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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

CONNECTED TRANSACTION SUBSCRIPTION OF EQUITY INTEREST IN NEW BUSINESS

THE CAPITAL INCREASE AGREEMENT

The Board of Directors announced that on 30 July 2020, New Century entered into the Capital Increase Agreement with CGWIC, China SpaceSat, China Satcom and New Business in relation to the Capital Increase of registered capital by New Century in the amount of RMB10,000,000 in New Business at RMB10,820,000 (equivalent to approximately HK\$11,985,201).

Upon completion of the Capital Increase, New Business will become a 68.18% subsidiary of CGWIC and New Century's equity interest in New Business will be slightly diluted from 16.13% to 15.15%. New Business will continue to be equity accounted for as an associate company.

IMPLICATION OF THE LISTING RULES

CGWIC, China SpaceSat, China Satcom and New Business are subsidiaries of CASC, which in turn is the controlling shareholder of the Company as at the date of this announcement, they are connected persons of the Company under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 0.1% but less than 5%, the Capital Increase is a connected transaction for the Company under the Listing Rules which is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirement.

The Board of Directors announced that on 30 July 2020, New Century entered into the Capital Increase Agreement with CGWIC, China SpaceSat, China Satcom and New Business in relation to the Capital Increase of registered capital by New Century in the amount of RMB10,000,000 in New Business at RMB10,820,000 (equivalent to approximately HK\$11,985,201). Upon completion of the Capital Increase, New Century will hold approximately 15.15% enlarged equity interest in New Business.

THE CAPITAL INCREASE AGREEMENT

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

- Date : 30 July 2020
- Parties : (1) New Century, a direct wholly-owned subsidiary of the Company;
(2) CGWIC, a wholly-owned subsidiary of CASC;
(3) China SpaceSat, a subsidiary of CASC;
(4) China Satcom, a subsidiary of CASC; and
(5) New Business, an indirect subsidiary of CASC.
- Subject matter : New Century agrees to make the New Century Subscription and CGWIC agrees to make the CGWIC Subscription, being the subscriptions of RMB10,000,000 and RMB60,000,000 of the registered capital of New Business, respectively.
- China SpaceSat and China Satcom waived their respective rights to subscribe for the registered capital of New Business.
- Upon completion of the Capital Increase, the registered capital of New Business will be increased from RMB62,000,000 to RMB132,000,000.
- Consideration : The subscription price is RMB1.082 per share of the registered capital, based on the valuation of New Business as at 31 July 2019 conducted by China Appraisal Associates.
- The subscription price referred to the valuation of New Business and that will be filed with relevant government department of the PRC by CASC.
- Given that the interest in New Business constitutes a state-owned asset, a qualified assets valuer, China Appraisal Associates, was appointed by CGWIC to value New Business. The valuation of New Business was made in accordance with the rules and regulations of valuation of State-owned assets.
- Payment : New Century and CGWIC shall pay the subscription monies, being RMB10,820,000 (equivalent to approximately HK\$11,985,201) and RMB64,920,000 (equivalent to approximately HK\$71,911,207), in cash in one lump sum within 15 business days of the call notice by New Business.
- Use of fund : as working capital of New Business.

Composition of the board of directors and board of supervisors : The board of directors shall comprise of 9 directors, which shall be nominated by the parties to the Capital Increase Agreement as follows:

1. 4 directors by CGWIC;
2. 2 directors by New Century;
3. 1 director by China SpaceSat;
4. 1 director by China Satcom; and
5. 1 director, being employees' representative of New Business.

CGWIC is entitled to nominate the Chairman.

The board of supervisors shall comprise of 3 supervisors. Each of CGWIC, New Century and the employees' representative of New Business shall be entitled to nominate one supervisor each.

The chairman of the board of supervisors shall be nominated by CGWIC.

Termination : If

1. the parties agree unanimously to terminate;
2. the Capital Increase Agreement is terminated in accordance with law; or
3. there occurs an event of force majeure resulting in difficulties in the performance of the agreement within a reasonable period or the purpose of this agreement cannot be achieved,

the Capital Increase Agreement shall be terminated and any capital paid up under the Capital Increase Agreement by New Century and CGWIC shall be refunded.

Governing law : PRC law

REASONS AND BENEFITS FOR ENTERING INTO THE SUBSCRIPTION

New Century has been a shareholder of New Business since its establishment in 2011. Given the fund raised by the Capital Increase Agreement will be applied towards the working capital of New Business, the Capital Increase will provide the Company's continuous benefit from the growth and profits of the aerospace electronic procurement platform.

The Directors (including the Independent Non-Executive Directors) believe that the terms of the subscription under the Capital Increase Agreement are on normal commercial terms, which are fair and reasonable and the Capital Increase and the entering into of the Capital Increase Agreement is in the interests of the Company and the shareholders as a whole.

Mr Liu Xudong, Mr Hua Chongzhi and Mr Mao Yijin, being officers of CASC's subsidiaries and academy, had abstained from voting at which the resolutions of the New Century Subscription and the Capital Increase Agreement were approved.

INFORMATION ON THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

The Company

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of hi-tech manufacturing and the operation of Shenzhen Aerospace Technology Plaza.

New Century

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

CGWIC

CGWIC specializes in the provision of commercial launch services, satellite systems and to carry out space technology cooperation, as well as actively involves in the promotion of civilian products and services in aerospace technology application.

China Satcom

China Satcom specializes in satellite communications and broadcasting services and provides secure and reliable TV broadcasting and transmissions to the public, clients and key industrial customers, including timely and reliable communications capacity serving major events, emergencies and disaster relief.

China SpaceSat

China SpaceSat specializes in the development of small satellites and micro satellites, the integration of satellite ground application systems, terminal equipment manufacturing and satellite operation services.

New Business

New Business specializes in the construction, operation and application promotion of the aerospace electronic procurement platform, which mainly includes four categories, namely electronic supermarket module, labour insurance welfare module and business travel module, electronic bidding module and price comparison module.

The key financial information of New Business is as follows (in RMB):

	For the year ended 31 December 2018	For the year ended 31 December 2019
Turnover	100,639,959	383,652,533
Profit before taxation	1,213,485	5,887,313
Profit after taxation	1,077,422	5,027,300
	As at 31 December 2018	As at 31 December 2019
Total Assets	128,811,483	244,316,597
Net Assets	45,368,324	50,395,624

The shareholding structure of New Business prior to and after the completion of the Capital Increase is shown as below:

	Registered capital prior to the Capital Increase		Registered capital prior to the Capital Increase	
	RMB'000	%	RMB'000	%
CGWIC	30,000	48.39%	90,000	68.18%
New Century	10,000	16.13%	20,000	15.15%
China SpaceSat	12,000	19.35%	12,000	9.09%
China Satcom	10,000	16.13%	10,000	7.58%
Total	62,000	100.00%	132,000	100.00%

FINANCIAL EFFECT OF THE CAPITAL INCREASE

Upon completion of the Capital Increase, New Business will become a 68.18% subsidiary of CGWIC and New Century's interest in New Business will be slightly diluted from 16.13% to 15.15%. New Business will continue to be equity accounted for as an associate company.

New Century Subscription will be funded by the Company's internal resources.

IMPLICATION OF THE LISTING RULES

CGWIC, China SpaceSat, China Satcom and New Business are subsidiaries of CASC, which in turn is the controlling shareholder of the Company as at the date of this announcement, they are connected persons of the Company under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 0.1% but less than 5%, the Capital Increase is a connected transaction for the Company which is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval requirement.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the Board of Directors;
“Capital Increase”	the increase in registered capital of New Business from RMB62,000,000 to RMB132,000,000, comprising CGWIC Subscription and New Century Subscription.
“Capital Increase Agreement”	the capital increase agreement entered into by New Century and CGWIC as subscribers, China SpaceSat and China Satcom as other existing shareholders and New Business as the subject company on 30 July 2020 in respect of the Capital Increase of New Business;

“CASC”	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the date of this announcement, it holds approximately 38.37% shareholding in the Company and is a controlling shareholder of the Company;
"CGWIC"	China Great Wall Industry Corporation*(中國長城工業集團有限公司), a state-owned enterprise established in the PRC;
“CGWIC Subscription”	the subscription of registered capital by CGWIC in the sum of RMB60,000,000 in New Business at the subscription price of RMB64,920,000;
“China Appraisal Associates”	China Appraisal Associates *(北京中天華資產評估有限責任公司), a qualified assets valuer commissioned by the parties to the Capital Increase Agreement;
“China Satcom”	China Satellite Communications Co., Ltd.*(中國衛通集團股份有限公司), a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (SH.601698);
“China SpaceSat”	China SpaceSat Co., Ltd.*(中國東方紅衛星股份有限公司), a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (SH.600118);
“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;
“Director(s)”	the director(s) of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“New Business”	Aerospace New Business Information Technology Co., Ltd.*(航天新商務信息科技有限公司), a limited liability company established in the PRC;
“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 limited liability company established in the PRC and is a direct wholly-owned subsidiary of the Company;

“New Century Subscription”	the subscription of registered capital by New Century in the sum of RMB10,000,000 in New Business at the subscription price of RMB10,820,000;
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan; and
“RMB”	Renminbi, the lawful currency of the PRC.

By order of the Board
Liu Meixuan
Chairman and Executive Director

Hong Kong, 30 July 2020

As of the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors

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

Non-Executive Directors

Mr Liu Xudong
Mr Hua Chongzhi
Mr Mao Yijin

Independent Non-Executive Directors

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

An exchange rate of HK\$1.00 to RMB0.90278 has been adopted as the conversion rate of HK dollars into RMB for the purpose of this announcement. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

**The English names set out herein are for identification purpose only.*