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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

CHANGE IN USE OF PROCEED

Reference is made to the announcement of the Company dated 4 February 2010 (the “Announcement”) relating to the entering into of a Placing and Subscription Agreement by the Company with the Vendor and the Placing Agent for the placing of 514,118,000 Placing Shares. The net proceed from the Subscription after all the relevant expenses was about HK\$560 million and was intended to be applied towards funding the project of the Complex Zone of the Launching Site, Hainan Province and the related projects of the aerospace business under planning. Unless otherwise defined, terms used in this announcement shall have the same meanings as set out in the Announcement.

The Board of Directors of the Company announces that the Company has utilised a sum of HK\$540 million in the specified purpose and a sum of HK\$20 million (representing approximately 3.57% of the net proceed) remains unused. As the internal reorganization of substantial shareholder and the capital to be input and other factors necessary for the establishment of aerospace business are required to match up, it would take a comparatively longer time to promote the process. In addition, both the global economic environment and the financial markets are recently affected by substantial adverse factors, the continued promotion of aerospace business will increase investment risks. As such, the Company, acting on a prudence basis, will suspend the establishment of aerospace business and the remaining proceed of HK\$20 million will be used as general working capital of the Company instead.

The Directors, including the Independent Non-Executive Directors, consider that the change in use of proceed is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

By order of the Board
Li Hongjun
Executive Director & President

Hong Kong, 23 December 2011

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 Wu Yanhua (<i>Chairman</i>)	Mr Chow Chan Lum, Charles
Mr Jin Xuesheng	Mr Wu Zhuo (<i>Vice Chairman</i>)	Mr Luo Zhenbang
	Mr Chen Xuechuan	Mr Wang Junyan
	Mr Shi Weiguo	
	Dr Chan Ching Har, Eliza	
	Mr Zhou Qingquan	