Poly Development Holdings Limited**  
**Suen Cho Hung, Paul**  
*Chairman*

Hong Kong, 11 August 2009

*As at the date of this announcement, the Board comprises Mr. Suen Cho Hung, Paul (Chairman), Mr. Lo Ming Chi, Charles (Deputy Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Mr. Wong Danny F. and Mr. Li Rongsheng as Executive Directors and Mr. Wong Kwok Tai, Mr. Weng Yixiang, Mr. Lu Xinsheng and Mr. Xiong Wei as Independent Non-executive Directors.*

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