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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 PRICE SENSITIVE INFORMATION

This Announcement is made by the Company pursuant to the provisions of Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules.

On 22 July 2014, the Company (as guarantor), Digilink Systems (as issuer), a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Brilliant and Amber Treasure pursuant to which Brilliant agreed to subscribe for 46,567,593 Subscription Shares for a consideration of HK\$50,000,000 and Amber Treasure agreed to subscribe for 37,248,322 Subscription Shares for a consideration of HK\$40,000,000.

The percentage of issued shares in Digilink Systems (as enlarged by shares issued under the Subscription) held by the Company after the Subscription will decrease from 100% to 41.72%.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Board announces that, on 22 July 2014, the Company (as guarantor), Digilink Systems (as issuer), a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Brilliant and Amber Treasure pursuant to which, *inter alia*, Brilliant agreed to subscribe for 46,567,593 Subscription Shares for a consideration of HK\$50,000,000 and Amber Treasure agreed to subscribe for 37,248,322 Subscription Shares for a consideration of HK\$40,000,000. Set out below the major terms of the Subscription Agreement:

Subscription Agreement

Date: 22 July 2014

Parties:

1. The Company
2. Digilink Systems Limited, a wholly-owned subsidiary of the Company
3. Brilliant (Hong Kong) Investment Limited
4. Amber Treasure Global Limited

(Brilliant and Amber Treasure are the “Subscribers”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Subscribers and their respective beneficial owners are third parties independent of the Company and its connected persons.

Number of Subscription Shares and Consideration:	Subscribers	Number of Subscription Shares	Consideration (HK\$)	Payment method
	Brilliant	46,567,593	50,000,000	cashier order issued by a licensed bank in Hong Kong or funds transfer to a Hong Kong bank account designated by Digilink Systems
	Amber Treasure	37,248,322	40,000,000	cashier order issued by a licensed bank in Hong Kong or funds transfer to a Hong Kong bank account designated by Digilink Systems
	Total	83,815,915	90,000,000	

Conditions Precedent: The Subscribers’ obligations to complete the Subscription is conditional on, amongst other things:

- (1) The value of Digilink Systems and its subsidiary is not less than HK\$60,000,000 as at 31 March 2014, the appointment of the valuer and the basis for valuation shall have been agreed by Digilink Systems and the Company and approved by the Subscribers which will not raise any objection against the results of the valuation by whatever means.

- (2) Unless the completion of the Subscription and issue of all Subscription Shares takes place at the same consideration and at the same time, the Subscribers shall not be obliged to complete the Subscription.
- (3) Approval (if necessary) of governmental and regulatory authorities (including the PRC, Hong Kong and other applicable areas) (if applicable) has been obtained.
- (4) Warranties made by Digilink Systems under the Subscription Agreement continue to be true and accurate in all material aspects and no circumstance has arisen which constitutes a material breach of the warranties made by Digilink Systems or obligations of Digilink Systems under the Subscription Agreement.
- (5) There is no material adverse change to the business, operation or financial status of Digilink Systems and its subsidiary from the date of the Subscription Agreement.
- (6) The Company, the Subscribers and Digilink Systems will enter into a shareholders' agreement governing matters including but not limited to the composition of the board of directors, operation and management decision making, anti-dilution rights, pre-emption rights and tag along rights and matters requiring an unanimous decision.
- (7) The Company, the Subscribers and Digilink Systems will enter into a deed of indemnity in respect of amongst other, taxation of Digilink Systems.

If these conditions precedent are not satisfied (or waived by the Subscribers) within 30 days or such other period agreed by the parties after the date of the Subscription Agreement, the Subscription Agreement will terminate.

- Payment:** Upon completion of the Subscription, the Subscribers will each pay for the consideration of their Subscription Shares.
- Guarantee:** The Company provides an unconditional and irrevocable guarantee to the Subscribers for the due and punctual performance of Digilink Systems' obligations under the Subscription Agreement.
- Use of proceeds:** The consideration of the Subscription will be utilized for repayment of a shareholder's loan due to the Company, business development and general working capital of Digilink Systems and its subsidiary.
- Post-completion undertaking:** Digilink Systems will inject capital, the amount of which will be determined by the board of directors of Digilink Systems, into its subsidiary within 30 days after the completion of the Subscription.

Pursuant to the shareholders agreement to be entered into between the Company and the Subscribers, it is provided, amongst others, that:-

- a. the board of Digilink Systems shall comprise of 5 members, three of which shall be nominated by the Company, each of the Subscribers may nominate 1 member;

- b. each shareholder of Digilink Systems shall have pre-emptive rights on new shares to be issued;
- c. each of the other shareholders of Digilink Systems shall have first rights of refusal and tag-along rights on disposal of shares by any shareholder; no shares of Digilink Systems may be disposed of shares unless the other shareholders' consents have been obtained; and
- d. each shareholder of Digilink Systems shall not engage in business which will compete with Digilink Systems or its subsidiary.

SHAREHOLDING STRUCTURE OF DIGILINK SYSTEMS BEFORE AND AFTER COMPLETION OF THE SUBSCRIPTION

The following table summarises the shareholding structure of Digilink Systems before and after the completion of the Subscription:

	Before Subscription		After Subscription	
	Number of issued shares	Percentage of issued shares (%)	Number of issued shares	Percentage of enlarged issued shares (%)
1. The Company	60,000,000	100.00	60,000,000	41.72
2. Brilliant	-	-	46,567,593	32.38
3. Amber Treasure	-	-	37,248,322	25.90
Total:	60,000,000	100.00	143,815,915	100.00

INFORMATION IN RELATION TO DIGILINK SYSTEMS

Digilink Systems is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the investment holding business and its subsidiary is principally engaged in the business of internet of things.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION

Digilink Systems is one of the major investment projects of the Company. The Company believes that, after the completion of the Subscription, the shareholding of Digilink Systems will be diversified and the capital base will be expanded so as to reduce investment risk. Further, the capital of HK\$90,000,000 to be paid to Digilink Systems will be used for repayment of a shareholder's loan, business development and as general working capital of Digilink Systems and its subsidiary.

FINANCIAL IMPACT

Upon the completion of the Subscription, the percentage of issued shares in Digilink Systems (as enlarged by shares issued under the Subscription) held by the Company will decrease from 100% to 41.72%.

INFORMATION IN RELATION TO THE COMPANY AND THE SUBSCRIBERS

The Company is an investment holding company and its subsidiaries are principally engaged in hi-tech manufacturing and aerospace services.

Each of Brilliant and Amber Treasure is an investment holding company.

LISTING RULES IMPLICATIONS

As the Subscription will reduce the Company's interest in Digilink Systems, such reduction of interest is regarded as a deemed disposal of the Company under Chapter 14 of the Listing Rules. As all applicable percentage ratios of size tests are below 5%, the Subscription is not subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Amber Treasure”	Amber Treasure Global Limited, a company incorporated in the British Virgin Islands with limited liability;
“Board”	the board of directors of the Company;
“Brilliant”	Brilliant (Hong Kong) Investment Limited (博朗特(香港)投資有限公司), a company incorporated in the Republic of Seychelles with limited liability;
“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 of Hong Kong Limited;
“Deemed Disposal”	The Company's 100% interests in Digilink Systems will be reduced to 41.72% triggered by the Subscription and is regarded as a deemed disposal pursuant to the Listing Rules requirement;
“Digilink Systems”	Digilink Systems Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

“Directors”	the directors of the Company;
“HK\$”	Hong Kong dollar, the legal currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People's Republic of China (for the purpose of this Announcement excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan);
“Subscribers”	means Brilliant and Amber Treasure;
“Subscription”	the subscription of 46,567,593 Subscription Shares by Brilliant at a consideration of HK\$50,000,000 and the subscription of 37,248,322 Subscription Shares by Amber Treasure at a consideration of HK\$40,000,000 pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 22 July 2014 entered into among the Company, Digilink Systems and the Subscribers in respect of the Subscription; and
“Subscription Share”	an aggregate of 83,815,915 shares in Digilink Systems.

By order of the Board
Li Hongjun
Executive Director & President

Hong Kong, 22 July 2014

As of 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 Li Hongjun (<i>President</i>)	Mr Zhang Jianheng (<i>Chairman</i>)	Mr Luo Zhenbang
Mr Jin Xuesheng	Mr Chen Xuechuan	Ms Leung Sau Fan, Sylvia
	Mr Shi Weiguo	Mr Wang Xiaojun