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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)

VOLUNTARY ANNOUNCEMENT

THE “FOURTEENTH FIVE-YEAR” PLAN HIGHLIGHTS

CASIL Plans for the “Fourteenth Five-Year” Period for High Quality Development

To accomplish high quality development of China Aerospace International Holdings Limited (“CASIL”), the research and preparation works for the plans from 2021 to 2025, the “Fourteenth Five-Year” period, was commenced since August 2019. Through learning from relevant national policies in the industry and plans on Guangdong-Hong Kong-Macao Greater Bay Area as well as the national “Fourteenth Five-Year Plan”, researching on key subsidiaries and analyzing industry trend, and systematically reviewing CASIL’s development history, the results of the “Thirteenth Five-Year” Plan were comprehensively concluded. CASIL made combined studies on the pattern of industrial and corporate development, identified existing problems and analyzed the causes, while highlighted the development strategies, objectives, key development projects and tasks under the “Fourteenth Five-Year” Plan.

Reviewing the year from 2016 to 2020, the “Thirteenth Five-Year” period, the operating income increased from HK\$3,088 million to HK\$3,580 million; net profit ranged from HK\$379 million to HK\$1,203 million; accumulated dividend distribution reached HK\$278 million. Continuous investment in research and development had secured sustainable development. Among which, two plants were constructed, increasing a total of 73,000 square metres of gross floor area and expanding production area. Shenzhen Rayitek Hi-Tech Film Company Limited*(深圳瑞華泰薄膜科技股份有限公司), an associated company, had completed restructuring and was listed in April 2021. Aerospace Digitnexus Information Technology (Shenzhen) Limited*(航天數聯信息技術(深圳)有限公司), a non wholly-owned subsidiary of CASIL, introduced strategic investors to develop new energy business; Shenzhen Aerospace Science & Technology Plaza commenced operations; the construction project in the Complex Zone of the Launching Site in Hainan was withdrawn and the investment was recovered, with the principal business being adjusted to manufacturing business principally based on various industrial enterprises, and service business principally based on office buildings’ and industrial garden’s operation.

Confronting the period of “Fourteenth Five-Year”, CASIL conscientiously studies national policies, enters into a new phase of development, upholds new development concepts and establishes new development deployment. Adhering to progression with stability, quality development, reform and innovation, CASIL supports the national strategy on developing Guangdong-Hong Kong-Macao Greater Bay Area, closely follows the pace of transforming and

upgrading city clusters in the Greater Bay Area to world-class centres for innovation, technology and advanced manufacturing sectors and service sector, while captures the significant and historical opportunities of Hong Kong’s future development. CASIL will unleash growth and development potential, enhance the capability for market exploration, and further broaden and consolidate the path for internationalization.

Positioned as the global platform for aerospace industries as well as both a starting and stepping point, CASIL persists in innovation for fostering and serving the aerospace sector, enhancing the modern manufacturing sector, expanding the modern service sector, developing high-technology sector, organizing resources allocation and enhancing its capability. CASIL upholds reform-driven development, establishes a sound and modern corporate system, implements lean management and enhances operation and management efficiency. CASIL insists to be an enterprise with strong talent base, enhances the establishment of its operation and management teams, and implements term-based appraisals on operation and management responsibilities and targets to facilitate sustainable development. With reference to the ideas of “internationalized standards, market-oriented requirements and professional operation”, CASIL aims at realizing breakthroughs in innovation ability, market exploration, development methods and global management.

The management aims to develop CASIL as a listed red-chip company with strong value creation capability, focusing on advanced manufacturing sector, modern service sector and high-technology sector by 2025.

With such regards, focus will be put on the following tasks:

I. Increase investment in technology innovation to realize innovation-driven development

A technology innovation centre is established in the Company, while a research and development center is established in respective manufacturing enterprises. Deployed with full-time researchers, led by the Company and supported by respective enterprises, an open-end, converged and innovative structure integrating production and academic research will be established.

Investment will be made on technology innovation and creating conditions to attract external talents every year, and industry experts will be invited to support technology innovation.

During the “Fourteenth Five-Year” period, manufacturing enterprises will strive to commence innovations on production processes and modification on production procedures. With thorough automation and modification of existing production lines, production quality and efficiency will be greatly enhanced while the number of workers will be reduced, thereby formulating advanced manufacturing capability and enhancing technology and product research and development.

II. Enhance capability to meet development needs

During the “Fourteenth Five-Year” period, manufacturing enterprises will make investment on regular technology modification, mainly for equipment update and smart plant construction.

The Intelligent Power Modules (IPM) production lines are to be developed in order to form the respective production capacity.

Highly precise print circuit board (PCB) plant is to be planned and invested, with a production capacity of 300,000 square metres of integrated circuit packaging substrate per annum to be established.

On top of the investment and construction of phase I in Vietnam and in line with market demand and development needs, the investment and construction of phase 2 is to be commenced at a suitable time, which consists of 3 blocks of production plants.

For the development of the remaining land in Huizhou Industrial Garden, 2 blocks of production plant are planned to construct, an increase in 50,000 square metres of gross floor area.

III. Determine a clear equity investment direction and improve investment management

CASIL will maintain its strategic stability and focuses on its principal businesses and aerospace-related industry chain. Through industry connection, innovation and synergy, integration of production and financing, as well as connection with operating companies and investment companies in terms of innovation chain, industry chain and investment chain, CASIL will commence equity investment, mergers and acquisition and reorganization. Corporate management will be enhanced with emphasis on strengthening and optimizing capital and share increase, quality and efficiency enhancement as well as trimming and consolidation. Supervision and clearance of companies with low efficiency will be strengthened, while business and financial supervision, exercise of rights and decisions on staying and leaving will be commenced based on investment returns.

For building up the strength of printed circuit board (PCB), a newly established subsidiary will be established to increase production capacity, whereas making Dongguan Hong Yuen Electronics Company Limited*(*東莞康源電子有限公司*), a subsidiary, as the principal entity for the development of PCB business.

By inviting core staff to joint development, an IPM industrialized company is planned to establish.

IV. Strengthen incentives and bindings to become an enterprise with strong talent base

CASIL will continue to enhance the overall capability of its managers, comprehensively improve the management system for senior operation and management talents in line with the pattern of market economy, optimize the “Management Methods on Managers”, implement the “Management Methods on Young and Reserve Management” to select and establish a reserve team comprising of young operation and management personnel for succession.

Term system and contractual management are to be implemented for management. The Board and the management will enter into employment agreements and labour contracts, annual and term operation results targets accountability letters. Annual and term remuneration as well as recruitment or dismissal will be determined based on the appraisal results. With the implementation of the “Management Methods on the Accountability and Appraisal of Operation Targets within the Term of the Managers of Subsidiaries”, term-based system and contractual management of managers at subsidiaries are realized.

Long-term incentive measures will be studied and formulated to further enhance the incentives for core talents. The “Proportional Incentive Measures on Converting Technological Results into Income” is studied and formulated to enhance the incentives for innovation works

and personnel.

V. Enhance management to prevent operation risks

Oriented on cash flow and targeting at financial performance, CASIL will enhance financial management and control, foster financial transformation, deepen business and financial integration, and enhance the overall capital efficiency. For enhancing cost control, lowering cost and increasing efficiency, and management of the budget performance of projects will be implemented. A credit assessment base for users and customers will be established. With control on the receipt and payment methods for materials and products, receivables and inventories will be effectively controlled.

With the objectives of enhancing overall risk control, preventing and solving material risks, CASIL will enhance control on strategic risks, operation risks and safe production risks. Control measures are determined and clear responsibilities and authorities are established, which together with an efficient and comprehensive risk management system, safeguard the sustainable and healthy development of the Company.

With the objective of establishing a modern corporation system tailored for CASIL, thorough and in-depth establishment of internal regulatory system has been conducted. CASIL optimizes the consistency of decision making for corporate governance, while implements and supervises the internal regulatory system for the whole processes. Through optimizing the systems, procedures and mechanisms, CASIL aims to consolidate every aspects of fundamental management, enhance operation quality and efficiency, and fosters the quality development of the Company.

Shareholders and other investors should note that there is currently no guarantee on the specific time for the implementation of the above matters, and it may or may not be completed. The Company will make disclosures upon entering into any formal agreement or contract on the above matters, if necessary.

Shareholders and other investors are reminded to exercise caution when dealing in securities of the Company.

By order of the Board

Zhou Limin

Chairman & Executive Director

Hong Kong, 6 May 2022

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

Executive Directors

Mr Zhou Limin (*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

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