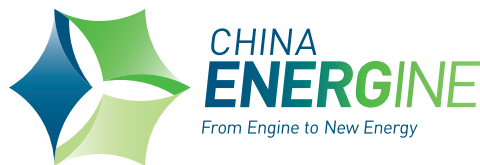


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## **CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED**

**中國航天萬源國際(集團)有限公司\***

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1185)**

### **CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT IN RELATION TO SUPPLY OF WIND TURBINE BLADES AND PROPERTY LEASING AGREEMENT**

Two subsidiaries of the Company, IM Turbine Manufacture and IM Composite Material have entered into a Framework Agreement earlier on 29 December 2011 pursuant to which IM Composite Material is to supply wind turbine blades to IM Turbine Manufacture from time to time in accordance with the terms of the Framework Agreement for the three financial years ending 31 December 2014.

Two subsidiaries of the Company, IM New Energy and IM Composite Material have entered into a Property Leasing Agreement earlier on 29 December 2011 whereby IM New Energy is to lease the premises in Xinghe County, Inner Mongolia to IM Composite Material for a 2 year term from 1 January 2012 to 31 December 2013.

Since one of the shareholders of IM Composite Material as to 41.03% shareholding is Aerospace Material which is a subsidiary of the Company's major controlling shareholder of CALT, IM Composite Material is a Connected Person of the Company by virtue of being a non wholly-owned subsidiary with the said more than 10% shareholding. The supplies of wind turbine blades by IM Composite Material under the Framework Agreement and leasing of property to IM Composite Material under the Property Leasing Agreement constitute continuing connected transactions under the Listing Rules.

Since the applicable percentage ratio under the Listing Rules in respect of maximum transaction value on an annual basis relating to the First Continuing Connected Transaction for the supply of wind turbine blades is more than 25%, the First Continuing Connected Transaction is subject to the Independent Shareholders' approval at a general meeting under the Listing Rules. While that in respect of transaction value on an annual basis relating to the Second Continuing Connected Transaction for leasing of property is less than 25% and the transaction value is less than HK\$10 million, the Second Continuing Connected Transaction is exempt from the Independent Shareholders' approval at a general meeting under the Listing Rules.

The Company will convene an EGM to seek the Independent Shareholders' approval for the First Continuing Connected Transaction. A circular containing the particulars of the transactions, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders as required under the Listing Rules will be despatched to Shareholders on or before 31 January 2012.

## **FRAMEWORK AGREEMENT**

### **Date**

29 December 2011

### **Parties**

1. IM Turbine Manufacture;
2. IM Composite Material

### **Principal Terms**

Pursuant to the Framework Agreement, IM Composite Material, a subsidiary of the Company, is to supply wind turbine blades for wind turbines as to 900KW, 1.5MW, 2MW and 3MW to IM Turbine Manufacture, another subsidiary of the Company, from time to time in accordance with the terms of the Framework Agreement for the three financial years ending 31 December 2014. The payment will be made on such a schedule of 20% down payment upon entering into a purchase and sales agreement with balance of 80% to be made before delivery.

Detailed terms of each purchase and sales agreement will be determined on an arm's length basis and according to the prevailing fair and usual market practice. The purchase prices will be determined in accordance with the prevailing market rate for such purchases or, if there is no prevailing market rate available, by reference to the prevailing rate for the supply of similar blades offered within the same industry. Such purchase costs will be funded by the internal resources of the Group (excluding IM Composite Material on the current occasion).

## **ANNUAL CAPS**

It is expected that the maximum purchase costs payable by IM Turbine Manufacture under the Framework Agreement for the three years ending 31 December 2014 are as follows:

	<b>During the financial year ending</b>		
	<b>31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of wind turbine blades	199,700	204,900	249,700
(in HK\$'000 equivalent)	(243,634)	(249,978)	(304,634)

The Annual Caps are determined by reference to the internal projection of the purchases of wind turbine blades to be incurred having regard to (i) the latest wind energy project development plan in Inner Mongolia; (ii) the expected increase in sales of wind turbines for the Mainland China for the three years ending 31 December 2014; and (iii) the prevailing market prices as to wind turbine blades.

## **REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT**

The Group is principally engaged in the businesses of manufacture and sales of wind turbines and blades, operation of wind farm, trading of materials, broadband wireless access systems and equipment, manufacture and sale of telecommunications products, and of hi-tech rare-earth permanent magnetic motors for elevators as well as investment in businesses of automotive components parts.

By entering into the Framework Agreement, IM Turbine Manufacture will obtain its requisite supply of wind turbine blades with state-of-the-art composite materials of glass fabrics for manufacture and sales of its wind turbines as to 900KW, 1.5MW, 2MW, and 3MW. The purchases and sales of wind turbine blades contemplated under the Framework Agreement are to be of a recurrent revenue nature that they will occur on a regular and continuing basis in the ordinary and usual course of businesses of the two subsidiaries. The Framework Agreement provides a framework for the

supplies of wind turbine blades which are being made by IM Composite Material from time to time on a non-exclusive basis and regulates the future possible business relationship between the two subsidiaries in relation to supply of wind turbine blades.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from an independent financial adviser) are of the view that the terms of the purchases and sales of wind turbine blades under the Framework Agreement are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the subsidiaries and in the interests of the subsidiaries and the Company's Shareholders as a whole, and that it is beneficial to IM Turbine Manufacture to enter into the transactions.

## **PROPERTY LEASING AGREEMENT**

### **Date**

29 December 2011

### **Parties**

1. IM New Energy;
2. IM Composite Material

### **Principal Terms**

Pursuant to the Property Leasing Agreement, IM New Energy, a wholly-owned subsidiary of the Company, is to lease its premises of No.1 Hangtian Road, Xingwangjiao Industrial Area, Xinghe County, Inner Mongolia to IM Composite Material as industrial plant, office, warehouse and associated facilities for manufacture of turbine blades and other composite materials for a 2 year term from 1 January 2012 to 31 December 2013 at an annual rental and management fee of RMB5,301,477 (HK\$6,468,000) in total, 50% thereof payable in advance within the 3 days after the signing of the agreement or before the beginning of each year with the balance of 50% payable before the end of each year.

The Property Leasing Agreement was entered into on normal commercial terms with the rental being at market prices or prices no less favourable to IM New Energy than those available from independent third parties.

## **REASONS FOR ENTERING INTO THE PROPERTY LEASING AGREEMENT**

By entering into the Property Leasing Agreement, IM Composite Material will be enabled to occupy and use the Leased Premises for its principal activities of manufacture of wind turbine blades of composite materials to its customers, primarily IM Turbine Manufacture. This leasing of Leased Premises contemplated under the Property Leasing Agreement is to be of a recurrent revenue nature that it will occur on a regular and continuing basis in the ordinary and usual course of businesses of the two subsidiaries.

The Directors (including the independent non-executive Directors) are of the view that the terms of the leasing of Leased Premises under the Property Leasing Agreement are fair and reasonable and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the subsidiaries and in the interests of the subsidiaries and the Company's Shareholders as a whole, and that it is beneficial to IM New Energy to enter into the transactions. No Directors have a material interest in the transactions. Yet by reason that all of the Directors other than the independent non-executive Directors are representatives of CALT, they have abstained from voting on the board resolution.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since one of the shareholders of IM Composite Material as to 41.03% shareholding is Aerospace Material which is a subsidiary of the Company's major controlling shareholder of CALT, IM Composite Material is a Connected Person of the Company by virtue of the said more than 10% shareholding. The supplies of wind turbine blades by IM Composite Material under the Framework Agreement and leasing of property to IM Composite Material constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since the applicable percentage ratio under the Listing Rules in respect of maximum transaction value on an annual basis relating to the First Continuing Connected Transactions for the supply of wind turbine blades are more than 25%, the First Continuing Connected Transactions are subject to the Independent Shareholders' approval at a general meeting under Chapter 14A of the Listing Rules. While that in respect of transaction value on an annual basis relating to the Second Continuing Connected Transaction for leasing of property is less than 25% and the transaction value is less than HK\$10 million, the Second Continuing Connected Transaction is exempt from the Independent Shareholders' approval at a general meeting under Chapter 14A of the Listing Rules.

## GENERAL INFORMATION

The Company will convene an EGM to seek the Independent Shareholders' approval for the First Continuing Connected Transaction. An Independent Board Committee comprising all of the independent non-executive Directors of the Company, all of whom have no material interest in the Framework Agreement, has been appointed to consider the terms of the First Continuing Connected Transaction under the Framework Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the First Continuing Connected Transaction under the Framework Agreement. A circular containing, among others, (i) details of the First Continuing Connected Transaction, (ii) a letter from the Independent Board Committee and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched by the Company to its Shareholders on or before 31 January 2012 taking into account the holiday period in January 2012.

The Framework Agreement and Property Leasing Agreement are not inter-conditional to each other.

## DEFINITIONS

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

“Aerospace Material”	Aerospace Research Institute of Materials & Processing Technology (航天材料及工藝研究所), a state-owned institute incorporated in the PRC controlled by CALT
“Annual Cap”	the maximum annual purchase cost payable by IM Turbine Manufacture to IM Composite Material under the Framework Agreement
“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CALT”	China Academy of Launch Vehicle Technology (中國運載火箭技術研究院), the Company's major controlling shareholder of a state-owned entity established in the PRC and wholly-owned by China Aerospace Science and Technology Corporation, the ultimate controlling shareholder of the Company

“Company”	China Energin International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting
“First Continuing Connected Transaction(s)”	continuing connected transaction(s) to be entered into between the IM Turbine Manufacture and IM Composite Material in relation to the supply of wind turbine blades under the Framework Agreement
“Framework Agreement”	the framework agreement dated 29 December 2011 and entered into between the IM Turbine Manufacture and IM Composite Material in relation to the supply of wind turbine blades
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IM Composite Material”	Inner Mongolia CASC Energin Composite Material Co. Ltd. (內蒙古航天萬源複合材料有限公司), a subsidiary of the Company as to 56.41% equity established in Wulangchabu City, Inner Mongolia, the PRC
“IM New Energy”	Inner Mongolia Energin New Energy Development Co. Ltd. (內蒙古航天萬源新能源開發有限公司), a wholly-owned subsidiary of the Company established in Wulangchabu City, Inner Mongolia, the PRC
“IM Turbine Manufacture”	Inner Mongolia CASC Energin Wind Turbine Manufacture Co. Ltd. (內蒙古航天萬源風電設備製造有限公司), a subsidiary of the Company as to 95% equity established in Wulangchabu City, Inner Mongolia, the PRC

“Independent Board Committee”	An independent committee of the board of directors comprising Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng, being the independent non-executive directors;
“Independent Shareholders”	All shareholders of the Company excluding CALT and its associates
“independent third party(ies)”	party(ies) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive or substantial Shareholders of the Company or its subsidiaries, or any of their respective associates, or parties acting in concert with it
“Leasing Premises”	premises of No. 1 Hangtian Road, Xingwangjiao Industrial Area, Xinghe County, Inner Mongolia as industrial plant, office, warehouse and associated facilities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property Leasing Agreement”	the property leasing agreement dated 29 December 2011 and entered into between the IM New Energy and IM Composite Material in relation to leasing of Leased Premises
“RMB”	Renminbi, the legal currency of the PRC
“Second Continuing Connected Transaction”	continuing connected transaction to be entered into between the IM New Energy and IM Composite Material in relation to leasing of Leased Premises under the Property Leasing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed thereto in the Listing Rules
“%”	per cent.



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

By Order of the Board  
**China Engine International (Holdings) Limited**  
**Han Shuwang**  
*Chairman*

Hong Kong, 29 December 2011

*As at the date hereof, the Board of the Company comprises Mr. Han Shuwang (Chairman), Mr. Wang Xiaodong (Vice-chairman), Mr. Zang Wei and Mr. Wang Lijun as Executive Directors, Mr. Li Guang and Mr. Fang Shili as Non-executive Directors and Mr. Wang Dechen, Ms. Kan Lai Kuen, Alice and Mr. Gordon Ng as Independent Non-executive Directors.*

\* *for identification purpose only*