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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**

#### **GUARANTEE IN FAVOUR OF A CONNECTED PERSON**

#### **IN RESPECT OF A LOAN FROM A CONNECTED PERSON**

The Board of Directors announces that on 4 May 2012, Shenzhen Rayitek, an indirect 55%-owned subsidiary of the Company, entered into the Loan Agreement with Aerospace Finance, a connected person of the Company, pursuant to which Aerospace Finance shall provide an one-year loan in the sum of RMB60 million to Shenzhen Rayitek.

As security for the Loan, Shenzhen Rayitek will charge its land and buildings, and equipment and facilities in favour of Aerospace Finance. In addition, New Century, a wholly-owned subsidiary of the Company and the holding company of Shenzhen Rayitek, will provide the Guarantee in respect of all amounts outstanding under the Loan Agreement in favour of Aerospace Finance.

#### **LISTING RULES IMPLICATIONS**

As at the date of this Announcement, Aerospace Finance is a wholly-owned subsidiary of CASC, which in turn is the controlling shareholder of the Company and holds approximately 38.37% of the issued share capital of the Company. Therefore, Aerospace Finance is a connected person of the Company and accordingly, the transactions contemplated under the Loan Agreement and the Guarantee constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the financial assistance, in terms of the Guarantee provided, is not in proportion to New Century's interest in Shenzhen Rayitek but are on normal commercial terms and each of the applicable percentage ratios represented by the amount of the Loan is less than 5% as determined in accordance with Rule 14.07 of the Listing Rules, the transactions contemplated under the Guarantee will be subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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A summary of the principal terms of the Loan Agreement and the Guarantee is set out below.

## **LOAN AGREEMENT**

Date:	4 May 2012
Borrower:	Shenzhen Rayitek
Lender:	Aerospace Finance
Loan amount:	RMB60 million in one lump sum
Term of the Loan:	One year from May 2012 to May 2013, the actual date of drawdown shall be the date when Aerospace Finance releases the Loan.
Interest rate:	<p>The interest rate for the Loan shall be 6.56% per annum during the term of the Loan, same as the prevailing lending rate of same term as announced by the People's Bank of China. Interest will be payable on the 20th day of every month. Overdue interest will be subject to additional default interest at the rate of 30% over the agreed interest rate for the Loan, payable from the date the interest is overdue until the date of actual payment.</p> <p>During the term of the Loan Agreement, if the People's Bank of China adjusts the lending rate, Aerospace Finance has the rights to make the necessary adjustment in accordance with the rules of the People's Bank of China.</p>
Repayment:	<p>The principal of the Loan shall be repayable in full on the maturity date. If Shenzhen Rayitek fails to repay the Loan on the maturity date of the Loan in accordance with the Loan Agreement, Aerospace Finance has the right to deduct from any accounts of Shenzhen Rayitek maintained at Aerospace Finance to repay any principal amount, relevant interest, compound interest, penalty interest and other charges payable.</p> <p>Any early repayment of the Loan shall be notified to Aerospace Finance in writing and subject to its approval.</p>

Security: As security for the repayment of the Loan, the following securities shall be provided in favour of Aerospace Finance:

1. a charge over land and building of Shenzhen Rayitek comprising an imine workshop No. 1 and a power plant located at Songgang Street, Baoan District, Shenzhen, where the measurement for the land use right is approximately 34,458.73 square metres and the measurement for the building is approximately 9,554.40 square metres. The land use right is for a term from April 2007 to April 2057. The net book value of the charge property was RMB29,839,252.81 as at the date of the charge;
2. a charge over equipment and facilities of Shenzhen Rayitek listed in the charge with a net book value of RMB98,857,000 as at the date of the charge; and
3. the Guarantee for all amounts outstanding under the Loan Agreement by New Century.

Use of Loan proceeds: The proceeds of the Loan shall be used by Shenzhen Rayitek as its general working capital.

If Shenzhen Rayitek fails to use the Loan for the abovementioned purpose, Aerospace Finance has the right to demand repayment the principal amount and interest of the Loan prior to maturity date, as well as to impose default interest at the rate of 50% over and above the agreed interest rate. Aerospace Finance also has the right to take any remedial action and Shenzhen Rayitek shall indemnify Aerospace Finance for all losses suffered therefrom.

Other terms: If Shenzhen Rayitek fully complies with the Loan Agreement but Aerospace Finance fails to provide the Loan in accordance with the Loan Agreement, Shenzhen Rayitek has the right to receive liquidated damages calculated at the daily rate of 0.01% on the default amount over the actual overdue period.

## **THE GUARANTEE**

Date: 4 May 2012

Guarantor: New Century

Lender: Aerospace Finance

Scope of the Guarantee: 1. To secure the repayment of the principal amount of the Loan, interest, overdue interest, compound interest, liquidated damages, damages and any costs incurred by Aerospace Finance to enforce the Loan (including but not limited to litigation fees, lawyers' fees, travelling costs) and all other costs payable.

2. Unless otherwise agreed, the payment by New Century of any amount under the Guarantee shall be in the following sequence: (1) any costs incurred by Aerospace Finance to enforce the Loan; (2) damages; (3) liquidated damages; (4) compound interest of the Loan; (5) overdue interest of the Loan; (6) interest of the Loan; and (7) principal of the Loan.

## **REASONS FOR AND BENEFIT OF THE LOAN AND THE GUARANTEE**

The Loan will be used as general working capital of Shenzhen Rayitek. The Directors (including the Independent Non-Executive Directors) consider that the Loan granted to Shenzhen Rayitek will benefit the business development of Shenzhen Rayitek. The Directors (including the Independent Non-Executive Directors) are of the view that the Loan Agreement and the Guarantee have been entered into after arm's length negotiations on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this Announcement, Aerospace Finance is a wholly-owned subsidiary of CASC, which in turn is the controlling shareholder of the Company and holds approximately 38.37% of the issued share capital of the Company. Therefore, Aerospace Finance is a connected person of the Company and accordingly, the transactions contemplated under the Loan Agreement and the Guarantee constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the financial assistance, in terms of the Guarantee provided, is not in proportion to New Century's interest in Shenzhen Rayitek but are on normal commercial terms and each of the applicable percentage ratios represented by the amount of the Loan is less than 5% as determined in accordance with Rule 14.07 of the Listing Rules, the transactions contemplated under the Guarantee will be subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INFORMATION RELATING TO THE COMPANY**

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

## **INFORMATION RELATING TO NEW CENTURY**

New Century, a wholly-owned subsidiary of the Company, is principally engaged in the investment holding business and directly holds a 55% equity interest in Shenzhen Rayitek.

## **INFORMATION RELATING TO SHENZHEN RAYITEK**

Shenzhen Rayitek is an indirect subsidiary of the Company and is a research and development, manufacturing and marketing high-tech company focusing on polyimide films and related composite materials.

## **INFORMATION RELATING TO AEROSPACE FINANCE**

Aerospace Finance is a subsidiary of CASC and its subsidiaries whose approved business scope include (i) provision of finance and fund raising advisory, credit verification and related consultancy and agency services to members of the CASC group; (ii) provision of fund receiving and payment services for transactions conducted by members of the CASC group; (iii) approved insurance agency business; (iv) provision of guarantees for members of the CASC group; (v) provision of entrusted loans and entrusted investment services to members of the CASC group; (vi) acceptance and discounting of bills for members of the CASC group; (vii) settlement of transfers of fund between members of the CASC group and design of plans for related settlements and clearances; (viii) accepting deposits from members of the CASC group; (ix) dealing with loans and financing lease for members of the CASC group; (x) interbank lending; (xi) issue of finance company bonds with approval; (xii) underwriting enterprise bonds of members of the CASC group; (xiii) equity investment in financial institutions; (xiv) investment in marketable securities; (xv) buyer credits and financing lease in respect of products of members of the CASC group.

## **INTERESTS OF DIRECTORS**

As Mr Zhang Jianheng, 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 transactions contemplated under the Loan Agreement.

## **DEFINITIONS**

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

“Aerospace Finance”	航天科技財務有限責任公司 (Aerospace Science & Technology Finance Company Limited#); a subsidiary of CASC and its subsidiaries established in the PRC as a limited liability company and whose business activities are subject to the supervision of the China Banking Regulatory Commission;
“CASC”	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the date of this Announcement, it holds a 38.37% shareholding in the Company and is a controlling shareholder 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;
“Guarantee”	the guarantee by New Century in favour of Aerospace Finance dated 4 May 2012 entered into between New Century and Aerospace Finance;
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;

“Loan”	the lump sum loan in the sum of RMB60 million granted pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between Shenzhen Rayitek and Aerospace Finance on 4 May 2012;
“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, and which directly holds a 55% equity interest in Shenzhen Rayitek;
“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”	Reminbi, the legal currency of the PRC; and
“Shenzhen Rayitek”	深圳瑞華泰薄膜科技有限公司(Shenzhen Rayitek Hi-tech Film Company Limited#), an indirect 55%-owned subsidiary of the Company established in the PRC.

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

Hong Kong, 4 May 2012

*At 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 Zhang Jianheng ( <i>Chairman</i> )	Mr Luo Zhenbang
Mr Jin Xuesheng	Mr Wu Zhuo ( <i>Vice Chairman</i> )	Mr Wang Junyan
	Mr Chen Xuechuan	Ms Leung Sau Fan, Sylvia
	Mr Shi Weiguo	

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