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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**

### **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF INTEREST IN SHENZHEN RAYITEK HI-TECH FILM COMPANY LIMITED**

#### **ACQUISITION OF 55% INTERESTS IN SHENZHEN RAYITEK**

On 11 July 2011, New Century, a wholly-owned subsidiary of the Company, won an open tender from Qingdao Property Rights Exchange and entered into a share transfer agreement with Guangdong Huamei in respect of a proposed acquisition of 39% shareholding in Shenzhen Rayitek. Pursuant to the tender document, New Century is required to advance a sum of RMB100,000,000 to Shenzhen Rayitek by the end of 2011 and to enter into a guarantee agreement with Bank of Hangzhou, Shenzhen Branch to secure the loans of Shenzhen Rayitek, which amounted to RMB60,000,000 as of 28 February 2011, within one month from the date of share transfer agreement.

New Century also entered into share transfer agreements with Shenzhen Huamei and Hangzhou Taida on the same date, in respect of the acquisitions from each of them a 10% and 6% of shareholding in Shenzhen Rayitek, respectively.

#### **LISTING RULES IMPLICATIONS**

The advancement of RMB100,000,000 and the provision of guarantee are financial assistances provided by the Company to Shenzhen Rayitek, a subsidiary upon completion of the Acquisition. As these form part of the open tender, they are aggregated for the purpose of calculating the percentage ratios under rule 14.07 of the Listing Rules. Given that the above mentioned transactions are a series of transaction entered into for the Acquisition of equity interests in Shenzhen Rayitek, the transactions together constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Based on the tender information of transfer of property rights appeared on the website of Qingdao Property Rights Exchange, a valuation report was prepared by China United Assets Appraisal Group Company Limited, commissioned by Guangdong Huamei, in relation to the valuation of Shenzhen Rayitek. One of the valuation methods is based on discounted cash flow method, hence, the valuation should be disclosed in this announcement pursuant to rule 14.58(6). Valuation based on discounted cash flow method is deemed a profit forecast pursuant to rule 14.61 and is required to disclose under rule 14.62.

For reasons as set out in the section headed “Waiver application on disclosure as required under rules 14.61 and 14.62 of the Listing Rules” in this announcement, the Company had applied with the Stock Exchange for a waiver from the full compliance with rule 14.62 of the Listing Rules. Such waiver may or may not be granted. Further announcement will be made by the Company on the result of the waiver application.

The Board of Directors of the Company is pleased to announce that New Century, a wholly-owned subsidiary, successfully won an open tender from Qingdao Property Rights Exchange and entered into three share transfer agreements in respect of the proposed Acquisition of shareholding in Shenzhen Rayitek. The principal terms of the share transfer agreements are as follows:

#### **SHARE TRANSFER AGREEMENT WITH GUANGDONG HUAMEI**

Date: 11 July 2011

Parties: 1. New Century, a wholly-owned subsidiary of the Company  
2. Guangdong Huamei

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

Subject matter: 39% shareholding in Shenzhen Rayitek

Consideration: (i) RMB44,700,000, which will be paid to the account designated by Qingdao Property Rights Exchange within ten working days upon the share transfer agreement becomes effective;  
(ii) An advancement of RMB100,000,000 to Shenzhen Rayitek by the end of 2011; and  
(iii) entering into a guarantee agreement with Bank of Hangzhou, Shenzhen Branch to secure the loans of Shenzhen Rayitek (which outstanding amount was RMB60,000,000 as at 28 February 2011) within one month from the date of the share transfer agreement.

Conditions: Completion of the share transfer agreement is conditional on the approval of the original approving authority of Shenzhen Rayitek, the entering into articles of Shenzhen Rayitek to the satisfaction of New Century.

Completion Date: Within five working days after Shenzhen Rayitek's commercial authority approving the share transfer as contemplated under this share transfer agreement and registration of the same with the local branch of the State Administration of Industry and Commerce.

## **SHARE TRANSFER AGREEMENT WITH SHENZHEN HUAMEI**

Date: 11 July 2011

Parties: 1. New Century, a wholly-owned subsidiary of the Company  
2. Shenzhen Huamei

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

Subject matter: 10% shareholding in Shenzhen Rayitek

Consideration: RMB11,460,000, of which a sum of RMB3,438,000 will be paid within three working days upon the approval of the share transfer agreement, and the remaining RMB8,022,000 will be paid within five working days upon the completion of commerce registration.

Conditions: Completion is conditional on the followings:

- (i) the completion of the share transfer agreements with both Guangdong Huamei and Hangzhou Taida; and
- (ii) the approval of the original approving authority of Shenzhen Rayitek, and the entering into of articles of Shenzhen Rayitek to the satisfaction of New Century.

Completion Date: Within five working days after Shenzhen Rayitek's original approving authority approving the share transfer as contemplated under this share transfer agreement and registration of the same with the local branch of the State Administration of Industry and Commerce.

## SHARE TRANSFER AGREEMENT WITH HANGZHOU TAIDA

Date: 11 July 2011

Parties: 1. New Century, a wholly-owned subsidiary of the Company  
2. Hangzhou Taida

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

Subject matter: 6% shareholding in Shenzhen Rayitek

Consideration: RMB6,880,000, of which a sum of RMB2,064,000 will be paid within three working days upon the approval of the share transfer agreement, and the remaining RMB4,816,000 will be paid within five working days upon the completion of commerce registration.

Conditions: Completion is conditional on the followings:

- (i) the completion of the share transfer agreements with both Guangdong Huamei and Shenzhen Huamei; and
- (ii) the approval of the original approving authority of Shenzhen Rayitek, and the entering into of articles of Shenzhen Rayitek to the satisfaction of New Century.

Completion Date: Within five working days after Shenzhen Rayitek's original approving authority approving the share transfer as contemplated under this share transfer agreement and registration of the same with the local branch of the State Administration of Industry and Commerce.

Based on the tender information of transfer of property rights appeared on the website of Qingdao Property Rights Exchange, a valuation report was prepared by China United Assets Appraisal Group Company Limited, commissioned by Guangdong Huamei, in relation to the valuation of Shenzhen Rayitek. The valuation was RMB106,103,200 based on discounted cash flow valuation method. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, such valuer is a third party independent from the Company and its connected persons. The minimum bid for the 39% interest in Shenzhen Rayitek is required to be not less than RMB44,700,000. The consideration under the share transfer agreement with Guangdong Huamei is the minimum bid.

The considerations under the share transfer agreements with Shenzhen Huamei and Hangzhou Taida were negotiated on arm's length basis having regard to the tender price made by New Century in the acquisition of equity interests from Guangzhou Huamei.

## INFORMATION ON NEW CENTURY AND SHENZHEN RAYITEK

### New Century

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

### Shenzhen Rayitek

Shenzhen Rayitek is a Sino-foreign joint venture established in the PRC. Since its inception in 2004, Shenzhen Rayitek has been committed to the development of new materials in polyimide and is a research and development, manufacturing and marketing high-tech companies focusing on polyimide films and related composite materials. With China's "Twelve-Fifth" period aiming to develop the seven strategic newly emerged industries, it is expected that new materials in polyimide will have huge demand and broad development prospects.

The polyimide film products of Shenzhen Rayitek are such as the insulation materials of wire, cable and electrical machinery, substrates of flexible printed circuit (FPC), tape automated bonding (TAB) and pressure-sensitive tape (PST), and are widely used in aerospace, microelectronic devices, electrical equipment and information industry and other fields. In early 2011, the polyimide film production lines of Shenzhen Rayitek were officially put into operations, and Shenzhen Rayitek was awarded a national demonstration project of high-tech industrialization project by the National Development and Reform Commission.

The audited financial information of Shenzhen Rayitek is as follows:

	<b>For the year ended 31 December 2009 <i>audited</i> (RMB'000)</b>	<b>For the year ended 31 December 2010 <i>audited</i> (RMB'000)</b>
Net loss before taxation and extraordinary items	2,453	1,295
Net loss after taxation and extraordinary items	2,453	1,295
		<b>as at 31 December 2010</b>
Net asset value		26,465

## REASONS FOR AND BENEFIT OF THE ACQUISITION

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

With the support of China Aerospace Science & Technology Corporation, the Company, after due and careful consideration, intends to develop the new materials business under the field of aerospace application with good development potential. The Acquisition allows the Company to develop polyimide films as a starting point to enter into polyimide related business and as a stepping stone for the Company to enter into the platform of new materials business. Upon

completion of the Acquisition, it is expected that Shenzhen Rayitek will become an important foundation for the Company to develop new materials business with great competitiveness and profitability. Simultaneously, the Company expects the Acquisition will have synergy effect to the Company's Hi-tech manufacturing business.

Upon completion of the three share transfer agreements, Shenzhen Rayitek will become a 55% indirectly held subsidiary and whose accounts will be consolidated into those of the Company.

The Directors consider that the Acquisition are on normal commercial terms after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **WAIVER APPLICATION ON THE DISCLOSURE AS REQUIRED UNDER RULES 14.61 AND 14.62 OF THE LISTING RULES**

### **Valuation of Shenzhen Rayitek**

Based on the tender information of transfer of property rights appeared on the website of Qingdao Property Rights Exchange, a valuation report was prepared by China United Assets Appraisal Group Company Limited, commissioned by Guangdong Huamei, in relation to the valuation of Shenzhen Rayitek. One of the valuation methods is based on discounted cash flow method and, hence, the valuation should be disclosed in this announcement pursuant to rule 14.58(6). Valuation based on discounted cash flow method is deemed a profit forecast pursuant to rule 14.61 and is required to disclose under rule 14.62.

As (i) the valuation report is commissioned by Guangdong Huamei as a requirement of PRC law and regulations and prepared by PRC valuer according to the relevant state-owned assets requirement and not commissioned by the Company; (ii) the Company did not involve in the preparation of the valuation report, which is different from the circumstances contemplated under rule 14.62 which assumes that the Company's directors made the forecast; (iii) the Board of the Company had considered other factors when assessing the transactions, including the opportunity for the Company to develop new materials in polyimide, the market potential of new materials in polyimide for the businesses of electric equipment, electronic equipment, aviation, aerospace and so on, the savings (in terms of time and costs) in acquiring Shenzhen Rayitek compared with developing its own polyimide films materials and has not relied on the valuation; (iv) on the face of the valuation report, the valuation does not involve the adoption of accounting policies; and (v) the consideration under the agreement is the minimum bid price under the public tender, the Board and the auditors of the Company have practical difficulties to give confirmations as required and it would be unduly burdensome for the Company to strictly comply with the requirements under rules 14.62(2) and (3) of the Listing Rules. Accordingly, the Company had applied with the Stock Exchange for a waiver from the full compliance with rule 14.62 of the Listing Rules. Such waiver may or may not be granted. Further announcement will be made by the Company on the result of the waiver application.

## **LISTING RULES IMPLICATIONS**

The advancement of RMB100,000,000 and the provision of guarantee are financial assistances provided by the Company to Shenzhen Rayitek, a subsidiary upon completion of the Acquisition. As these form part of the open tender, they are aggregated for the purpose of calculating the percentage ratios under rule 14.07 of the Listing Rules. Given that the above mentioned transactions are a series of transaction entered into for the Acquisition of equity

interests in Shenzhen Rayitek, the transactions contemplated under the three share transfer agreements are aggregated and constitute a discloseable transaction of the Company under the Listing Rules as the applicable percentage ratios exceed 5% but are less than 25%.

## DEFINITIONS

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

“Acquisition”	the acquisition by New Century of 55% shareholding in Shenzhen Rayitek;
“Board”	The Board of Directors of the 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;
“Guangdong Huamei”	廣東華美集團有限公司 (Guangdong Huamei Group Company Limited*), a company established in the PRC with limited liability;
“Hangzhou Taida”	杭州泰達實業有限公司 (Hangzhou Taida Industrial Company Limited*), a company established in the PRC with limited liability;
“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);
“RMB”	Renminbi, the legal currency of the PRC;
“Shenzhen Huamei”	深圳市華美基業投資有限公司 (Shenzhen Huamei Jiye Investment Company Limited*), a company established in the PRC with limited liability; and
“Shenzhen Rayitek”	深圳瑞華泰薄膜科技有限公司 (Shenzhen Rayitek Hi-tech Film Company Limited*), a sino-foreign joint venture company established in the PRC.

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

Hong Kong, 11 July 2011

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 Yanhua (*Chairman*)  
Mr Wu Zhuo (*Vice 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 RMB0.831:HK\$1.00.*