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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)**

#### **ANNOUNCEMENT**

#### **CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE COMPANY**

##### **Capital Contribution Agreement**

On 15 September 2011, New Century, a direct wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement in relation to the formation of the Joint Venture Company with CASC, China Spacesat, CSCC, CGWIC, and Mr Hu Changan.

##### **Listing Rules Implications**

As CASC is the controlling shareholder of the Company, holding approximately 37% of the issued share capital of the Company, the entering into of the Capital Contribution Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the results of the size tests set out in Rule 14.07 of the Listing Rules are less than 5%, the entering into of the Capital Contribution Agreement will be subject to reporting and announcement requirement but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 15 September 2011, New Century, a direct wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with CASC, China Spacesat, CSCC, CGWIC and Mr Hu Changan in relation to the formation of a Joint Venture Company. A summary of the principal terms of the Capital Contribution Agreement is set out in this announcement.

## **CAPITAL CONTRIBUTION AGREEMENT**

**Date:** 15 September 2011

- Parties:**
1. CASC, the controlling shareholder of the Company;
  2. China Spacesat, an indirect subsidiary of CASC;
  3. CSCC, a direct subsidiary of CASC;
  4. CGWIC, a wholly-owned subsidiary of CASC;
  5. New Century, a direct wholly-owned subsidiary of the Company;  
and
  6. Mr Hu Changan.

To the best of the knowledge, information and belief of the Company's Directors, having made all reasonable enquiries, Mr Hu Changan is a third party independent of the Company and its connected persons and is not a connected person of the Company.

**Joint Venture Company:** The proposed name of the Joint Venture Company is Aerospace New Business Information Technology Company Limited\* (航天新商務信息科技有限公司), a limited liability company to be established under the laws of the PRC. The final name of the Joint Venture Company is subject to the approval by the local branch of the State Administration of Industry and Commerce.

### **Proposed business scope of the Joint Venture Company**

Call centre business under the second catalogue of value-added telecom services, information services business (fixed network telephone information service and internet information service are excluded); design, debugging, testing and monitoring satellite receiving system; sales of satellite applications (ground receiving facilities for satellite television broadcasting are excluded), communication products, electronic products and computer software; computer system integration; technology consulting; technology transfer and technical services; production and sales of electrical and mechanical products; creative branding and cultural communication; research on internet of things, market intermediary services etc.

The above proposed business scope is subject to the approval of local branch of the State Administration of Industry and Commerce.

### **Capital contribution into registered capital**

**Total Registered capital:** RMB63,800,000 (equivalent to approximately HK\$77,836,000)

Joint Venture Party	Amount of capital contribution		Percentage of total registered capital (%)
	RMB	HK\$ equivalent	
CASC	20,000,000	24,400,000	31.3
China Spacesat	12,000,000	14,640,000	18.8
CSCC	10,000,000	12,200,000	15.7
CGWIC	10,000,000	12,200,000	15.7
New Century	10,000,000	12,200,000	15.7
Mr Hu Changan	1,800,000	2,196,000	2.8
	63,800,000	77,836,000	100.0

The capital contribution by the Joint Venture Parties into the Joint Venture Company will be made in the form of cash upon registration of the Joint Venture Company. It is intended that the capital contribution to be made by New Century will be funded by its internal resources. It is expected that future investment by the Joint Venture Company will be funded and/or secured by its own resources. In the event that New Century has to make further investment in the Joint Venture Company, the relevant disclosure and/or shareholders approval requirements of the Listing Rules will be complied with.

### **Termination**

In the event that the Joint Venture Company fails to be established, the costs incurred in the establishment of the Joint Venture Company shall be split among the parties to the Joint Venture in proportion to their respective contributions to the registered capital of the Joint Venture Company. The party in default leading to the failure of the establishment of the Joint Venture Company shall compensate the other parties for losses suffered.

### **Transfer of interest in the registered capital**

A Joint Venture Party may transfer its interest in the registered capital of the Joint Venture Company to third party, subject to the approval by a majority of the number of other Joint Venture Parties.

Remaining Joint Venture Parties shall have a pre-emptive right in acquiring interest in the registered capital of the Joint Venture Company proposed to be disposed of.

### **Organizational Structure of the Joint Venture Company**

The board of the Joint Venture Company will comprise eleven members, the chairman and two directors will be nominated by CASC, one director will be nominated by each of China Spacesat, CSCC, CGWIC, New Century and Mr Hu Changan. There will be one director to be nominated by the staff of the Joint Venture Company and two external independent directors to be appointed by the Board.

There will be a supervisory board which will comprise three supervisors, two of them to be nominated by CASC and one of them to be nominated by the staff of the Joint Venture Company. The chairman of the supervisory board will be nominated by CASC.

It was agreed that the following matters will require a special resolution of the Joint Venture Company to be passed by holders of two-thirds of all voting rights of the Joint Venture Company (based on paid up registered capital):—

1. increase or reduction of registered capital;
2. spin-off, merger, dissolution, change of form and liquidation of the Joint Venture Company; and
3. amendment or alteration of the articles of association.

## **REASONS FOR THE TRANSACTION**

The Joint Venture Company will be a limited liability company established under the laws of the PRC. The current proposed operations include a composite electronic commercial marketing platform made up with basic services facilities such as electronic commercial centre, customer service centre, and exhibition and experience centre so as to provide services to CASC group companies (including the Company and the subsidiaries) on marketing and strategic planning and as an internet sales centre.

The Joint Venture Parties agreed that the Joint Venture Company will enter into agreements with China Spacesat to acquire the entire registered capital of DFH Satellite Information Technology Company Limited\* (航天東方紅衛星信息技術有限公司) and with CSCC and the other independent third party shareholder to acquire the entire registered capital of Beijing Sephoncom Communication Company Limited\* (北京四方科潤通信有限公司) at a total consideration of no more than RMB16,000,000. The actual consideration payable will be determined based on valuation as required by the relevant regulation on the state-owned assets. DFH Satellite Information Technology Company Limited\*(航天東方紅衛星信息技術有限公司) is engaged in satellite comprehensive information operating services and Beijing Sephoncom Communication Company Limited\*(北京四方科潤通信有限公司) is engaged in the operations of call centres and provision of customer services.

Through subscription to Aerospace New Business Information Technology Company Limited\* (航天新商務信息科技有限公司), the Company can fully utilize resources of CASC by adopting advanced informative networking, improving marketing and sales mechanism of the Company, enhancing management by information technology and thereby facilitating development of each business of the Company. The Board (including the independent non-executive Directors) is of the view that the terms of the Capital Contribution Agreement are fair and reasonable, and the Capital Contribution Agreement is entered into on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As CASC is the controlling shareholder of the Company, holding approximately 37% of the issued share capital of the Company, the entering into of the Capital Contribution Agreement by New Century with CASC and its associates constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the results of the size tests set out in Rule 14.07 of the Listing Rules are less than 5%, the entering into of the Capital Contribution Agreement will be subject to reporting and announcement requirement but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given CASC and its associates together control over 30% interests in the Joint Venture Company, the Joint Venture Company will become a connected person of the Company under Chapter 14A of the Listing Rules upon its establishment. In respect of any transactions between the Company and the subsidiaries and the Joint Venture Company after its establishment, the relevant disclosure and/or shareholders approval requirements under the Listing Rules will be complied with.

## **INFORMATION ON JOINT VENTURE PARTIES**

### **CASC**

The principal activities of CASC include the investment and operation of state-owned assets; the research, manufacturing and sale of various kinds of launch vehicles, satellites, satellite related system products, satellite ground systems and equipments, radars, digital control equipments; the development and technical consultation of aerospace technology; and international satellite launching services etc.

### **CHINA SPACESAT**

The principal activities of China Spacesat include research and manufacture of small satellites and micro satellites, manufacture of satellite ground application system and equipment, and provision of satellite operation services.

### **CSCC**

The principal activities of CSCC include the development and management of communications and broadcasting satellite system, and the design and development of satellite ground application system and related equipment.

### **CGWIC**

The principal activities of CGWIC include the provision of launch services and contractor for the design and manufacture of satellites.

### **MR HU CHANGAN**

Mr Hu Changan is a citizen of the PRC and is the coordinator of the transactions contemplated under the Capital Contribution Agreement.

### **NEW CENTURY**

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

## THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in hi-tech manufacturing and aerospace services.

## INTERESTS OF DIRECTORS

As Mr Wu Yanhua, Mr Chen Xuechuan and Mr Shi Weiguo are officers of CASC and Mr Wu Zhuo had declared a potential conflict of interest, they had abstained from voting at the board meeting on the resolution approving the transaction contemplated under the Capital Contribution Agreement.

## DEFINITIONS

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

“Board”	The Board of Directors of the Company;
“CASC”	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC;
“CGWIC”	China Great Wall Industry Corporation* (中國長城工業總公司), a state-owned enterprise established in the PRC;
“China Spacesat”	China Spacesat Co., Ltd*(中國東方紅衛星股份有限公司), a limited liability company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600118);
“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;
“CSCC”	China Satellite Communications Company Limited* (中國衛星通信集團有限公司), a limited liability company established in the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Company”	Aerospace New Business Information Technology Company Limited* (航天新商務信息科技有限公司), a limited liability company to be established under the laws of the PRC, the name of the Joint Venture Company is subject to approval by local branch of the State Administration of Industry and Commerce;
“Joint Venture Parties”	CASC, China Spacesat, CSCC, CGWIC, New Century and Mr Hu Changan;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“New Century”	CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), a direct wholly-owned subsidiary of the Company and a wholly foreign owned enterprise established in the PRC;
“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); and
“RMB”	Renminbi, the lawful currency of the PRC.

By order of the Board  
**Li Hongjun**  
*Executive Director & President*

Hong Kong, 15 September 2011

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

<i>Executive Directors</i>	<i>Non-Executive Directors</i>	<i>Independent Non-Executive Directors</i>
Mr Li Hongjun ( <i>President</i> ) Mr Jin Xuesheng	Mr Wu Yanhua ( <i>Chairman</i> ) Mr Wu Zhuo ( <i>Vice Chairman</i> ) Mr Chen Xuechuan Mr Shi Weiguo Dr Chan Ching Har, Eliza Mr Zhou Qingquan	Mr Chow Chan Lum Charles Mr Luo Zhenbang Mr Wang Junyan

\* *The English names set out herein are for identification purpose only.*

*For the purpose of this announcement, the exchange rate of RMB: HK\$ is RMB1.00:HK\$1.22.*