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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

DISCLOSEABLE TRANSACTION RELATING TO THE DEEMED DISPOSAL

CAPITAL INCREASE AGREEMENT

The Board announces that, on 20 April 2020, Aerospace Digitnexus, a 72.128% indirect subsidiary of the Company, entered into the Capital Increase Agreement with Ningbo Herui Zhihua and Shenzhen Info Bee, pursuant to which Ningbo Herui Zhihua and Shenzhen Info Bee will acquire approximately 28.1568% and 27.3036% of the enlarged equity interest in Aerospace Digitnexus by way of subscribing for additional registered capital at the consideration of RMB33,000,000 and RMB32,000,000 in cash, respectively. Upon Completion, the interest in Aerospace Digitnexus will be decreased to 32.1254% and Aerospace Digitnexus will cease to be an indirect subsidiary of the Company and the financial results of Aerospace Digitnexus are expected not to be consolidated into the Company and its subsidiaries' financial statements.

The dilution of indirect interest in Aerospace Digitnexus as a result of the completion of the Capital Increase Agreement is regarded as a deemed disposal, pursuant to Rule 14.29 of the Listing Rules. As the Capital Increase and the Deemed Disposal exceed 5% but do not exceed 25% of one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), the Capital Increase and the Deemed Disposal constitute a discloseable transaction of the Company under the Listing Rules.

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CAPITAL INCREASE AGREEMENT

Summarized below are the principal terms of the Capital Increase Agreement.

Date : 20 April 2020

Parties : Aerospace Digitnexus;
Ningbo Herui Zhihua; and
Shenzhen Info Bee

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ningbo Herui Zhihua and Shenzhen Info Bee and their ultimate beneficial owners are Independent Third Parties.

Subject matter : Ningbo Herui Zhihua and Shenzhen Info Bee agreed to subscribe for additional registered capital of HK\$36,170,329 and HK\$35,074,259 at the consideration of RMB33,000,000 and RMB32,000,000 in cash, respectively.

Consideration : The aggregate consideration for the Subscription of approximately 55.4604% of the enlarged equity interest in Aerospace Digitnexus shall be RMB65,000,000.

A deposit in the sum of RMB3,250,000 has been paid to Aerospace Digitnexus by the Subscribers, the remaining Consideration shall be paid into Aerospace Digitnexus' designated bank account within 5 business days after the signing of the Capital Increase Agreement.

Use of Proceeds : A sum of RMB31,000,000 out of the proceeds from the Subscription will be applied towards the repayment of shareholders' loans due from Aerospace Digitnexus Existing Shareholders and the balance is for the replenishment of Aerospace Digitnexus' operating cash flow.

Tag-along right : If any of the Subscribers intends to transfer its respective equity interest to a third party and that constitutes or may constitute a change in actual controllers of such Subscriber, the other shareholders shall have the right to request such Subscriber to undertake to acquire all of their respective shareholdings before such transfer, or else such Subscriber shall compensate all losses to the other shareholders.

Composition of the board of directors : The board of directors of Aerospace Digitnexus shall comprise of 3 directors, one of them shall be the chairman. The Subscribers shall have the right to nominate 2 directors and Digilink shall have the right to nominate 1 director. The chairman of the first session of the board of directors of Aerospace Digitnexus shall be the director nominated by Digilink.

Composition of the supervisory committee : The supervisory committee of Aerospace Digitnexus shall comprise of 3 supervisors. Each of Yuan Heng Fu Bang and Shengjie Times shall have the right to appoint 1 supervisor, 1 supervisor shall be the staff representative elected by the labour union of Aerospace Digitnexus.

Termination of Agreement : The parties can jointly terminate this Agreement in writing.
If a contracting party fails to perform this Agreement as agreed and fails to take remedial measures within ten working days after the issue of written reminder by the compliance party(ies), the compliance party(ies) shall notify to the other party(ies) in ten working days' notice in writing to cancel this Agreement.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Ningbo Herui Zhihua

Ningbo Herui Zhihua is a partnership enterprise set up in the PRC and its principal business is shareholding investment.

Shenzhen Info Bee

Shenzhen Info Bee is a limited liability company incorporated in the PRC and its principal business is the technical development, enquiries, transfer and services of computer information system and software, the analysis, application and storage of data, the technical development of computer hardware and electronic products and so on.

Aerospace Digitnexus

Aerospace Digitnexus is a limited liability company established in the PRC and its principal business is internet of things application and cross border e-commerce logistics.

As at the date of this announcement, the registered capital of Aerospace Digitnexus of HK\$57,215,800 was all being paid-up, whereas the shareholding of Aerospace Digitnexus is as follows: 72.128% by Digilink, 18.650% by Shengjie Times and 9.222% by Yuan Heng Fu Bang.

Certain data extracted from the audited consolidated accounts of Aerospace Digitnexus is as follows (in RMB):

	For the year ended 31 December 2018	For the year ended 31 December 2019
Profit (Loss) before taxation	(21,560,055)	(69,668,416)
Profit (Loss) after taxation	(21,369,011)	(69,668,416)
	At 31 December 2018	At 31 December 2019
Net assets value	38,803,669	(30,864,747)

BASIS OF CONSIDERATION

The consideration has been determined by way of an open tender process administered by China Beijing Equity Exchange. Based on the Valuation prepared by the Independent Valuer, the appraised value of equity interest of the Aerospace Digitnexus as at the Valuation Base Date was not less than RMB50,235,400.

The Valuation was prepared on the discounted future estimated cash flow. The details of the principal assumptions (including commercial assumptions) upon which the Valuation is based are as follows:

- the businesses of Aerospace Digitnexus continue as a going concern after the Valuation Base Date;
- there has been no significant change in the political, economic and social environment of the countries and regions where Aerospace Digitnexus is located after the Valuation Base Date;
- there has been no significant change in the national macroeconomic policy, industrial policy and regional development policy after the Valuation Base Date;
- there will be no material change in the interest rate, exchange rate, tax base and tax rate, policy collection fees and so on that related to Aerospace Digitnexus;
- the management of Aerospace Digitnexus is responsible, stable and capable of performing its duties after the Valuation Base Date;
- Aerospace Digitnexus fully complies with all relevant laws and regulations;
- no force majeure after the Valuation Base Date that creates a significant adverse impact on Aerospace Digitnexus;
- the accounting policies adopted by Aerospace Digitnexus after the Valuation Base Date and the accounting policies used in the preparation of the Valuation are consistent in material aspects; and
- on the basis of the existing management methods and management standards, and the scope and mode of operation applied by Aerospace Digitnexus after the Valuation Base Date are consistent with the current one.

The Independent Valuer has also assumed the reasonableness of information provided and relied to considerable extent on such information in arriving at its opinion of value. As the Valuation is based on the discounted cash flow method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. Pursuant to Rule 14.62 of the Listing Rules, the Board has reviewed the principal assumptions upon which the Valuation is based and is of the view that the profit forecast has been made after due and careful enquiry.

REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTION

The Capital Increase is to strengthen the equity base of Aerospace Digitnexus as well as a return of the shareholders' loans provided by the Aerospace Digitnexus Existing Shareholders. The Deemed Disposal is to streamline the assets, improve the asset structure and the overall financial position of the Company and its subsidiaries so as to promote the development of the Company's major businesses. Upon Completion, Aerospace Digitnexus will cease to be an indirect subsidiary of the Company.

The Directors (including the Independent Non-Executive Directors) believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

FINANCIAL EFFECTS OF THE DEEMED DISPOSAL

Based on the audited financial information of Aerospace Digitnexus as at 31 December 2019 and assuming the Completion has taken place, the Company and its subsidiaries is expected to record a gain from the Deemed Disposal of approximately HK\$42,000,000, subject to the final audit confirmation.

Upon Completion, Aerospace Digitnexus will cease to be an indirect subsidiary of the Company. The financial results of Aerospace Digitnexus are expected not to be consolidated into the Company and its subsidiaries' financial statements.

USE OF PROCEEDS

It is expected that the net proceeds from the Deemed Disposal will be approximately RMB64,720,000 (after deducting all relevant fees and expenses). RMB31,000,000 of which will be used for repaying the shareholders' loan from the Aerospace Digitnexus Existing Shareholders and the remaining proceeds will be used for the replenishment of Aerospace Digitnexus' operating cash flow.

LISTING RULES IMPLICATIONS

The dilution of indirect interest in Aerospace Digitnexus as a result of the completion of the Capital Increase Agreement is regarded as a deemed disposal, pursuant to Rule 14.29 of the Listing Rules. As the Capital Increase and the Deemed Disposal exceed 5% but do not exceed 25% of one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), the Capital Increase and the Deemed Disposal constitute a discloseable transaction of the Company under the Listing Rules.

CONFIRMATIONS

A letter from Pan-China, the Company's reporting accountants, dated 20 April 2020 with respect to the profit forecast as required under Rule 14.62(2) of the Listing Rules and a letter from the Board dated 20 April 2020 in compliance with Rule 14.62(3) of the Listing Rules was submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
China Enterprise Appraisals Consultation Co. Ltd	Independent Valuer
Pan-China (H.K.) CPA Limited	Certified Public Accountants

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Independent Valuer and Pan-China is an Independent Third Party. As at the date of this Announcement, Independent Valuer and Pan-China do not have any shareholding in any member of the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company and its subsidiaries and are not connected persons.

Each of the Independent Valuer and Pan-China has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and/or all references to its report and name (including its qualification) in the form and context in which they respectively appear.

DEFINED TERMS USED IN THIS ANNOUNCEMENT

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Aerospace Digitnexus”	Aerospace Digitnexus Information Technology (Shenzhen) Limited * (航天數聯信息技術(深圳)有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Aerospace Digitnexus Existing Shareholders”	Digilink, Shenjie Times and Yuan Heng Fu Bang, being the existing shareholders of Aerospace Digitnexus as of the date of this announcement;
“Board”	the Board of Directors of the Company;
“Capital Increase Agreement”	the capital increase agreement dated 20 April 2020 relating to the proposed increase in registered capital of Aerospace Digitnexus entered into between Aerospace Digitnexus and the Subscribers;
“Capital Increase” or “Subscription”	the subscription by the Subscribers of an aggregate 55.4604% of the enlarged equity interest in Aerospace Digitnexus;

“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;
“Completion”	the completion of the Capital Increase Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	RMB65,000,000, which is the consideration for the Capital Increase;
“Deemed Disposal”	the dilution of Digilink’s interest in Aerospace Digitnexus from 72.128% to 32.1254% upon Completion;
“Digilink”	Digilink Systems Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. As at the date of this announcement, Digilink is holding approximately 72.128% of equity interest in Aerospace Digitnexus;
“Director(s)”	the directors of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Non-Executive Directors”	the independent non-executive directors of the Company, comprising Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun;
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Independent Valuer”	China Enterprise Appraisals Consultation Co. Ltd.*(北京中企華資產評估有限責任公司);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Ningbo Herui Zhihua”	Ningbo Herui Zhihua Equity Investment Partnership (Limited Partnership) * (寧波合睿智華股權投資合夥企業(有限合伙));
“Pan-China”	Pan-China (H.K.) CPA Limited, the Company’s reporting accountants;

“PRC”	the People’s Republic of China, for the purposes of this Announcement only, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shenzhen Info Bee”	Shenzhen Info Bee Technology Company Limited*(深圳訊蜂科技有限公司);
“Shengjie Times”	Shenzhen Shengjie Times Equity Investment Center* (深圳聖杰時代股權投資中心 (有限合夥)), a partnership enterprise set up in the PRC, an Aerospace Digitnexus Existing Shareholder holding approximately 18.650% of equity interest in Aerospace Digitnexus as of the date of this Announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	Ningbo Herui Zhihua and Shenzhen Info Bee;
“Valuation”	the valuation of Aerospace Digitnexus as at 31 October 2018 appraised by the Independent Valuer in its valuation report dated 31 December 2018;
“Valuation Base Date”	31 October 2018; and
“Yuan Heng Fu Bang”	Shenzhen Yuan Heng Fu Bang Investment Partnership Enterprise* (深圳市元亨富邦投資合夥企業(有限合夥)), a partnership enterprise set up in the PRC, an Aerospace Digitnexus Existing Shareholder holding approximately 9.222% of equity interest in Aerospace Digitnexus as of the date of this Announcement.

By order of the Board
Liu Meixuan
Chairman & Executive Director

Hong Kong, 20 April 2020

As 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 Liu Meixuan (<i>Chairman</i>) Mr Jin Xuesheng (<i>President</i>)	Mr Liu Xudong Mr Hua Chongzhi Mr Mao Yijin	Mr Luo Zhenbang Ms Leung Sau Fan, Sylvia Mr Wang Xiaojun

** This PRC entity does not have an English name, the English name sets out in this Announcement is for identification purpose only.*

APPENDIX 1 – LETTER FROM PAN-CHINA

20 April 2020

The Directors
China Aerospace International Holdings Limited
Room 1103-1107A,
One Harbourfront,
18 Tak Fung Street, Hung Hom,
Kowloon, Hong Kong

Dear Sirs,

We have examined the principal accounting policies adopted in and the arithmetical accuracy of the calculations of the profit forecast (the “Forecast”) underlying the valuation (the “Valuation”) of the entire equity interest of Aerospace Digitnexus Information Technology (Shenzhen) Limited (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) performed by China Enterprise Appraisals Consultation Co., Ltd. (北京中企華資產評估有限責任公司) (the “Valuer”) in connection with the deemed disposal of 40% of the equity interest of Aerospace Digitnexus of China Aerospace International Holdings Limited (the “Company”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibilities

The directors of the Company are responsible for the preparation of the Forecast in accordance with the bases and assumptions determined by the directors (the “Assumptions”) and as set on page 4 of the announcement of the Company dated 20 April 2020 (the “Announcement”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to form an opinion based on our reasonable assurance engagement, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, on whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Company and its subsidiaries (collectively referred to as the "Group") as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2019 and to report our opinion solely to you, as a body, solely for the purpose in connection with the Announcement and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of Opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Our work was performed solely to assist the directors of the Company to evaluate, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2019.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our opinion. Our reasonable assurance engagement included:

- a. obtaining an understanding of the principal accounting policies adopted in the preparation of the Forecast through inquiry of persons responsible for financial and accounting matters;
- b. comparing the principal accounting policies adopted in the preparation of the Forecast with those adopted in the preparation of the audited consolidated financial statements of the Company for the year ended 31 December 2019;
- c. checking the arithmetical calculations relating to the amounts presented in the Forecast; and
- d. such other procedures that we considered necessary.

We believe that our reasonable assurance engagement provides a reasonable basis for our opinion.

Our reasonable assurance engagement does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not issue an audit or a review opinion for the Forecast.

The Valuer has adopted income approach in determining the fair value of the entire equity interest in Aerospace Digitnexus.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and the arithmetical accuracy of the calculations are concerned, the Forecast has been properly complied, in all material respects, in accordance with the Assumptions and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2019.

Yours faithfully,

Pan-China (H.K.) CPA Limited

Certified Public Accountants

Hong Kong

APPENDIX 2 - LETTER FROM THE COMPANY'S BOARD RELATING TO THE PROFIT FORECAST

20 April 2020

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Dear Sir/Madam,

Discloseable Transaction relating to the Deemed Disposal of Aerospace Digitnexus

We refer to the announcement published by China Aerospace International Holdings Limited (the "Company") on 20 April 2020 in relation to the capital increase agreement entered into by Aerospace Digitnexus, Ningbo Herui Zhihua and Shenzhen Info Bee, pursuant to which Ningbo Herui Zhihua and Shenzhen Info Bee will acquire 28.1568% and 27.3036% of the equity interest in Aerospace Digitnexus by way of subscribing for a new registered capital at the consideration of RMB65,000,000 in cash (the "Announcement"). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the valuation of the entire equity interest of Aerospace Digitnexus as at 31 October 2018 prepared by the Independent Valuer (the "Valuation"). The Valuation is based on the discounted future estimated cash flows and is therefore regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the profit forecast upon which the Valuation has been made and considered the basis and assumptions upon which the profit forecast has been made. We have also considered the letter dated 20 April 2020 addressed to the Board from Pan-China regarding its opinion on the discounted future estimated cash flows of the Valuation is based which, so far as the calculations are concerned, have been properly complied in accordance with the basis and assumptions determined by the Directors in the Valuation.

On the basis of the foregoing, we hereby confirmed that the profit forecast has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
the Board of Directors
Jin Xuesheng
Executive Director & President