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

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code : 3311)**

## **DISCLOSEABLE TRANSACTION**

### **SUBSCRIPTION OF GUARANTEED SECURED CONVERTIBLE BONDS IN SKYJOY, ULTIMATE CONTROLLER OF THE LAND IN QIAODONG DISTRICT OF SHIJIAZHUANG, PRC**

The Board is pleased to announce that on 7 February 2010, CSC, a wholly owned subsidiary of the Company, has entered into the Subscription Agreement whereby CSC will, along with two other Investors, subscribe for the Bonds in the aggregate principal amount of HK\$400,000,000 (HK\$200,000,000 of which will be subscribed by CSC) convertible into 3,600 shares of US\$1.00 each in the share capital of Skyjoy, representing 36% of the issued share capital of Skyjoy, and in relation to the Bonds to be subscribed by CSC, 1,800 shares of US\$1.00 each representing 18% of the issued share capital of Skyjoy on a fully diluted basis. Skyjoy is the ultimate owner of the Land. To best of the Directors' knowledge, information and belief having made all reasonable enquiries, the other parties to the Subscription Agreement, including the other two Investors and Skyjoy are third parties independent of the Company and its connected persons as defined under the Listing Rules.

Since the applicable percentage ratios as defined under the Listing Rules in relation to the Subscription of the Bonds are less than 25% but more than 5%, the Subscription constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the requirements of the Listing Rules where applicable on conversion of the Bonds.

**Completion of the Subscription is subject to a number of conditions, including the finalization of various legal documentation to give effect to the Subscription, including the related trust deed constituting the Bonds, and the obtaining of certain outstanding land use right certificates in relation to the Land, and accordingly may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 7 February 2010, CSC, a wholly owned subsidiary of the Company has entered into the Subscription Agreement whereby CSC will, along with two other Investors, subscribe for the Bonds in the aggregate principal amount of HK\$400,000,000 (HK\$200,000,000 of which will be subscribed by CSC) convertible into 3,600 shares of US\$1.00 each in the share capital of Skyjoy, representing 36% of the issued share capital of Skyjoy, and in relation to the Bonds to be subscribed by CSC, 1,800 shares of US\$1.00 each representing 18% of the issued share capital of Skyjoy on a fully diluted basis.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

7 February 2010

### **Parties**

- (i) CSC, a wholly owned subsidiary of the Company
- (ii) Cosy Good, an investment holding company and a wholly owned subsidiary of ENM Holdings Limited, a company listed on the Main Board of the Stock Exchange
- (iii) Somercotes, an investment holding company wholly owned by the estate of Ms Nina Kung, collectively with CSC and Cosy Good as the “Investors” and “Investor” shall mean any one of them
- (iv) Yang Shao Ming (being the sole shareholder of Lerthai Holdings) and Yang Longfei (being Yang Shao Ming’s father) as guarantors
- (v) Lerthai Holdings, a limited liability company incorporated in the British Virgin Islands, which is the sole legal and beneficial owner of Skyjoy
- (vi) Skyjoy, a limited liability company incorporated in the British Virgin Islands as the issuer of the Bonds

(vii) Shijiazhuang Lerthai, a wholly owned subsidiary of Skyjoy and the holder of the Land

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Cosy Good, Somercotes, their respective ultimate substantial shareholders (as defined in the Listing Rules), Yang Longfei, Yang Shao Ming, Lerthai Holdings, Skyjoy and Shijiazhuang Lerthai are third parties independent of the Company and its connected persons as defined under the Listing Rules.

### **Subject Matter**

The Investors will subscribe for the Bonds in the aggregate principal amount of HK\$400,000,000 (HK\$200,000,000 of which will be subscribed by CSC) convertible into 3,600 shares of US\$1.00 each in the share capital of Skyjoy, representing 36% of the issued share capital of Skyjoy and in relation to the Bonds to be subscribed by CSC, 1,800 shares of US\$1.00 each representing 18% of the issued share capital of Skyjoy on a fully diluted basis.

The principal terms of the Bonds are as follows:

|                     |   |   |
|---------------------|---|---|
| Issue Price         | : | 100% of the principal amount of the Bonds   |
| Interest            | : | compound interest accruing semi-annually from the issue date at 12% per annum. Payment will be made semi-annually except that the first payment will be made on expiry of three years from the issue date   |
| Maturity Date       | : | fifth anniversary from the issue date   |
| Conversion Period   | : | From the expiry of three years from the issue date up to maturity   |
| Conversion Property | : | 900 shares for Bonds in every principal amount of HK\$100 million, and aggregating 3,600 shares in Skyjoy in total  |
| Conversion Premium  | : | A sum payable by a holder of the Bonds to Skyjoy on conversion of the Bonds, which will be an amount equivalent to all interest paid or payable by Skyjoy to such holder under the terms of the Bonds immediately prior to conversion. The maximum conversion premium payable by CSC on full conversion of the Bonds is HK\$212,206,000 |

- Redemption Amount : 100% of the principal amount of the Bonds plus compound interest of 15% per annum accrued thereon semi annually from the issue date net of interest already paid to the holder
- Redemption Period : From the expiry of three years from the issue date up to maturity
- Security : 1. life insurance policy made out by Yang Longfei;
2. share mortgage over the entire share and equity capital of Lerthai Holdings, Skyjoy, Shijiazhuang Lerthai and Beijing Lerthai;
3. charge over all the bank accounts of Skyjoy; and
4. personal guarantee from Yang Longfei and Yang Shao Ming and a corporate guarantee from Tangshan Company, a company wholly owned by Yang Longfei.

Pursuant to the terms of the Subscription Agreement, all parties to the agreement excluding the Investors will give and will procure the giving of certain undertakings to the Investors as holders of the Bonds, including an undertaking to restructure and settle certain indebtedness due owing by the Skyjoy Group to Yang Longfei, Yang Shao Ming and their related companies, and to dispose of units of the completed property to be erected on the Land in settlement of the outstanding indebtedness under the Bonds.

The terms of the Bonds were determined based on arm's length negotiations among the parties with reference to, among other things, feasibility studies on the factors such as the market prospect, local urban planning and specifications, geographical location of the development sites and the development of the local economy. The Directors (including the independent non-executive Directors) consider the terms of the Bonds to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Group intends to fund the Subscription from its internal resources.

## Conditions

Completion of the Subscription is conditional on, among other things, the following:

1. the obtaining by Skyjoy Group of letter(s) from licensed bank(s) pursuant to which the banks agree to make available to the Skyjoy Group such banking facilities in the amount of not less than RMB1,500 million (equivalent to approximately HK\$1,705 million) for the purpose of the development of the Land;
2. the obtaining of all requisite consents and approvals for the transactions contemplated under the Subscription Agreement from all relevant governmental and regulatory bodies;
3. completion of a financial, business and legal due diligence over Lerthai Holdings, the Skyjoy Group, Beijing Lerthai Group and the Tangshan Company and its property assets;
4. there being no material adverse change in the business, assets, operation, financials and prospects of the Skyjoy Group following the date of the Subscription Agreement;
5. Shijiazhuang Lerthai having obtained the land use right in respect of the remaining parcels of the Land not yet obtained on the date of the Subscription Agreement, payment of all related land premium and completion of the related demolition and relocation work over such land; and
6. a restructuring of certain indebtedness due payable by the Skyjoy Group to Yang Shao Ming, Yang Longfei and their related companies;

in each case on or before 31 May 2010 (or such later date as the parties may agree in writing).

Completion shall take place in two phases, the first of which involve Bonds in the principal amount of RMB110 million (equivalent to approximately HK\$125 million) of which RMB55 million (equivalent to approximately HK\$63 million) will be subscribed by CSC. Such proceeds will be used to repay certain loans of the Skyjoy Group to discharge the subsisting mortgages over the Land, and completion of the Subscription of the remaining Bonds shall take place following the discharge.

Completion of the Subscription is also subject to the finalization and signing of various security documents and definitive agreements to give effect to the Subscription and the terms of the Bonds, including the trust deed which would constitute the Bonds. In the event the parties are unable to finalize and sign these agreements and documents, the Subscription will not proceed.

For the avoidance of doubt, completion of the Subscription by any one Investor is conditional upon the completion of the Subscription by the other Investors.

## INFORMATION ON SKYJOY AND THE LAND

Skyjoy and members of the Skyjoy Group, including Shijiazhuang Lerthai are principally engaged in the development of the Land. Yang Longfei is the father of, Yang Shao Ming, the holder of the entire share capital in Lerthai Holdings, which is the sole owner of Skyjoy.

The Skyjoy Group has not prepared any consolidated accounts. Set out below is the financial information of Skyjoy for the years ended 31 December 2008 and 2009 prepared in accordance with the generally accepted accounting principles applicable in Hong Kong:

|  | <b>Year ended 31 December</b> |                  |
|--|-------------------------------|------------------|
|  | <b>2009</b>                   | <b>2008</b>      |
|  | <i>(Audited)</i>              | <i>(Audited)</i> |
|  | <i>HK\$'000</i>               | <i>HK\$'000</i>  |
| Net profits/(losses) before taxation and extraordinary items | (181)                         | 527              |
| Net profits/(losses) after taxation and extraordinary items  | (181)                         | 527              |
|  | <b>As at 31 December</b>      |                  |
|  | <b>2009</b>                   | <b>2008</b>      |
|  | <i>(Audited)</i>              | <i>(Audited)</i> |
|  | <i>HK\$'000</i>               | <i>HK\$'000</i>  |
| Net liability  | 462                           | 281              |

Set out below is the financial information of Shijiazhuang Lerthai for the years ended 31 December 2008 and 2009 prepared in accordance with the PRC generally accepted accounting principles:

|  | <b>Year ended 31 December</b> |                  |
|--|-------------------------------|------------------|
|  | <b>2009</b>                   | <b>2008</b>      |
|  | <i>(Unaudited)</i>            | <i>(Audited)</i> |
|  | <i>HK\$'000</i>               | <i>HK\$'000</i>  |
| Net losses before taxation and extraordinary items | 4,963                         | 2,584            |
| Net losses after taxation and extraordinary items  | 4,963                         | 2,604            |

|                 | <b>As at 31 December</b> |                  |
|-----------------|--------------------------|------------------|
|                 | <b>2009</b>              | <b>2008</b>      |
|                 | <i>(Unaudited)</i>       | <i>(Audited)</i> |
|                 | <i>HK\$'000</i>          | <i>HK\$'000</i>  |
| Net asset value | 41,729                   | 46,691           |

It is expected that Skyjoy Group will use the proceeds of the Bonds to repay part of its existing loans and for the development of the Land.

Shijiazhuang Lerthai holds the Land which comprises of some parcels of land situated at Qiaodong District of Shijiazhuang, the PRC with a site area of approximately 62,000 square meters (approximately 10,300 square meters of which the land use rights have not yet been obtained) and some units of shops with total gross floor area of approximately 1,800 square meters. Pursuant to a project management agreement and project manager agreement each dated 3 February 2010, the Group has also been appointed as the project manager and the project supervisory manager for the development of the Land. It is the intention of the parties that the Land will be developed into loft, offices, hotels, service apartment and shopping mall.

Following the completion of the Subscription, CSC will have the right to appoint two directors and each of the other two Investors will have the right to appoint one director, out of a total of 11 directors in the board of Skyjoy Group. The directors appointed by the Investors will not have right to vote before such Investor exercises its conversion right, except for certain important matters. On full conversion of the Bonds, the interest of the Group in Skyjoy will range from 18% (assuming all the other Investors will convert their Bonds in full) to approximately 22% (in the event where none of the Investors will convert any part of their Bonds).

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

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

The Directors believe that the Subscription will provide the Group with a stable interest income and will allow the Group to expand its building construction business and construction-related investments in the PRC.

The Directors (including the independent non-executive Directors) consider that the Subscription is on normal commercial terms as determined after arm's length negotiations between the parties, and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## GENERAL

Since the applicable percentage ratios as defined under the Listing Rules in relation to the Subscription of the Bonds are less than 25% but more than 5%, the Subscription constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the requirements of the Listing Rules where applicable on conversion of the Bonds.

**Completion of the Subscription is subject to a number of conditions, including the finalization of various legal documentation to give effect to the Subscription, including the related trust deed for constituting the Bonds, and the obtaining of certain outstanding land use right certificates in relation to the Land, and accordingly may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

|                         |   |
|-------------------------|---|
| “Beijing Lerthai”       | 北京勒泰投資有限公司, a company established under the laws of the PRC, which is wholly owned by Yang Longfei;   |
| “Beijing Lerthai Group” | Beijing Lerthai and its subsidiaries;   |
| “Board”                 | the board of Directors;   |
| “Bonds”                 | the guaranteed secured convertible bond(s) due 2015 in the aggregate principal amount of HK\$400,000,000 to be issued by Skyjoy;  |
| “Company”               | China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3311);  |
| “Cosy Good”             | Cosy Good Limited, a wholly owned subsidiary of ENM Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. The principal activities of ENM Holdings Limited and its group companies comprise the wholesale and retail of fashion wear and accessories, telecommunications operations, resort and recreational club operations, investment holding and securities trading; |



|                        |  |
|------------------------|--|
| “CSC”                  | China State Construction Limited, a limited liability company incorporated in Hong Kong, a wholly owned subsidiary of the Company;   |
| “Directors”            | the directors of the Company;  |
| “Group”                | the Company and its subsidiaries from time to time;  |
| “HK\$”                 | Hong Kong dollars, the lawful currency of Hong Kong;   |
| “Hong Kong”            | the Hong Kong Special Administrative Region of the PRC;  |
| “Investors”            | collectively, CSC, Cosy Good and Somercotes, and Investor shall mean any one of them;  |
| “Land”                 | comprises of some parcels of land situated at Qiaodong District, Shijiazhuang, the PRC with a site area of approximately 62,000 square meters (approximately 10,300 square meters of which the land use rights have not yet been obtained) and some units of shops with total gross floor area of approximately 1,800 square meters; |
| “Lerthai Holdings”     | Lerthai International Holdings Limited, a limited liability company incorporated in the British Virgin Islands, which is the sole legal and beneficial owner of Skyjoy;  |
| “Listing Rules”        | The Rules Governing the Listing of Securities on the Stock Exchange;   |
| “PRC”                  | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;  |
| “RMB”                  | Renminbi, the lawful currency of the PRC;  |
| “Shareholders”         | the shareholders of the Company;   |
| “Shijiazhuang Lerthai” | 石家庄勒泰房地產開發有限公司, a wholly owned subsidiary of Skyjoy established in the PRC;  |
| “Skyjoy”               | Skyjoy Assets Management Limited, a limited liability company incorporated in the British Virgin Islands as the issuer of the Bonds;   |
| “Skyjoy Group”         | Skyjoy and its subsidiaries;   |
| “Somercotes”           | Somercotes Limited, a company incorporated in Hong Kong with limited liability wholly owned by the estate of Ms Nina Kung;   |

|                          |  |
|--------------------------|--|
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited;   |
| “Subscription”           | subscription of the Bond(s) pursuant to the Subscription Agreement;  |
| “Subscription Agreement” | the agreement entered into between CSC, Cosy Good, Somercotes and each of Yang Shao Ming, Yang Longfei, Lerthai Holdings, Skyjoy and Shijiazhuang Lerthai on 7 February 2010 in relation to, among other things, the Subscription; |
| “subsidiary”             | has the meaning ascribed to it under the Listing Rules;  |
| “Tangshan Company”       | 唐山遠洋城房地產開發有限公司, a company established under the laws of the PRC ultimately owned by Yang Longfei;  |
| “US\$”                   | United States dollars, the lawful currency of the United States of America; and  |
| “%”                      | per cent..   |

*For illustration purposes in this announcement, the amounts in RMB are translated to HK\$ at the rate of RMB0.88 = HK\$1.00. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.*

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

Hong Kong, 7 February 2010

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