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**CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED**  
**中國航天國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 31)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**ACQUISITION OF 35% INTERESTS IN HAINAN AEROSPACE**  
**INVESTMENT MANAGEMENT COMPANY LIMITED**

The Company is pleased to announce that New Century has successfully acquired 35% of the equity capital of Hainan Aerospace Investment Management Company Limited through a public tender at the tendered purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713).

The Board (excluding the Independent Non-Executive Directors who will form their views after considering the advice of the Independent Financial Adviser) considers that the terms of the Property Right Transfer Agreement (which is a standard form contract prepared by the China Beijing Equity Exchange) entered into between New Century and Aerospace Times are on normal commercial terms and the terms of which are fair and reasonable, and the entering into of the Property Right Transfer Agreement is in the interests of the Company and the shareholders as a whole.

The vendor, Aerospace Times, being a subsidiary of CASC, which in turn is the controlling shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition contemplated under the Property Right Transfer Agreement constitutes a connected transaction for the Company. As New Century will, subsequent to the completion of the Acquisition, be responsible to contribute the balance of the registered capital for the 35% equity capital of Hainan Aerospace, the aggregate of the consideration and the capital contribution to be made represents more than 5% but less than 25% of the market capitalisation of the Company and constitutes a discloseable transaction. The Acquisition is subject to Independent Shareholders' approval, CASC and its associates shall abstain from voting at the Extraordinary General Meeting.

An Independent Board Committee has been established to consider the terms of the Property Right Transfer Agreement, to advise and recommend the Independent Shareholders to vote, and Somerley Limited has been appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms thereof.

A circular containing details of the Acquisition together with the notice of the extraordinary general meeting to approve the Acquisition will be dispatched to the shareholders as soon as practicable but in any event within 15 business days after the publication of this announcement.

Reference is made to the announcement of the Company dated 20 August 2008 and the circular of the Company dated 10 September 2008 (the “2008 Announcement and Circular”) in respect of the establishment of Hainan Aerospace.

The Board of Directors of the Company is pleased to announce that New Century, a direct wholly-owned subsidiary of the Company, successfully tendered and entered into a Property Right Transfer Agreement for the 35% interests of the equity capital in Hainan Aerospace at the purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713). Upon completion of the Acquisition as contemplated under the Property Right Transfer Agreement, Hainan Aerospace will become an indirect wholly-owned subsidiary of the Company.

### **THE PROPERTY RIGHT TRANSFER AGREEMENT**

- Date:** 4 August 2010
- Parties:** New Century (as the purchaser), a direct wholly-owned subsidiary of the Company; and  
Aerospace Times (as the vendor), a subsidiary of CASC, the controlling shareholder of the Company
- Asset to be acquired:** 35% interests in equity capital of Hainan Aerospace, free of all encumbrances  
The 35% equity capital has yet to be fully paid up. Aerospace Times has contributed RMB42,000,000 (equivalent to approximately HK\$48,275,862). The balance, being RMB168,000,000 (equivalent to approximately HK\$193,103,448) has to be paid up by New Century on or before 31 December 2010
- Consideration:** The tendered purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713), being the only bid price  
The tendered purchase price less the earnest money of RMB13,675,000 (equivalent to approximately HK\$15,718,391) paid by New Century on submission of the tender, shall be payable to the designated account of the China Beijing Equity Exchange within 5 working days from the date of the approval of Independent Shareholders
- Completion procedure:** Completion procedure, including the amendments of the articles of association of Hainan Aerospace to reflect New Century as the new shareholder and completion of all registration and filing requirements, shall be procured by Aerospace Times within 30 working days from the issue date of the transaction certificate by China Beijing Equity Exchange
- Governing law:** PRC law

The Acquisition was made via the China Beijing Equity Exchange through an open bid process. The terms of the Property Right Transfer Agreement are based on the terms of the bid. The Directors of the Company (excluding the Independent Non-Executive Directors who will form their views after considering the advice of the Independent Financial Adviser) consider that the Property Right Transfer Agreement was entered into on normal commercial terms and the terms of the Property Right Transfer Agreement (including the consideration) and the process are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The purchase price and the future capital contribution will be funded by internal resources.

## **HAINAN AEROSPACE**

The approved business scope of Hainan Aerospace are basic infrastructure construction, development, management and operation of the Complex Zone of the Launching Site, landscaping, property development, property investment and management, trading, business investment and management, direct investments or equity participation in properties and ventures, etc.

As set out in the 2008 Announcement and Circular, Hainan Aerospace has committed in the Implementation Agreement to take up the obligations of CASIL Hainan under the Land Development Agreement and CASIL Hainan agrees that Hainan Aerospace shall receive the profits (net of tax and fees) CASIL Hainan entitled under the Land Development Agreement in respect of the development of the Complex Zone of the Launching Site.

The Master Plan of the Complex Zone of the Launching Site in Hainan Province prepared by Hainan Aerospace has been approved by Hainan Provincial Government and currently the approval for controlling detailed planning of the Complex Zone is being processed. At the same time, Hainan Aerospace and Wenchang City Government are working closely on studying and formulating the land expropriation proposal, related works on the land expropriation has been started.

Based on information appeared on the website of the China Beijing Equity Exchange, as at 31 March 2010, the valuation of the entire equity capital of Hainan Aerospace was RMB130,238,200 (equivalent to approximately HK\$149,699,080). The original cost of Aerospace Time's acquisition of the 35% interests in the equity capital of Hainan Aerospace was RMB42,000,000 (equivalent to approximately HK\$48,275,862) pursuant to the Promoters' Agreement.

Hainan Aerospace was established on 24 November 2008 and did not have any activities in 2008 and hence no audited accounts were available. As at 31 December 2009, the audited net assets of Hainan Aerospace were RMB115,235,391 (equivalent to approximately HK\$132,454,472). As the Complex Zone of the Launching Site was at developing stage, Hainan Aerospace did not record any revenue for the year ended 31 December 2009. The loss recorded by Hainan Aerospace for the year ended 31 December 2009 was RMB4,764,609 (equivalent to approximately HK\$5,476,562).

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Company, through its subsidiaries, is principally engaged in hi-tech manufacturing, and aerospace services and aerospace business.

The development of the Complex Zone of the Launching Site in Hainan Province is the Company's important project in aerospace services business with good development prospect. The acquisition of 35% interests in the equity capital of Hainan Aerospace seizes the advantages of enhancing efficiency and speeding up the progress of the project. Upon completion of the Acquisition, Hainan Aerospace will be indirectly wholly-owned by the Company. As such, the benefits derived from the development of the Complex Zone of the Launching Site will be fully accounted for by the Company. CASC, same as before, will offer necessary support and assistance in the project development.

The Board (excluding the Independent Non-Executive Directors who will form their views after considering the advice of the Independent Financial Adviser) consider that the Property Right Transfer Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Property Right Transfer Agreement (including the consideration) are fair and reasonable and in the interests of the shareholders of the Company as a whole. Except for Chairman Wu Zhuo, Mr Chen Xuechuan and Mr Shi Weiguo who are currently the employees of CASC and have abstained from voting at the Board Meeting, none of the Directors has a material interest in the Property Right Transfer Agreement and transaction contemplated under the Property Right Transfer Agreement.

## **INFORMATION ON THE PARTIES TO THE PROPERTY RIGHT TRANSFER AGREEMENT**

### **Aerospace Times**

The principal activities of Aerospace Times are property development, sale of self-developed commodity apartments, professional subcontracting, gardening design, strategic planning management, investment advisory, property information advisory, etc.

### **New Century**

New Century is a wholly-owned subsidiary of the Company and is principally engaged in the investment holding business.

### **Listing Rules Implication**

Aerospace Times, being a subsidiary of CASC, which in turn is the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition contemplated under the Property Right Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As New Century will, subsequent to the completion of the Acquisition, be responsible to contribute the balance of the registered capital for the 35% equity capital of Hainan Aerospace, the aggregate of the consideration and the capital contribution to be made represents more than 5% but less than 25% of the market capitalisation of the Company and constitutes a discloseable transaction. The Acquisition is subject to Independent Shareholders' approval, CASC and its associates shall abstain from voting at the Extraordinary General Meeting.

A circular containing details of the Acquisition together with the notice of the extraordinary general meeting to approve the Acquisition will be dispatched to the shareholders as soon as practicable but in any event within 15 business days after the publication of this announcement.

### **Independent Board Committee and Independent Financial Adviser**

An Independent Board Committee comprising all the Independent Non-Executive Directors of the Company (who do not have any interests in the Acquisition) has been appointed to consider the terms of the Property Right Transfer Agreement and matters related to the Acquisition, and to advise the Independent Shareholders accordingly.

Somerley Limited has been appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Property Right Transfer Agreement.

### **Terms used in this announcement:**

- “Acquisition” the acquisition of the 35% interests in the equity capital of Hainan Aerospace pursuant to the Property Right Transfer Agreement
- “Aerospace Times” 航天時代置業發展有限公司 (Aerospace Times Properties Development Limited)\*, a subsidiary of CASC and its subsidiary established in the PRC as a limited liability company;
- “Board” The Board of Directors of the Company;
- “CASC” China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the date of this announcement, it holds a 37.06% shareholding in the Company and is a controlling shareholder of the Company;
- “CASIL Hainan” CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company established in Hong Kong as a limited liability company;
- “Company” China Aerospace International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
- “Complex Zone of the Launching Site” the large scale multi-purpose complex zone comprising aerospace technology commercial centre, aerospace theme park, commercial leisure resort and residential area to be constructed on a parcel of land next to the launching site under development at the north-east coast of Dongjiao town in Wenchang City, Hainan Province with a site area of approximately 6,100 mu;
- “Hainan Aerospace” 海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)\*, the Sino-foreign equity joint venture company established by Aerospace Times and CASIL Hainan in the PRC pursuant to the Promoters’ Agreement;

*Note: in the announcement of the Company dated 20 August 2008, it was announced that the name of Hainan Aerospace was 海南航天開發投資有限公司 (Hainan Aerospace Development Investment Company Limited)\*. However, the name approved by the relevant PRC authority was 海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)\*.*

“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Implementation Agreement”	the contract dated 18 December 2008 between CASIL Hainan and Hainan Aerospace for the implementation of the development activities under the Land Development Agreement;
“Independent Board Committee”	an independent committee of the Board of Directors of the Company comprising Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, being all the independent non-executive directors (the “Independent Non-Executive Directors”);
“Independent Financial Adviser”	Somerley Limited, a corporation licensed under the Securities and Futures Ordinance to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
“Independent Shareholders”	all shareholders of the Company excluding CASC and its associates;
“Land Development Agreement”	the Land Development Agreement of the Project of the Complex Zone of the Launching Site in Hainan Province dated 20 August 2008 entered into by CASIL Hainan and the People’s Government of Wenchang City, Hainan Province;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Century”	航科新世紀科技發展(深圳)有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited)*, a wholly foreign owned enterprise established in the PRC and a direct wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan);
“Promoters’ Agreement”	the Promoters’ Agreement dated 20 August 2008 and entered into by CASIL Hainan and Aerospace Times;
“Property Right Transfer Agreement”	the property right transfer agreement dated 4 August 2010 entered into between New Century and Aerospace Times; and

“RMB”

Renminbi, the legal currency of the PRC.

By order of the Board  
**Wu Zhuo**  
*Chairman*

Hong Kong, 4 August 2010

As of the date of this announcement, the Board of Directors of the Company comprises:

***Executive Directors***

Mr Li Hongjun (*President*)  
Mr Jin Xuesheng

***Non-Executive Directors***

Mr Wu Zhuo (*Chairman*)  
Mr Chen Xuechuan  
Mr Shi Weiguo  
Dr Chan Ching Har, Eliza  
Mr Zhou Qingquan

***Independent***

***Non-Executive Directors***  
Mr Chow Chan Lum, Charles  
Mr Luo Zhenbang  
Mr Wang Junyan

\* *These PRC entities do not have an English name, the English names set out herein are for identification purpose only.*

*For the purpose of this announcement, the exchange rate of RMB: HK\$ is RMB0.87: HK\$1.00.*