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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

**Main Contractor Contract regarding the Construction of
the Shenzhen Aerospace Science & Technology Plaza**

The Directors announce that a main contractor contract was entered into with 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) for the construction of the main structure of the Shenzhen Aerospace Science & Technology Plaza on 23 January 2011 at a consideration of RMB931,996,000 (equivalent to approximately HK\$1,099,700,000). As the value of the Main Contractor Contract exceeds 25% of the unaudited consolidated total assets of the Company of HK\$4,913,000,000 (approximately RMB4,164,000,000) and the market capitalisation of the Company, it constitutes a major transaction of the Company, which will be subject to Shareholders' approval in a general meeting.

A circular setting out, among others, details of the Main Contractor Contract will be despatched to Shareholders as soon as practicable, together with the notice of the Extraordinary General Meeting.

Further to the announcement dated 14 January 2011 in respect of a major transaction regarding contracts for the construction of the Shenzhen Aerospace Science & Technology Plaza and a connected transaction on the facility agreement with a syndicate of financial institutions ("14 January Announcement"), the Board of Directors of the Company further announces that the Main Contractor Contract was entered into with the Main Contractor for the construction of the main structure of the Shenzhen Aerospace Science & Technology Plaza on 23 January 2011 at a consideration of RMB931,996,000 (equivalent to approximately HK\$1,099,700,000). All capitalised terms used in this announcement shall have the same meanings as described in the 14 January Announcement, unless the context otherwise requires.

The Main Contractor Contract has been awarded by public tender to the Main Contractor, an independent third party PRC Company having premium class civil engineering general contract certificate qualification.

Salient terms of the Main Contractor Contract as follows:

Date: 23 January 2011

Parties: Shenzhen Aerospace (as the owner)

Main Contractor (as the contractor)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Main Contractor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Specifications of the works under the Main Contract:

The works cover an area of approximately 12,619 square metres and is categorised as type 1 (extra-high building). The structure of the building is a frame-tube structure and frame structure. The gross floor area will amount to approximately 196,000 square metres, including 44,000 square metres of gross floor area of 4-storey underground constructions. The ground buildings comprise a 6-storey shopping complex with a 212.5 metres main tower (Building No.1) and a 121.3 metres sub-tower (Building No.2). The underground buildings comprise a basement for the purpose of civil air defence and parking lots, technical rooms and commercial rooms.

Scope of work:

Construction works under the construction drawing of Main Contractor Contract, including but not limited to the foundation, main structural work, masonry and rudimentary decoration, electrical installation work, electrical engineering (light current), air-conditioning installation work, waterproof work, civil air defence work, termite-resistant work, subway paths, water supply and drainage work, fire engineering work, fine decoration, curtain-wall work, steel structure work, high/low voltage system etc..

Tender price:

RMB931,996,000 (equivalent to approximately HK\$1,099,700,000), inclusive of all labour and material and equipment costs, subcontractor fees, costs and expenses in respect of permits required for the development and construction works and repair works during warranty period.

Variation of scope of work:

Subject to the agreement by the parties, the scope of work and the related consideration may be adjusted.

Payment terms:

95%, within 14 days after the acceptance by the parties of the 竣工支付證書 (completion and payment certificate) in respect of the relevant work done.

5% as warranty, after 2 years of completion and acceptance of the work and delivery of a warranty guarantee by the Main Contractor.

Performance guarantee sum:	Equivalent to 15% of the tender price to be provided by the Main Contractor's bank, insurance company or guarantee company in favour of Shenzhen Aerospace within 15 days upon the Main Contractor Contract becomes effective.
Payment guarantee sum:	Equivalent to 15% of the tender price to be provided by Shenzhen Aerospace's bank, insurance company or guarantee company in favour of the Main Contractor within 15 days upon the Main Contractor Contract becomes effective.
Construction period:	828 days from the 工程樁的開工令 (the order of foundation engineering).
Effective Date of Main Contractor Contract:	After execution by the parties, filing with the relevant government authorities and approval by the Shareholders of the Company.
Progress report:	The Main Contractor shall provide monthly report on the progress of the construction.
Warranties and warranty period:	The Main Contractor shall provide warranty of the quality in respect of the works covered under the Main Contract and its variation orders. In general, a period of 2 years for decorative, electrical, piping and air ventilation system work. For waterproof related matters, the warranty period is 5 years. For the foundation and the main structure, the warranty shall cover reasonable period of usage as per detailed design documentation. Warranty on other works shall be as required under the relevant PRC regulations.

Variation of scope of work

As it is normal that there will be minor alteration and adjustment of the scope of work under the Main Contractor Contract, the Company estimates that it will be normal for variation orders be issued by Shenzhen Aerospace. Based on the experience of the management of Shenzhen Aerospace, it is expected that there may be an upward adjustment to the total consideration payable under the Main Contractor Contract and an increase of 15% to 20% over the Tender Price on the basis of the current design of the Shenzhen Aerospace Science & Technology Plaza is considered a reasonable range.

Listing Rules implication

As the value of the Main Contractor Contract exceeds 25% of the unaudited consolidated total assets of the Company of HK\$4,913,000,000 (approximately RMB4,164,000,000) and the market capitalisation of the Company, it constitutes a major transaction of the Company and will be subject to the Company's Shareholders' approval in a general meeting.

Funding

It is expected that the construction costs will be funded by internal resources of Shenzhen Aerospace, the Facilities and other facilities from financial and/or banking institutions. It is expected that the Company will not have to make further investment in Shenzhen Aerospace. The shareholders of Shenzhen Aerospace have already contributed a registered capital of RMB700,000,000, which had been approved by the Shareholders of the Company in 2008.

Information on the Company, Shenzhen Aerospace and the Main Contractor

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

Shenzhen Aerospace is a 60% indirectly owned subsidiary of the Company. The other 40% interests of Shenzhen Aerospace is owned by 航天科技投資控股有限公司 (Aerospace Technology Investment Holdings Limited)[#]; a wholly-owned subsidiary of CASC, the major shareholder of the Company, and 深圳航天科技創新研究院 (Shenzhen Science & Technology Institute)[#]. The approved business scope of Shenzhen Aerospace are development and transfer of technologies, provision of technological advisory and services, the establishment of enterprises, the research and manufacturing of satellite related products, development of infrastructure and related businesses, the management and leasing of properties. Its current project is the development of the Shenzhen Aerospace Science & Technology Plaza.

The Main Contractor is listed on the Shanghai Stock Exchange. According to the Main Contractor's website, it is engaged in building construction, international contracting, real estate development and investment, infrastructure, design and prospecting and is the largest construction conglomerate and the largest international main contractor in China.

Reasons for and benefit of construction of the Shenzhen Aerospace Science & Technology Plaza

Given that the prosperous development of property market in Shenzhen as a result of the acceleration of the structural change in industries in recent years and the substantial development of the four core industries, such as advance technology, finance, logistics and culture, that leads to a keen demand in high quality offices in the foreseeable future, it is anticipated that the Company would benefit from good return from the development, management and operations of the Shenzhen Aerospace Science & Technology Plaza by Shenzhen Aerospace. The development of Shenzhen Aerospace Science & Technology Plaza is expected to further strengthen the Company's property investment portfolio. In the long run, the Company will benefit from the provision of steady cash flow by Shenzhen Aerospace from the recurring rental income of the Shenzhen Aerospace Science & Technology Plaza.

General

The circular setting out, among others, details of the Main Contractor Contract, details of the proposed construction plan of Shenzhen Aerospace Science & Technology Plaza, the Facilities, Letter from the Independent Board Committee and Letter to the Independent Board Committee and the Independent Shareholders from Independent Financial Adviser will be despatched to Shareholders, together with the notice of extraordinary general meeting, as soon as practicable.

Terms used in this Announcement

“Main Contractor”	中國建築股份有限公司 (China State Construction Engineering Corporation Limited); and
“Main Contractor Contract”	the main contractor contract dated 23 January 2011 between Shenzhen Aerospace and the Main Contractor.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 23 January 2011

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

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr Li Hongjun (<i>President</i>) Mr Jin Xuesheng	Mr Rui Xiaowu (<i>Chairman</i>) Mr Wu Zhuo (<i>Vice Chairman</i>) Mr Chen Xuechuan Mr Shi Weiguo Dr Chan Ching Har, Eliza Mr Zhou Qingquan	Mr Chow Chan Lum, Charles Mr Luo Zhenbang Mr Wang Junyan

These PRC entities do not have English names, the English names set out herein are for identification purpose only.

For the purpose of this Announcement, the exchange rate of RMB: HK\$ is RMB0.84754: HK\$1.00.