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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

MAJOR TRANSACTION

CONSTRUCTION CONTRACT OF NANTONG HONG YUEN

CONSTRUCTION CONTRACT

The Board is pleased to announce that upon the completion of the tender procedure, on 12 May 2023, Nantong Hong Yuen, an indirectly wholly-owned subsidiary of the Company, entered into the Construction Contract with China Construction No 8 in relation to the Plants Construction Project Phase I at a consideration of RMB316,859,999.99 (equivalent to approximately HK\$358,889,556), inclusive of the estimated price for pile foundation engineering works of RMB23,799,085.09 (equivalent to approximately HK\$26,955,889). As the pile foundation engineering quantity is only ascertainable at a later stage of construction, such item will be charged according to actual work done at a price to be agreed by the parties.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Construction Contract is more than 25% but all of them are less than 100%, the Construction Contract constitutes a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that upon the completion of the tender procedure, on 12 May 2023, Nantong Hong Yuen, an indirectly wholly-owned subsidiary of the Company, entered into the Construction Contract with China Construction No 8 in relation to the Plants Construction Project Phase I at a consideration of RMB316,859,999.99 (equivalent to approximately HK\$358,889,556).

The construction of Plants Construction Project Phase I will be funded by the Company and Nantong Hong Yuen's own funds.

The Plants Construction Project Phase I will be built on a parcel of land newly acquired in December 2022 with site area of 131,666 sq.m. located at Nantong High-Tech Development Industrial Zone of the Jiangsu Province with a land use right valid till 30 November 2072 (subject to a building covenant of completion of building before 31 May 2025) at a consideration of RMB42,791,450 (equivalent to approximately HK\$48,467,476). The right to use is industrial land. The relevant approvals for the planning and building works in relation to the construction project has been obtained from Nantong Government. Upon completion, it is expected the Plants Construction Project Phase I will be used as the self-use production plants of Nantong Hong Yuen for its production of integrated circuit packaging substrates.

Nantong Hong Yuen has conducted a public tender exercise for the selection of a qualified contractor for the Plants Construction Project Phase I with the relevant construction licences. Upon completion of the tender procedure, China Construction No 8 was selected as the contractor of the Plants Construction Project Phase I. Tenders were received from 11 bidders. Nantong Hong Yuen has taken into consideration of the quotations, scale of the enterprises, qualification ratings, financial conditions, and enterprise reputation and credibility of all bidders, among which the quotation, structural design of the construction, relevant project management experience, performance in carrying out construction works of comparable scale, and qualifications of the bidders were the major factors considered by Nantong Hong Yuen and finally China Construction No 8 was selected as the contractor of this project. China Construction No 8's overall assessment score is the highest among all bidders. Further, the quotation submitted by China Construction No 8 is not higher than Nantong Hong Yuen's estimation of the Construction Contract value and scale, as carried out by an independent consultant, Nantong Tongcheng Construction Engineering Project Management Company Ltd.* (南通通城建設工程項目管理有限公司), having regard to the costs of materials and labour costs estimated to be incurred, and the prevailing market price for carrying out the construction works with comparable scale and complexity.

CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out below:

Date : 12 May 2023

Parties : (1) Nantong Hong Yuen (as principal); and
(2) China Construction No 8 (as contractor)

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, China Construction No 8 and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Construction works : Pursuant to the Construction Contract dated 12 May 2023, China Construction No 8 undertakes to construct 13 buildings, including 2 factory buildings, 1 production laboratory building, 1 dormitory, 1 canteen, 1 power waste water consolidated station, 1 Category A warehouse, 3 guard stations, and connecting corridors with a construction area of about 134,650 sq.m, including underground construction area of 7,188 sq.m. in respect of the Plants Construction Project Phase I and inclusive of all underground engineering (including pile foundation, foundation pit, water pool etc.), structural construction, mechanical and electrical engineering of all buildings, fire safety system, elevator, drainage, public lighting, etc.

Construction period : The construction period is 330 days (it is expected to commence construction in late June 2023 and complete in late May 2024).

Consideration : The consideration payable to China Construction No 8 under the Construction Contract is RMB316,859,999.99 (equivalent to approximately HK\$358,889,556), which includes the preliminarily estimated price for pile foundation engineering works of RMB23,799,085.09 (equivalent to approximately HK\$26,955,889). And, the fence work done prior to the Construction Contract of RMB347,750.29 (inclusive of 9% VAT) will be deducted from the consideration.

The parties will agree on the pile foundation engineering work quantity at a later stage of construction. In the event that there is a change of design and an increase in the quantity of work (as permitted by the principal's on-site officers), the adjustment of consideration shall be made according to the unit price submitted in the tender and in case the additional work is not covered in the submitted unit price list, the consideration shall be determined according to the assessment by the independent cost consulting firm.

No adjustment in the consideration will be made in the event of change of government policy or fluctuation in market price (including material and labour) or other foreseen risks.

The consideration was arrived at based on the bidding price offered by China Construction No 8, which has been selected by Nantong Hong Yuen through a public tender procedure. After thorough evaluation of the bids and considering the factors as explained in the section headed "Introduction" above, Nantong Hong Yuen considers that China Construction No 8 is able to provide related construction services so as to satisfy the construction requirements of the Plants Construction Project Phase I.

- Performance guarantee** : China Construction No 8 shall provide an irrevocable performance guarantee issued by a bank of 10% of the contract consideration in favour of Nantong Hong Yuen before the signing of the Construction Contract. During the term of the Construction Contract, Nantong Hong Yuen shall have the right to set-off any claim against such guarantee.
- Payment terms** : The consideration of the Construction Contract shall be paid by Nantong Hong Yuen in cash in the manners set out below:
1. Advance construction fee of RMB9,476,384.28 (equivalent to HK\$10,733,369): (i) 50% of which shall be payable within 28 days after the commencement of works, and (ii) the balance shall be payable in accordance with the progress of the completed work.
 2. Construction progress payment: up to 80% of the contract consideration, which shall be paid to China Construction No 8 on a monthly basis according to the progress payment request made by China Construction No 8 (on the value of the work completed, less a 20% as retention) and reviewed by Nantong Hong Yuen.
 3. Within 45 days upon completion of the construction works and the project settlement audit and after the submission of construction completion documents for the confirmation of Nantong Hong Yuen, up to 97% of the reviewed settlement price of such completed construction works shall be paid to China Construction No 8. For overdue payment, liquidated damages shall be payable according to the benchmark interest rate of similar loans for the same period as announced by the People's Bank of China; if the payment is overdue for more than 56 days, the liquidated damages shall be payable at twice the benchmark interest rate of similar loans for the same period as announced by the People's Bank of China.
 4. Quality guarantee deposit: being 3% of the reviewed settlement price, which shall be withheld at the same time of settlement upon completion of the construction works. A general 24-month defect liability period shall start from the date of completion and the acceptance of the construction works. China No 8 Construction shall undertake repair works due to defects in the quality of the construction works within the defect liability period, the cost of such repair works shall be borne by China Construction No 8. Upon expiry of the defect liability period, the quality guarantee deposit shall be returned together with interest at the quoted market interest rate for loans of the same period as announced by the People's Bank of China.

- Quality warranty period** : According to the “Regulations on Construction Project Quality Management”, the quality warranty periods shall be as follows:
- for foundation and main structure, the reasonable service life of the project specified in the design documents;
 - for roof waterproofing works, toilets with waterproof requirements, anti-seepage of rooms and external walls, 5 years from the date of the completion of the acceptance of the construction works; and
 - unless otherwise stated, the quality warranty period is 24 months from the date of the completion of the acceptance of the construction works.
- Delay in construction** : If the construction is delayed due to reasons caused by China Construction No 8, China Construction No 8 shall pay to Nantong Hong Yuen liquidated damages, a daily liquidated sum equivalent to 10% of the average daily contract sum of the Construction Contract for each day of delay, and there is no cap for liquidated damages. In addition, Nantong Hong Yuen may claim China Construction No 8 for all losses suffered as a result of such delay in construction.
- Completion** : Upon the submission of application for completion acceptance by China Construction No 8, Nantong Hong Yuen shall organize for the arrangement of completion inspection and acceptance.
- Governing law** : PRC law

INFORMATION ON THE COMPANY, NANTONG HONG YUEN AND CHINA CONSTRUCTION NO 8

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

Nantong Hong Yuen is a limited liability company established in the PRC and is indirectly wholly-owned by the Company. Nantong Hong Yuen is established to be engaged in the production of integrated circuit packaging substrates, with a focus on high-end FC-type packaging substrates, including FCCSP and FCBGA products.

China Construction No 8 is a limited liability company established in the PRC and is wholly owned by China State Construction Engineering Corporation Limited (中國建築股份有限公司), a company listed in the Shanghai Stock Exchange (stock code: 601668) which is in turn indirectly held as to 56.35% by China State Construction Engineering Corporation (中國建築集團有限公司). China Construction No 8 is principally engaged in the businesses of undertaking construction works, highway works, steel structure works, bridge works, municipal public works and electrical and mechanical works, etc.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

The Company is implementing various business initiatives in accordance with the 14th Five-Year Plan, with the Nantong Hong Yuen project being one of the main planned business ventures. The construction of a high-precision printed circuit board factory for our own use will accelerate the high-quality development of the integrated circuit industry in the new era, and increase the production capacity of Dongguan Hong Yuen and its circuit packaging substrates. The implementation of the Plants Construction Project Phase I in accordance to the Construction Contract will enable the Company and its subsidiaries to expand its production scale in the future.

China Construction No 8 was selected by Nantong Hong Yuen as the contractor of the Plants Construction Project Phase I after due and careful consideration and thorough evaluation of all bidders in accordance with the factors as explained in the section headed “Introduction” above.

In view of the above, the Directors are of the view that the terms for the Construction Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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A circular containing further details of the Construction Contract, together with the notice of the extraordinary general meeting is expected to be dispatched to Shareholders on or before 25 May 2023.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:–

“Board”	the Board of Directors 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 main board of the Stock Exchange (stock code:31);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Construction Contract”	the construction contract dated 12 May 2023 relating to the construction of the Plants Construction Project Phase I entered into between Nantong Hong Yuen (as principal) and China Construction No 8 (as contractor);

“Construction Works”	the construction works of the Plants Construction Project Phase I at Industrial Land pursuant to the Construction Contract as further elaborated in the section headed “Construction Works” in this announcement;
“China Construction No 8”	China Construction Eighth Engineering Division Corp., Ltd. (中國建築第八工程局有限公司), a limited liability company established in the PRC;
“Director(s)”	the directors of the Company;
“Industrial Land”	a parcel of industrial land with site area of 131,666 sq.m. located at Nantong High-Tech Development Industrial Zone of the Jiangsu Province acquired in December 2022 with a land use right valid till 30 November 2072 (subject to a building covenant of completion of building before 31 May 2025);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Nantong Hong Yuen”	Nantong Hong Yuen Circuit Technology Company Limited* (南通康源電路科技有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by the Company through its wholly-owned subsidiary, Dong Guan Hong Yuen Electronics Co. Ltd. (東莞康源電子有限公司);
“Plants Construction Project Phase I”	Nantong Hong Yuen Integrated Circuit Packaging Substrate Project (南通康源集成電路封裝載板項目), the construction of 13 buildings, including 2 factory buildings, 1 production laboratory building, 1 dormitory, 1 canteen, 1 power waste water consolidated station, 1 Category A warehouse, 3 guard stations, and connecting corridors with an aggregate construction floor area of approximately 134,650 sq.m including underground construction area of 7,188 sq.m. on Industrial Land pursuant to the Construction Contract;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;

“Shareholder(s)” holder(s) of the share(s) of the Company;
“Stock Exchange” The Stock Exchange of Hong Kong Limited; and
“sq.m.” square metre(s).

By order of the Board
Zhou Limin
Chairman & Executive Director

Hong Kong, 12 May 2023

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

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr Zhou Limin (<i>Chairman</i>)	Mr Hua Chongzhi	Mr Luo Zhenbang
Mr Song Shuqing (<i>President</i>)	Mr Teng Fangqian	Mr Wang Xiaojun
	Mr Peng Jianguo	Ms Chen Jingru

For the purposes of this announcement, the translation of Renminbi into Hong Kong dollars has been calculated using the exchange rate of HK\$1.00 : RMB0.88289. Such exchange rate is for illustration purposes only and does not constitute a representation that any amount has been, could have been or will be translated at such exchange or at all.

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