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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)**

## **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE AND RESUMPTION OF TRADING**

**Placing Agent**



**CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED**

## **PLACING AND SUBSCRIPTION**

On 4 February 2010, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement with the Company pursuant to which (i) the Vendor has appointed the Placing Agent and the Placing Agent has conditionally agreed to act as agent for the Vendor, on a fully underwritten basis, to procure Placées to purchase or failing which, the Placing Agent shall purchase 514,118,000 Placing Shares held by the Vendor at the Placing Price of HK\$1.13 per Share; and (ii) the Vendor conditionally agreed to subscribe for 514,118,000 Subscription Shares, which is equivalent to the number of Placing Shares sold by the Vendor under the Placing and Subscription Agreement, at the Subscription Price of HK\$1.13 per Share.

As at the date of this announcement, the authorised share capital of the Company is HK\$10,000,000,000 divided into 100,000,000,000 Shares of which 2,570,903,882 Shares are in issue. There are no Share Options outstanding.

The 514,118,000 Placing Shares represent (i) approximately 20.00% of the existing issued ordinary share capital of the Company of 2,570,903,882 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued ordinary share capital of the Company as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

The Placing is unconditional. Completion of the Subscription is conditional on certain conditions precedent as more particularly set out in the Placing and Subscription Agreement.

The gross proceeds and the net proceeds of the Subscription will be approximately HK\$581 million and approximately HK\$560 million, respectively. The net proceeds are intended to be used to fund the project of the Complex Zone of the Launching Site, Hainan Province, the PRC and the related projects of the aerospace business under planning.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3 February 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 4 February 2010.

The Board is pleased to announce that on 4 February 2010, the Company, the Vendor, a substantial shareholder of the Company, and the Placing Agent entered into the Placing and Subscription Agreement in respect of a top-up placement of 514,118,000 Shares at a price of HK\$1.13 per Share.

## **THE PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

4 February 2010

## **Parties**

The Vendor, the Placing Agent and the Company.

As at the date of this announcement, the Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company, holding 539,566,136 Shares which represents approximately 20.98% of the issued ordinary share capital of the Company.

CASC, the ultimate holding company of the Vendor, together with its parties acting in concert are interested in an aggregate of 1,143,330,636 Shares (which includes the Shares held by the Vendor), representing approximately 44.47% of the issued ordinary share capital of the Company as at the date of this announcement.

To the best of the information, knowledge and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are third parties independent of, and not connected persons of the Company.

## ***The Placing***

At the request of the Company, the Vendor has appointed the Placing Agent and the Placing Agent has conditionally agreed to act as agent for the Vendor, on a fully underwritten basis, to procure Placees to purchase or failing which, the Placing Agent shall purchase 514,118,000 Placing Shares held by the Vendor at the Placing Price of HK\$1.13 per Share.

## ***Placees***

The Placees and their ultimate beneficial owners will not be connected persons of the Company or their respective associates and will not be acting in concert with any of CASC, the Vendor and their concert parties. It is also expected that the Placing Shares will be placed to not less than six Placees which are professional, institutional or other investors. The Company currently anticipates that none of the Placees will become a substantial shareholder of the Company upon completion of the Placing.

## ***Number of Placing Shares***

As at the date of this announcement, the authorised share capital of the Company is HK\$10,000,000,000 divided into 100,000,000,000 Shares of which 2,570,903,882 Shares are in issue. There are also no Share Options outstanding.

The 514,118,000 Placing Shares represent (i) approximately 20.00% of the existing issued ordinary share capital of the Company of 2,570,903,882 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued ordinary share capital of the Company as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

## ***Placing Price***

The Placing Price of HK\$1.13 per Placing Share represents (i) a discount of approximately 11.72% to the closing price of HK\$1.28 per Share on the Last Trading Day; (ii) a discount of approximately 11.02% to the average closing price of HK\$1.27 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last

Trading Day; and (iii) a discount of approximately 14.20% to the average closing price of HK\$1.317 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company, the Vendor and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Placing is expected to amount to HK\$581 million.

#### *Rights of the Placing Shares*

The Placing Shares will be sold free from all Encumbrance together with all rights attaching to them and rank *pari passu* with all other issued Shares in all respects as at the date of the Placing and Subscription Agreement, including the rights to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time on or after the date of the completion of the Placing.

#### **Completion of the Placing**

The Placing is unconditional and is expected to be completed on or before 8 February 2010.

#### **Undertakings by the Vendor and the Company**

The Vendor has undertaken to the Placing Agent that it will not, and it will procure that neither Jetcote nor its associates will, dispose, transfer or sell any of the Shares or enter into any agreement to dispose of, transfer or sell or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares for a period of three months from the date of completion of the Placing, unless the prior written consent has been obtained from the Placing Agent. The Vendor has confirmed with the Placing Agent that it has received from Jetcote such confirmation confirming the same.

The Company has unconditionally and irrevocably undertaken to the Placing Agent that for a period of three months from the date of completion of the Placing, the Company shall not (without the prior written consent of the Placing Agent):

- (i) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares (or any securities convertible into or exercisable or exchangeable for any such Shares or interests);
- (ii) enter into any swap or similar agreement that transfers to another, in whole or in part, the economic risk of ownership of such Shares or interests; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

whether any such transaction described in (i) or (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise, except that this shall not apply to the Placing of the Placing Shares and the allotment and issue of the Subscription Shares under the Placing and Subscription Agreement.

### ***The Subscription***

#### *The Subscription Price*

The Subscription Price is HK\$1.13 per Share, which is the same as the Placing Price.

#### *Number of Subscription Shares*

The Vendor will subscribe for and the Company will allot and issue a total of 514,118,000 Subscription Shares.

#### *Ranking of Subscription Shares*

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the issued Shares as at the date of allotment of the Subscription Shares.

#### *Conditions of the Subscription*

Completion of the Subscription is conditional on:

- (1) the Listing Committee of the Stock Exchange's agreeing to grant a listing of and permission to deal in the Subscription Shares;
- (2) completion of the Placing pursuant to the Placing and Subscription Agreement;
- (3) the obtaining by the Company of all other necessary consents, approvals, authorizations and/or waivers to effect the execution, completion and performance of the obligations and other terms of the Placing and Subscription Agreement (including but not limited to the allotment and issue of the Subscription Shares); and
- (4) the Executive granting a waiver to CASC, the Vendor and parties acting in concert with them from general offer obligations that might otherwise arise as a result of the Subscription.

The Placing and Subscription Agreement does not provide for either party to waive any of the above conditions.

#### *Completion*

The completion of the Subscription is expected to take place on or before 18 February 2010, which is within 14 days from the date of the Placing and Subscription Agreement (or such later date as may be agreed by the Vendor and the Company). If the Subscription is not completed within 14 days from the date of the Placing and Subscription Agreement and unless it is waived by the Stock Exchange, it will constitute a connected transaction under the Listing Rules and is subject to compliance with the requirements under Chapter 14A of the Listing Rules, including the issue of a separate announcement and approval of the independent Shareholders.

## **GENERAL MANDATE**

The Subscription Shares will be allotted and issued pursuant to the General Mandate. As such, the issue of the Subscription Shares is not subject to further approval of the Shareholders.

Under the General Mandate, a maximum of 514,180,776 Shares can be allotted and issued. No Share has been issued under the General Mandate since it was granted on 19 May 2009.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

## **REASONS FOR THE PLACING AND SUBSCRIPTION AND THE USE OF PROCEEDS**

The Directors consider the top-up placing under the Placing and Subscription Agreement represents an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing and Subscription are in the interests of the Company and the Shareholders as a whole.

Based on a total of 514,118,000 Subscription Shares to be subscribed by the Vendor as a result of the completion of the Placing of 514,118,000 Placing Shares, the gross proceeds of the Subscription will be approximately HK\$581 million and the net proceeds of the Subscription will amount to approximately HK\$560 million after deduction of the relevant expenses, which will be applied towards funding the project of the Complex Zone of the Launching Site in Wenchang City, Hainan Province, the PRC as set out in the announcement of the Company dated 20 August 2008 and the circular of the Company of 10 September 2008 and the related projects of the aerospace business under planning. The net proceeds raised per Share upon the completion of the Subscription will be approximately HK\$1.09 per Share.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE

The following table illustrates (1) the existing shareholding structure as at the date of this announcement; (2) the shareholding structure immediately after completion of the Placing but before completion of the Subscription; and (3) the shareholding structure immediately after completion of the Placing and the Subscription, on the assumption that (a) there will be no other change to the share capital of the Company between the date of this announcement and the completion of the Subscription save for the issue of the Subscription Shares; and (b) the Placees do not and will not hold any Shares other than the Placing Shares.

	As at the date of this announcement	% of total issued share capital	Immediately after completion of the Placing but before the Subscription	% of total issued share capital	Immediately after completion of the Placing and the Subscription	% of total issued share capital
Vendor	539,566,136	20.98	25,448,136	0.99	539,566,136	17.49
CASC and concert parties (other than Vendor)	<u>603,764,500</u>	<u>23.49</u>	<u>603,764,500</u>	<u>23.48</u>	<u>603,764,500</u>	<u>19.57</u>
<b>CASC, Vendor and their concert parties</b>	<b>1,143,330,636</b>	<b>44.47</b>	<b>629,212,636</b>	<b>24.47</b>	<b>1,143,330,636</b>	<b>37.06</b>
<b>Public shareholders:</b>						
— Existing public shareholders	1,427,573,246	55.53	1,427,573,246	55.53	1,427,573,246	46.27
— Placees	<u>—</u>	<u>0.00</u>	<u>514,118,000</u>	<u>20.00</u>	<u>514,118,000</u>	<u>16.67</u>
<b>Total</b>	<b><u>2,570,903,882</u></b>	<b><u>100.00</u></b>	<b><u>2,570,903,882</u></b>	<b><u>100.00</u></b>	<b><u>3,085,021,882</u></b>	<b><u>100.00</u></b>

## TAKEOVERS CODE IMPLICATIONS

As a result of the Placing, the aggregate percentage shareholding of CASC, the Vendor and parties acting in concert with them will reduce from 44.47% to 24.47% (a decrease of approximately 20.00%) and will as a result of the Subscription increase from 24.47% to 37.06% (an increase of approximately 12.59%). An application will be made by CASC and the Vendor for a waiver from the general offer obligation arising as a result of the Subscription pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code.

## INFORMATION REGARDING THE COMPANY AND ITS SUBSIDIARIES

As the future of aerospace business and aerospace service business is broad, the Company, relying on the new development strategy of CASC, had established a related business development plan which had been approved by the Board. The core of the business development plan is that the Company, on the foundation of the existing hi-tech manufacturing and projects developed recently, will focus on the comprehensive development of the Complex Zone of the Launching Site in Wenchang City, in Hainan Province, the PRC as part of the aerospace service business and explore the small satellite industry as a starting point to develop the aerospace business.

In August 2008, the Company announced that CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with the Wenchang Government in relation to the land development of the Complex Zone of the Launching Site in Wenchang City, Hainan Province, the PRC. The project is a large-scale multi-purpose

complex zone comprising aerospace science and technology centre, space theme park, commercial leisure resort and residential area and with a site area of approximately 6,100 mu (approximately 4 million square metres). The Master Plan of the Complex has been approved by the provincial government and the entire comprehensive development project has been considered as a key project in the province.

The Company will strengthen the communications with CASC in relation to the development plan of the aerospace business, so as to start up and develop the related projects as soon as possible.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3 February 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 4 February 2010.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a corporation established in the PRC;
“Company”	China Aerospace International Holdings Limited, a company incorporated under the laws of Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange;
“concert parties”	has the meaning ascribed to it under the Takeovers Code;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Encumbrance”	means any interest or equity of any person (including any right to acquire, option or right of pre-emption), voting arrangement, mortgage, charge, pledge, bill of sale, lien, claims, deposit, hypothecation, assignment or any other encumbrance, priority or security interest or arrangement or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant shares, assets or property;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;



“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Director by resolution of the Shareholders passed at the annual general meeting of the Company held on 19 May 2009;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Jetcote”	Jetcote Investments Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company, the holding company of the Vendor and a wholly-owned subsidiary of CASC;
“Last Trading Day”	2 February 2010, being the trading date immediately prior to the suspension of trading of the Shares pending release of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Placee(s)”	any professional, institutional or other investors selected and procured by or on behalf of the Placing Agent to purchase any Placing Shares pursuant to the Placing and Subscription Agreement;
“Placing”	the placing by or on behalf of the Placing Agent pursuant to the terms of the Placing and Subscription Agreement;
“Placing Agent”	CITIC Securities Corporate Finance (HK) Limited;
“Placing and Subscription Agreement”	the placing and subscription agreement dated 4 February 2010 entered into among the Vendor, the Placing Agent and the Company in relation to the Placing and the Subscription;
“Placing Price”	HK\$1.13 per Placing Share;
“Placing Shares(s)”	514,118,000 existing Shares beneficially owned by the Vendor;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company;
“Share Option(s)”	the option(s) to subscribe for Share(s) granted under any share option scheme of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the terms and conditions of the Placing and Subscription Agreement;

“Subscription Price”	HK\$1.13 per Subscription Share which is equal to the Placing Price;
“Subscription Shares”	514,118,000 new Shares, being such number of Shares which is equivalent to the number of Placing Shares sold by the Vendor under the Placing and Subscription Agreement;
“Substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Vendor”	Burhill Company Limited, a company incorporated under the laws of Hong Kong, a substantial shareholder of the Company and a direct wholly-owned subsidiary of Jetcote and an indirect wholly-owned subsidiary of CASC; and
“%”	per cent.

By the order of the Board  
**Zhao Liqiang**  
*Executive Director & President*

Hong Kong, 4 February 2010

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

<b>Executive Directors</b>	<b>Non-Executive Directors</b>	<b>Independent Non-Executive Directors</b>
Mr Zhao Liqiang ( <i>President</i> )	Mr Wu Zhuo ( <i>Chairman</i> )	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Chen Xuechuan	Mr Luo Zhenbang
Mr Wu Hongju	Mr Li Hongjun	Mr Wang Junyan
Mr Guo Xianpeng	Dr Chan Ching Har, Eliza	
	Mr Xu Jianhua	
	Mr Jin Xuesheng	

*All Directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*