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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 PRICE SENSITIVE INFORMATION AN INCREASE OF THE REGISTERED CAPITAL OF SHENZHEN RAYITEK

This Announcement is made by the Company pursuant to the provisions of Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules.

On 19 December 2013, New Century, a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with other existing shareholders of Shenzhen Rayitek, SDIC, Shanghai Liansheng, Shenzhen Taiju, ICCAS and Shenzhen Rayitek pursuant to which Shenzhen Rayitek will increase its registered capital by RMB68,442,972 with an aggregate subscription consideration of RMB267,532,400 payable by the Subscribers in cash or in kind, in which New Century agreed to subscribe for registered capital of Shenzhen Rayitek in the amount of RMB25,583,059 for a consideration of RMB 100,000,000.

The equity interests of New Century in Shenzhen Rayitek after the Capital Increase will decrease from 55% to 42.75%. As a result, Shenzhen Rayitek will cease to be a subsidiary of New Century and cease to be an indirect subsidiary of the Company upon the completion of the Capital Increase.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Board announces that on 19 December 2013, New Century, a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with other existing shareholders of Shenzhen Rayitek, SDIC, Shanghai Liansheng, Shenzhen Taiju, ICCAS and Shenzhen Rayitek pursuant to which, *inter alia*, New Century agreed to subscribe for registered capital of Shenzhen Rayitek in the amount of RMB25,583,059 for a consideration of RMB100,000,000. Set out below the major terms of the Capital Increase Agreement:

CAPITAL INCREASE AGREEMENT

Date: 19 December 2013

- Parties:
1. Shenzhen Rayitek, a 55% indirect owned subsidiary of the Company through New Century
 2. New Century, a wholly-owned subsidiary of the Company
 3. Easy Ford, being a substantial shareholder of Shenzhen Rayitek holding 28% equity interest
 4. Hangzhou Tecnidd, being a substantial shareholder of Shenzhen Rayitek holding 17% equity interest
 5. SDIC
 6. Shanghai Liansheng
 7. Shenzhen Taiju, in which Mr Tang Changdan, a director of Shenzhen Rayitek, holds more than 30% equity interest
 8. ICCAS

(New Century, Easy Ford and Hangzhou Tecnidd are the “Existing Shareholders”)

(New Century, SDIC, Shanghai Liansheng, Shenzhen Taiju and ICCAS are the “Subscribers”)

(SDIC and Shanghai Liansheng are the “Investors”)

To the best of the Director of the Company’s knowledge, information and belief having made all reasonable enquiries, SDIC, Shanghai Liansheng and ICCAS and their respective beneficial owners are third parties independent of the Company and its connected persons.

Easy Ford, Hangzhou Tecnidd and Shenzhen Taiju are connected persons of the Company at subsidiary level under Chapter 14A of the Listing Rules.

Amount of Capital Increase and Consideration:	Subscribers	Registered Capital to be subscribed (RMB)	Consideration (RMB)	Payment method
	New Century	25,583,059	100,000,000	cash
	SDIC	20,466,447	80,000,000	cash
	Shanghai Liansheng	15,349,836	60,000,000	cash
	Shenzhen Taiju	5,116,612	20,000,000	cash
	ICCAS	1,927,018	7,532,400	transfer of patent rights
	Total	68,442,972	267,532,400	

The aggregate difference of the consideration paid and the registered capital in the amount of RMB199,089,428 will be credited to the capital reserve fund of Shenzhen Rayitek.

The Existing Shareholders have waived their pre-emptive rights on the Capital Increase.

Conditions
Precedent:

Completion of the Subscribers' obligations to subscribe for the Capital Increase is conditional on, amongst other things:

- (1) the Capital Increase, the co-operative joint venture agreement and the new articles of association duly executed by all shareholders of Shenzhen Rayitek and be approved by the Economy, Trade and Information Technology Commission of Shenzhen Municipality;
- (2) all required authorisation, approvals, permits and consents have been duly granted by each of the Investors; and
- (3) the patent rights of ICCAS to be contributed as consideration has been duly valued by a competent institution, is eligible for capital contribution and ICCAS and Shenzhen Rayitek having duly executed a patent assignment agreement.

If these conditions precedents are not satisfied within 30 working days or such other period agreed by the parties after the commencement date of the Capital Increase Agreement, any Subscriber can choose to terminate the Capital Increase Agreement.

- Payment:** New Century and Investors shall make their capital contribution within 5 working days after the fulfilment of all conditions precedent, and Shenzhen Taiju will complete its capital contribution in two times before 31 May 2014.
- Use of proceeds:** The consideration of the Capital Increase will be utilized to repay the outstanding borrowing of RMB100,000,000 and interest due to New Century, and the remaining will be utilized for business development and general working capital of Shenzhen Rayitek.
- Profits and loss of Shenzhen Rayitek:** All shareholders shall be entitled to all profits and shall bear all loss of Shenzhen Rayitek during the period from 30 June 2013 until the completion date of the Capital Increase Agreement in accordance to the ratio of their respective capital contributions.
- Any accumulated undistributed profits of Shenzhen Rayitek prior to the completion of the Capital Increase Agreement shall be distributed to all shareholders in accordance to the ratio of their respective actual paid-up capital contributions.
- Investors' rights in dispose of interest:** Investors and Shenzhen Taiju shall have the right to require New Century or require New Century to procure a third party to purchase the Registered Capital subscribed by them under the Capital Increase Agreement if for a reason of strategic changes in the business development of New Century or its shareholder which results in the listing of Shenzhen Rayitek not feasible, save for any changes in policies or force majeure, after Shenzhen Rayitek having attained a financial status suitable for listing. If New Century is required to purchase the relevant Registered Capital, the consideration must be determined in accordance with the regulations governing sales of state-owned assets.
- Investors shall have the right to require Shenzhen Taiju and Hangzhou Tecnidd to purchase the Registered Capital subscribed by them at a price calculated with a return equivalent to an annual funding rate of 10% over the consideration paid for the relevant Registered Capital less any distribution received or the assessed value of Shenzhen Rayitek at the time of the transfer of equity interests in Shenzhen Rayitek multiplied by the equity interests of Shenzhen Rayitek to be transferred (whichever is higher) if Shenzhen Rayitek cannot attain a financial status suitable for listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange or other stock exchange passed by shareholders' resolution of Shenzhen Rayitek by 31 December 2018. Under the same circumstance, New Century shall have the right to require Shenzhen Taiju and Hangzhou Tecnidd to jointly purchase the Registered Capital subscribed by New Century, the purchase price and the condition shall not be less than or worse than that of the Investors or Shenzhen Taiju.

Management: The board of directors of Shenzhen Rayitek shall comprise of 5 directors, New Century shall be entitled to appoint 2 directors; each of SDIC and Shanghai Liansheng shall have the right to appoint 1 director and Easy Ford, Hangzhou Tecnidd and Shenzhen Taiju shall be entitled to jointly appoint 1 director. The directors may choose one of the directors appointed by New Century as the chairman of the board of directors.

The general manager, the deputy general managers, the finance director and the technical director of Shenzhen Rayitek shall be appointed by the board of directors, in which New Century shall have the right to recommend the finance director and Shenzhen Taiju shall have the right to recommend the technical director.

Shenzhen Rayitek shall have 2 supervisors, one of whom shall be appointed by New Century and the other supervisor shall be appointed by ICCAS.

Reserved matters: The following matters of Shenzhen Rayitek and its subsidiaries (if any) have to be approved by all directors:-

1. increase or reduction of registered capital;
2. amendments of articles of association; and
3. merger, demerger, suspend, change of corporate form or dissolution.

The following matters of Shenzhen Rayitek and its subsidiaries (if any) have to be approved by two-third of all directors:-

1. provision of third party guarantee;
2. entering into of related parties transaction;
3. material change or adjustment of business scope or business nature;
4. major acquisition or disposal of assets in a year of a value exceeding 20% of the total assets as set out in the latest audited accounts;
5. any foreign investment (including the incorporation or acquisition of subsidiary, associated company, joint venture and partnership);
6. incurrence of any indebtedness of an amount RMB50,000,000 or above, whether by way of borrowing or other form of encumbrances;
7. entering into, modifying or terminating any contract of a value exceeding RMB10,000,000;

8. transfer of, granting right of use or otherwise dispose of any intellectual property rights or the creation of any encumbrance thereon;
9. adoption or change of incentive share scheme, including employee share option scheme and employee share award scheme;
10. initiation, compromise, mediation, release or performance of any civil, criminal, arbitral or other proceedings of a claim amount exceeding RMB5,000,000;
11. issuance of bonds or other securities and listing program;
12. remuneration system of senior management;
13. budget, annual profit distribution plan and loss recovery plan; and
14. increase or decrease of board members.

Shares transfer:

1. The Existing Shareholders and Shenzhen Taiju have undertaken to the Investors that so long as an Investor remains a shareholder of Shenzhen Rayitek and Shenzhen Rayitek remains unlisted, the Existing Shareholders and Shenzhen Taiju shall seek prior written consent from the Investors before transferring, encumbering or otherwise disposing of their interests in Shenzhen Rayitek (including transfers between shareholders), except for the following circumstances:-
 - a) the transfer of interests in Shenzhen Rayitek by Easy Ford and Hangzhou Tecnidd to Shenzhen Taiju; and
 - b) the transfer of interests in Shenzhen Rayitek by New Century to a wholly-owned or ultimately controlled PRC subordinates of CASC (saved for the listed subordinates of CASC or their subsidiaries);
2. If New Century intends to transfer its interests in Shenzhen Rayitek to the listed subordinates of CASC or their subsidiaries, such transfer shall comply with the laws and regulations in relation to the state-owned asset management and shall be in accordance with prices and conditions agreed among all the shareholders of Shenzhen Rayitek upon completion of the Capital Increase, and each shareholder shall have the right to sell their respective interests in Shenzhen Rayitek;
3. Easy Ford, Hangzhou Tecnidd, and Shenzhen Taiju shall seek prior written consent from New Century if they intend to transfer their respective interests in Shenzhen Rayitek (including transfers between shareholders), save for the transfer of interests in Shenzhen Rayitek by Easy Ford and Hangzhou Tecnidd to Shenzhen Taiju;

4. If any Existing Shareholder or Shenzhen Taiju intends to transfer their respective interests in Shenzhen Rayitek to any third party, the Investors shall have pre-emptive rights to purchase such interest or may tag-along and require the transferor, based on the same price and conditions, to transfer all or part of the Investors' interests in Shenzhen Rayitek to such third party;
5. If the Investors sell their respective interests in Shenzhen Rayitek before the completion of the listing of Shenzhen Rayitek, the Existing Shareholders, Shenzhen Taiju and ICCAS may exercise their pre-emptive rights to purchase such interests of the Investors.

Non-compete: The Existing Shareholders and Shenzhen Taiju have undertaken not to and shall procure their respective associates not to compete with Shenzhen Rayitek.

Undertaking by ICCAS: ICCAS has undertaken that Shenzhen Rayitek shall be the only production and commercial platform of polyimide film products, the patent rights of which have been injected into Shenzhen Rayitek.

Effective Date: The Capital Increase Agreement shall become effective from the date of execution by all parties subject to filing of the valuation report based on the valuation date of 30 June 2013 of the stated-owned assets of Shenzhen Rayitek.

SHAREHOLDING STRUCTURE OF SHENZHEN RAYITEK BEFORE AND AFTER COMPLETION OF CAPITAL INCREASE

The following table summarises the shareholding structure of Shenzhen Rayitek before and after the completion of the Capital Increase:

	Before Capital Increase		After Capital Increase	
	Capital Contribution (RMB)	Percentage of equity interests (%)	Capital Contribution (RMB)	Percentage of equity interests (%)
1. New Century	16,500,000	55.00	42,083,059	42.75
2. Easy Ford	8,400,000	28.00	8,400,000	8.53
3. Hangzhou Tecnidd	5,100,000	17.00	5,100,000	5.18
4. SDIC	-	-	20,466,447	20.79
5. Shanghai Liansheng	-	-	15,349,836	15.59
6. Shenzhen Taiju	-	-	5,116,612	5.20
7. ICCAS	-	-	1,927,018	1.96
Total registered capital	30,000,000	100.00	98,442,972	100.00

INFORMATION IN RELATION TO 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 company 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 include 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, new energy, and electronic information industry and other fields.

REASONS FOR AND BENEFIT OF THE CAPITAL INCREASE

Shenzhen Rayitek is one of the major investment projects of the Company. The Company believes that the entering into the Capital Increase Agreement by New Century will diversify and expand the shareholding and the capital base of Shenzhen Rayitek so as to reduce investment risk. ICCAS's transfer of patent rights as capital and its undertaking to Shenzhen Rayitek that Shenzhen Rayitek shall be the only production and commercial platform of polyimide film products will enhance product development. Further, the aggregate cash consideration of RMB260,000,000 paid to Shenzhen Rayitek will be used in the repayment of borrowing of RMB100,000,000 and payment of interest to New Century, and the remaining will be utilised for business development and as general working capital of Shenzhen Rayitek.

FINANCIAL IMPACT

Upon the completion of the Capital Increase, the equity interests of New Century in Shenzhen Rayitek will decrease from 55% to 42.75%. Shenzhen Rayitek will cease to be a subsidiary of New Century and cease to be an indirect subsidiary of the Company but will be equity accounted for as an associated company of the Company in the consolidated the financial statements of the Company.

INFORMATION IN RELATION TO THE COMPANY, NEW CENTURY, HANGZHOU TECNIDD, SDIC, SHANGHAI LIANSHENG, EASY FORD AND SHENZHEN TAIJU

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

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

Hangzhou Tecnidd is a limited liability company established in the PRC and is principally engaged in the development and manufacturing of electrical insulating system products and electrical flexible base materials products.

SDIC is a limited liability company established in the PRC. It is a wholly-owned subsidiary of the State Development and Investment Corporation, which specializes in the general investment and management of undertakings other than coal mines, electrical power, port and shipping business.

Shanghai Liansheng is a limited liability company established in the PRC and is principally engaged in venture capital business.

Easy Ford is a limited liability company established in Hong Kong and is principally engaged in investment holdings.

Shenzhen Taiju is a partnership company established in the PRC and is principally engaged in investment holding of Shenzhen Rayitek.

LISTING RULES IMPLICATIONS

As the Capital Increase will reduce the equity interests of New Century in Shenzhen Rayitek, such reduction of equity interests is regarded as a deemed disposal of the Company under Chapter 14 of the Listing Rules. As all applicable percentage ratios of size tests are below 5%, the Capital Increase is not subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, as Easy Ford, Hangzhou Tecnidd and Shenzhen Taiju are connected persons of the Company at subsidiary level for the purpose of the Listing Rules, the Capital Increase is exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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;
“Capital Increase”	the increase of registered capital of Shenzhen Rayitek by RMB68,442,972 from RMB30,000,000 to RMB98,442,972 by way of subscription by the Subscribers at an aggregate consideration of RMB267,532,400 pursuant to the Capital Increase Agreement;
“Capital Increase Agreement”	the capital increase agreement dated 19 December 2013 entered into among Shenzhen Rayitek, New Century and other parties in respect of the Capital Increase;
“CASC”	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the date of this Announcement, it holds a 39.06% 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;
“Deemed Disposal”	New Century’s 55% equity interests in Shenzhen Rayitek will be reduced to 42.75% triggered by the Capital Increase and is regarded as deemed disposal pursuant to the Listing Rules requirement;
“Directors”	the directors of the Company;
“Easy Ford”	Easy Ford Investment Limited, a company established in Hong Kong as a limited liability company;
“Existing Shareholders”	means New Century, Easy Ford and Hangzhou Tecnidd, and each of them an “Existing Shareholder”;
“Hangzhou Tecnidd”	Hangzhou Tecnidd Enterprises Co., Ltd.* (杭州泰達實業有限公司), a limited liability company established in the PRC;
“ICCAS”	Institute of Chemistry, Chinese Academy of Sciences, a public institution established in the PRC;
“Investors”	means SDIC and Shanghai Liansheng, and each of them an “Investor”;
“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 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;
“SDIC”	SDIC High-Tech Investment Co., Ltd.* (國投高科技投資有限公司), a limited liability company established in the PRC;
“Shanghai Liansheng”	Shanghai Liansheng Venture Capital Co. Ltd.* (上海聯升創業投資有限公司), a limited liability company established in the PRC;
“Shenzhen Rayitek”	Shenzhen Rayitek Films Technology Company Limited* (深圳瑞華泰薄膜科技有限公司), a Sino-foreign joint venture company established in the PRC;

“Shenzhen Taiju”

Shenzhen Taiju Technology Investment Management Partnership Company (Limited Partnership)* (深圳泰巨科技投資管理合夥企業(有限合夥)), a partnership company established in the PRC; and

“Subscribers”

means New Century, SDIC, Shanghai Liansheng, Shenzhen Taiju and ICCAS, and each of them a “Subscriber”.

By order of the Board
Li Hongjun
Executive Director & President

Hong Kong, 19 December 2013

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 Zhang Jianheng (*Chairman*)
Mr Wu Zhuo (*Vice Chairman*)
Mr Chen Xuechuan
Mr Shi Weiguo

Independent Non-Executive Directors

Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun

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