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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**

#### **NOTIFIABLE TRANSACTIONS RELATING TO THE RENTAL AGREEMENT AND THE MAIN CONTRACTOR CONTRACT**

The Board is pleased to announce that, on 16 April 2020,

- (1) CY Vietnam, an indirect wholly-owned subsidiary of the Company, and Shenyue Investment Vietnam entered into the Rental Agreement pursuant to which CY Vietnam agreed to rent Anyang Land together with its infrastructure at the total rent of VND133,532,442,929 (equivalent to approximately HKD40,059,733) for the period commencing from the date of delivery of vacant possession of Anyang Land and its infrastructure till 25 December 2058; and
- (2) upon the conclusion of a tender process for the selection of the main contractor for the construction project at Anyang Land, CY Vietnam and Jianan Vietnam entered into the Main Contractor Contract in relation to the Construction at a total contract sum of USD11,299,095 (equivalent to approximately HKD87,793,968).

As the highest applicable percentage ratio as calculated under Rule 14.07 of the Listing Rules, the Rental Agreement is less than 5%, whereas the Rental Agreement and the Main Contractor Contract, when aggregated, are more than 5% but does not exceed 25%, which constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the announcement requirement under the Listing Rules.

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## **RENTAL AGREEMENT**

The principal terms of the Rental Agreement are set out below:

### *Parties*

- (1) CY Vietnam (as tenant); and
- (2) Shenyue Investment Vietnam (as landlord)

Shenyue Investment Vietnam is a wholly-owned subsidiary of Shenzhen Shenyue Investment. Shenzhen Shenyue Investment is wholly-owned by Shenzhen Investment Holding which is in turn wholly-owned by Shenzhen SASAC as of the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shenyue Investment Vietnam and its ultimate beneficial owners are not connected persons of the Company and thus they are third parties independent of the Company and its subsidiaries.

### *Subject matter*

On 16 April 2020, CY Vietnam and Shenyue Investment Vietnam entered into the Rental Agreement pursuant to which CY Vietnam agreed to rent Anyang Land together with its infrastructure for the period commencing from the date of delivery of vacant possession of Anyang Land and its infrastructure till 25 December 2058.

### *Total Rent Payable*

The total rent payable to Shenyue Investment Vietnam in respect of the lease of Anyang Land together with its infrastructure shall be VND133,532,442,929 (equivalent to approximately HKD40,059,733). The total rent payable was determined by CY Vietnam and Shenyue Investment Vietnam on an arm's length basis, after taking into consideration the market rental of other adjacent land available with similar size and land use rights.

The total rent shall be paid by CY Vietnam in cash in the manners set out below:

1. Within 10 business days after CY Vietnam completes the application for the investment registration certificate and is issued with the investment registration certificate and the enterprise registration certificate, CY Vietnam shall pay to Shenyue Investment Vietnam 30% of the total rent (exclusive of VAT tax), i.e. VND40,059,732,879 (equivalent to approximately HKD12,017,920).

2. Within 10 business days after the Rental Agreement is signed, CY Vietnam shall pay to Shenyue Investment Vietnam 50% of the total rent (exclusive of VAT tax), i.e. VND66,766,221,465 (equivalent to approximately HKD20,029,866).
3. Within 10 business days after the vacant possession of Anyang Land together with its infrastructure is delivered by Shenyue Investment Vietnam to CY Vietnam, CY Vietnam shall pay to Shenyue Investment Vietnam 17% of the total rent (exclusive of VAT tax), i.e. VND22,700,515,298 (equivalent to approximately HKD6,810,155).
4. The remaining 3% of the total rent (exclusive of VAT tax) i.e. VND4,005,973,287 (equivalent to approximately HKD1,201,792) shall be paid to Shenyue Investment Vietnam within one year upon all the necessary conditions required by the application of the Certificate of Land Use Rights are fulfilled and Shenyue Investment Vietnam has been issued with the letter of notification in respect of the aforementioned application.

#### *Delivery of vacant possession*

It is expected the delivery of the vacant possession of Anyang Land together with its infrastructure will be conducted on or before 20 April 2020.

#### *Construction of factory zone*

Pursuant to the Rental Agreement, CY Vietnam shall undertake to commence the construction of the factory zone within two years upon the signing of the Rental Agreement.

#### *Infrastructure facilities*

Shenyue Investment Vietnam shall invest in the construction, management and maintenance of the infrastructure facilities in accordance with the approval by the relevant governmental authorities.

CY Vietnam shall be responsible for the fees in relation to the declaration, installation, connection and provision of cables and telecommunication networks charged by the third party suppliers.

#### *Property management fees*

Pursuant to the Rental Agreement, the property management of Anyang Land shall be VND20,103 per sq.m. per year (exclusive of VAT tax) (i.e. approximately VND1,052,925,785 per year (equivalent to approximately HKD315,878)).

CY Vietnam shall pay to Shenyue Investment Vietnam VND263,231,446 (equivalent to approximately HKD78,969) as a 3-month deposit for the property management expense within 10 business days after the date of the delivery of vacant possession of Anyang Land together with its infrastructure.

CY Vietnam shall pay to Shenyue Investment Vietnam the property management fees for the period from the date of the delivery of vacant possession of Anyang Land together with its infrastructure to the end of that calendar year on a *pro rata* basis within 10 business days after the delivery of such vacant possession. After that, the annual property management fees shall be paid on or before 10 January of each year.

### *Other expenses*

During the term of the lease, CY Vietnam shall be responsible for other miscellaneous expenses including sewage treatment fees, power supply charges and water supply charges.

## **MAIN CONTRACTOR CONTRACT**

The principal terms of the Main Contractor Contract are set out below:

### *Parties*

- (1) CY Vietnam (as principal); and
- (2) Jianan Vietnam (as main contractor)

Jianan Vietnam is a Vietnamese branch of Jianan Group. As of the date of this announcement, Shenzhen Investment Holding owns 99.76% of Jianan Group's equity interest. As mentioned above, Shenzhen Investment Holding which is in turn wholly-owned by Shenzhen SASAC. The remaining 0.24% of equity interest of Jianan Group is owned by Jianan Group's employees.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Jianan Vietnam and its ultimate beneficial owners are not connected persons of the Company and thus they are third parties independent of the Company and its subsidiaries.

### *Subject matter*

On 31 March 2020, Jianan Vietnam was selected as the main contractor in relation to the Construction. Tenders were received from four bidders. CY Vietnam has considered the quotations, specialised technological know-hows, equipment, construction plan, proposed construction period, personnel and experience of all bidders for the determination of the successful bidders, among which the quotation and the bidders' relevant experience in carrying out construction works of comparable scale and complexity were the major factors considered by CY Vietnam.

Jianan Vietnam's bidding price is the lowest of the bidding prices submitted by the other bidders and CY Vietnam considers that the consideration was consistent with CY Vietnam's estimation of the Construction's contract value having regard to the market price of the constructions that are of similar scale and nature.

Pursuant to the Main Contractor Contract dated 16 April 2020, the scope of the Construction shall be a four-storey factory building inclusive of the following works: civil construction works, decoration works, water supply and electricity works, fire safety works, power distribution works; construction of certain buildings for supporting uses; construction of roads, integrated pipe network, basketball court, and other miscellaneous works such as gardens, fences, gates and flagpole platform but exclusive of air-conditioning and installation of elevators related works.

### *Consideration*

The total contract sum payable to Jianan Vietnam for the Construction shall be USD11,299,095 (equivalent to approximately HKD87,793,968).

The consideration under the Main Contractor Contract shall be paid by CY Vietnam in cash in the manners set out below:

1. Upon the signing of the Main Contractor Contract, CV Vietnam shall pay to Jianan Vietnam 20% of total contract sum of the Construction (approximately USD2,259,819 (equivalent to approximately HKD17,558,794)) as a prepayment within 15 days after Jianan Vietnam has entered the site and commenced constructions works.
2. The work fees concerning the Construction shall be paid on a monthly basis. Jianan Vietnam shall submit the monthly construction progress report to the relevant inspection unit and such inspection unit shall complete the review of the construction progress report and the relevant receipts within 7 business days. CY Vietnam shall pay such monthly work fees to Jianan Vietnam within 7 business days upon the completion of the review by the relevant inspection unit on the condition that the total construction cost incurred at the relevant stage shall not be over 80% of the total contract sum of the Construction.
3. If Jianan Vietnam fails to meet the quality and/or the progress requirements, the monthly work fees shall be paid in accordance with manners set out below:
  - 3.1 on the condition that all the pipe works are completed and all the relevant inspections are passed before 1 May 2020, the progress payment for April shall be 80% of the actual work completed in April;
  - 3.2 on the condition that all the concrete foundation works are completed and all the relevant inspections are passed before 1 June 2020, the progress payment for May shall be 80% of the actual work completed in May; and Jianan Vietnam shall be entitled to debit 5% as prepayment;
  - 3.3 on the condition that that basic structure of the first, second and third floor of the factory building are completed and all the relevant inspections are passed before 1 July 2020, the progress payment for June shall be 80% of the actual work completed in June; and Jianan Vietnam shall be entitled to debit 5% as prepayment;
  - 3.4 on the condition that structure and construction of walls on the fourth floor and water and sanitation works, power supply works and fire safety works on all floors are completed and all the relevant inspections are passed before 1 August 2020, the progress payment for July shall be 80% of the actual work completed in July; and Jianan Vietnam shall be entitled to debit the 5% of the prepayment; and
  - 3.5 on the condition that the plastering, decoration and supporting works for external walls, the removal of scaffolding are completed and that the inspection of the main plant is passed and pre-delivered before 1 September 2020, the progress payment for August shall be 80% of the actual work completed in August; and Jianan Vietnam shall be entitled to debit the 5% of the prepayment. However, the total construction cost incurred at the relevant stage shall not be over 80% of the total contract sum of the Construction.
4. Provided that all the auxiliary construction works and facilities outside the main plant are completed and completion of the Construction is achieved upon the completion and pass of the inspection of the entire project (inclusive of the fire safety, water and sanitation, power supply works) on or before 30 September 2020, 90% of the total contract sum of the

Construction shall be paid. 97% of the total contract sum of the Construction shall be paid upon the completion of the construction audit confirmation.

5. The remaining 3% of the total contract sum of the Construction, being the quality bond, shall be paid to Jianan Vietnam within 30 days upon the expiration of the works quality warranty period (*Note 1*).

*Note 1: In general, a warranty period of 1 year for decorative and fitting-out works, electrical piping works, drainage works and the related system installation works, water supply and drainage facilities, roads and other supporting works in the residential area. For waterproof related matters (including anti-leakage works for toilets, rooms and external walls), the warranty period is 2 years. For the heating and cooling system, the warranty period shall be 2 heating and cooling periods. For the foundation and the main structure, the warranty shall cover a reasonable period of usage as per detailed design documentations. For the steel structure roof, the warranty period shall be 10 years.*

#### *Completion*

Pursuant to the Main Contractor Contract, the construction of the main factory building is expected to be completed on or before 31 August 2020 on the condition that all the major items would pass the completion inspection and allowing CY Vietnam to enter the site and conduct certain installation works. The completion of the Construction is expected to be on or before 30 September 2020.

#### **INFORMATION ON THE COMPANY, CY VIETNAM, JIANAN VIETNAM AND SHENYUE INVESTMENT VIETNAM**

The Company is an investment holding company and its subsidiaries are principally engaged in hi-tech manufacturing, the operations of Shenzhen Aerospace Science & Technology Plaza, internet of things applications and cross-border e-commerce logistics.

CY Vietnam is a new company incorporated in January 2020 and will be principally engaged in the production and custom processing of various electrical products and plastic products upon the completion of the Construction.

Jianan Vietnam is the Vietnamese branch of Jianan Group whose approved business scope includes the installation of large and medium-sized project equipment, electrical appliances, instruments and large overall production equipment, gas and fire safety related works; steel and aluminum doors and windows related works, air conditioning works, water supply and electricity installation works, interior decoration design and construction, manufacturing of metal structure, pressure vessels and cold and hot metal processing; large-scale hoisting transportation and earthwork transportation, construction and municipal engineering construction (subject to the qualification certificate), earthwork, substation and distribution works under 10KV, domestic commerce, supply and marketing of materials (excluding exclusive, exclusive control, exclusive products); import and export business (for details please refer to Shenzhen trade control license no. 2003-4431); real estate development and operations on land lot b303-0054; general freight (under the road transport operation license valid until 14 July 2015); property management; wholesale and retail of construction and installation related materials; operation of electric wire and cable, air conditioning equipment and repair of spare parts; processing and assembly of domestic and foreign supplied materials. Permitted operation: parking services.

Shenyue Investment Vietnam is principally engaged in the operations of real estate and land use rights.

## **REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTIONS**

The Directors believe that the entering into the transactions contemplated under the Rental Agreement and the Main Contractor Contract would enable the Company to take advantage of the relatively low-cost labour at Vietnam, so as to expand its scale of production and develop overseas markets. The expansion plan of constructing this new factory in Vietnam is therefore in the interest of the Company and the shareholders of the Company as a whole.

The Directors (including the independent non-executive Directors) believe that the terms of the Rental Agreement and the Main Contractor Contract are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLCATIONS**

As the highest applicable percentage ratio as calculated under Rule 14.07 of the Listing Rules, the Rental Agreement is less than 5%, whereas the Rental Agreement and the Main Contractor Contract, when aggregated, are more than 5% but does not exceed 25%, which constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the announcement requirement under the Listing Rules.

## **DEFINED TERMS USED IN THIS ANNOUNCEMENT**

Capitalised terms used in this Announcement shall have the following meanings:–

“Anyang Land”	certain plot of land located at No. CN1, Anyang Industrial Zone, Hongfeng Township, Anyang County, Haiphong City, Vietnam with a site area of approximately 52,376.55 sq.m.;
“Board”	the Board of Directors of the Company;
“CY Vietnam”	Chee Yuen Electronic Technology (Vietnam) Co., Ltd. (志源电子科技(越南)有限公司)*, a company incorporated in Vietnam with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Company”	China Aerospace International Holdings Limited (中國航天國際控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Construction”	the construction of a factory at Anyang Land;
“Director(s)”	the directors of the Company;

“Jianan Group”	Shenzhen Jianan (Group) Co., Ltd.* (深圳市建安(集團)股份有限公司), a company established in the PRC with limited liability;
“Jianan Vietnam”	the Vietnamese branch of Jianan Group*;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Main Contractor Contract”	the main contractor contract dated 16 April 2020 relating to the construction of a factory at Anyang Land entered into between CY Vietnam and Jianan Vietnam;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan;
“Rental Agreement”	the rental agreement of land and infrastructure dated 16 April 2020 relating to the lease of Anyang Land together with its infrastructure entered into between CY Vietnam as tenant and Shenyue Investment as landlord;
“Shenyue Investment Vietnam”	Shenyue Joint Investment Co., Ltd* (深越聯合投資有限公司), a company incorporated in Vietnam with limited liability;
“Shenzhen Investment Holding”	Shenzhen Investment Holdings Co., Ltd.* (深圳市投資控股有限公司), a company established in the PRC with limited liability;
“Shenzhen SASAC”	深圳市人民政府國有資產監督管理委員會(Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission);
“Shenzhen Shenyue Investment”	Shenzhen Shenyue Joint Investment Co., Ltd* (深圳市深越聯合投資有限公司), a company established in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq.m.”	square metre(s);
“USD”	US Dollars, the lawful currency of the United States of America;
“Vietnam”	the Socialist Republic of Vietnam; and



“VND”

Vietnamese Dong, the lawful currency of Vietnam.

By order of the Board  
**Liu Meixuan**  
*Executive Director & Chairman*

Hong Kong, 16 April 2020

As at the date of this Announcement, the Board comprises:

**Executive Directors**

Mr Liu Meixuan (*Chairman*)  
Mr Jin Xuesheng (*President*)

**Non-Executive Directors**

Mr Liu Xudong  
Mr Mao Yijin  
Mr Xu Liangwei

**Independent Non-Executive Directors**

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

*An exchange rate of VND1.00 to HKD0.0003 and USD1.00 to HKD7.77 have been adopted as the conversion rates of (1) VND into HKD and (2) USD into HKD for the purpose of this announcement, respectively. Such exchange rates do not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.*

*\* For identification purposes only.*