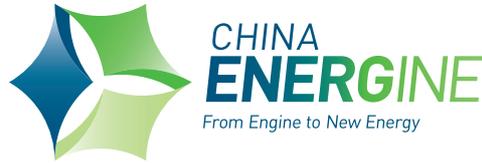


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**CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED**

**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 2009 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 2011.

Two subsidiaries of the Company, IM New Energy and IM Composite Material have entered into a Property Leasing Agreement earlier on 29 December 2009 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 2010 to 31 December 2011.

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 as soon as practicable.

## **FRAMEWORK AGREEMENT**

### **Date**

29 December 2009

### **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 and 2MW 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 2011. Save for the purchase for 2009, 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 2011 are as follows:

	<b>During the financial year ending</b>		
	<b>31 December</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of wind turbine blades	41,160	86,420	176,780
(in HK\$'000 equivalent)	(46,922)	(98,519)	(201,529)

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 having regard to the sales to China Huadian New Energy Development Co. Ltd. as for development and construction of wind farm in Jiuquan area, Gansu; (ii) the expected increase in sales of wind turbines for the Mainland China for the three years ending 31 December 2011; (iii) the prevailing market prices as to wind turbine blades; and (iv) inflation and on the basis that the revenue for 2009 could be recognized and the Independent Shareholders' approval could be sought.

## **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, intelligent transportation systems, 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 and 2MW. 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 the 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 2009

### **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 Aerospace Road, Xing Wang Jiao Industrial Park, Xinghe County, Inner Mongolia to IM Turbine Manufacture 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 2010 to 31 December 2011 at an annual rental and management fee of RMB8,760,810 (approximately HK\$9.99 million) in total, 50% thereof payable in advance before the beginning of each half 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.

## **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 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 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

An Independent Board Committee comprising all 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. Partners Capital International Limited has been appointed as the Independent Financial Adviser 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 as soon as practicable.

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, a state-owned institute incorporated in the PRC and 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, 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 Transactions”	continuing connected transactions 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 2009 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., 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., 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., 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 all the independent non-executive directors;

“Independent Financial Adviser”	Partners Capital International Limited, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the First Continuing Connected Transactions;
“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 Aerospace Road, Xing Wang Jiao Industrial Park, 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 2009 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\$1.14.*

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

Hong Kong, 29 December 2009

*As at the date hereof, the Board of the Company comprises Mr. Han Shuwang and Mr. Wang Xiaodong as Executive Directors, Mr. Wu Jiang, Mr. Tang Guohong and Mr. Li Guang 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*