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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**

### **DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT**

#### **CONSTRUCTION CONTRACT**

The Board is pleased to announce that upon the completion of the tender procedure, on 12 October 2022, HZ Industrial Garden, a 90% directly owned subsidiary of the Company, entered into the Construction Contract with Huizhou Construction in relation to the Plants Construction Project Phase 5 at a consideration of RMB94,546,637.19 (equivalent to approximately HK\$104,381,458).

#### **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 5% but all of them are less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements, but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that upon the completion of the tender procedure, on 12 October 2022, HZ Industrial Garden, a 90% directly owned subsidiary of the Company, entered into the Construction Contract with Huizhou Construction in relation to the Plants Construction Project Phase 5 at a consideration of RMB94,546,637.19 (equivalent to approximately HK\$104,381,458). The construction of Plants Construction Project Phase 5 will be funded by HZ Industrial Garden's own funds.

The Plants Construction Project Phase 5 will be built on the Industrial Garden Land situated in the Aerospace Science and Technology Industrial Garden purchased by HZ Industrial Garden in 1998 with a land use right valid till 2048. 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 Zhongkai Government. Upon completion, it is expected the Plants Construction Project Phase 5 will be used as the production plants of the Company and its subsidiaries.

HZ Industrial Garden has conducted a public tender exercise for the selection of a qualified contractor for the Plants Construction Project Phase 5 with the relevant construction licences. Upon completion of the tender procedure on 15 September 2022, Huizhou Construction was selected as the contractor of the Plants Construction Project Phase 5. Tenders were received from nine bidders. HZ Industrial Garden 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 HZ Industrial Garden and finally Huizhou Construction was selected as the contractor of this project. Huizhou Construction's overall assessment score is the highest among all bidders. Further, the quotation submitted by Huizhou Construction is consistent with HZ Industrial Garden's estimation of the Construction Contract value and scale, as carried out by an independent consultant, Huizhou Jianjia Cost Consulting Firm Co., Ltd.\*(惠州市建佳造價諮詢事務所有限公司), 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 October 2022

**Parties** : (1) HZ Industrial Garden (as principal); and  
(2) Huizhou Construction (as contractor)

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, Huizhou Construction 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 October 2022, Huizhou Construction undertakes to construct two eight-storey production plants and one four-storey office on the Industrial Garden Land with an aggregate site area of approximately 14,849.05 sq.m and a total construction area of approximately 40,365 sq.m. The Construction Works include main structure works, waterproof works, electric works, fire safety works and all other construction works and warranty repair as specified in the Construction Contract and construction drawings.

**Consideration** : The consideration payable to Huizhou Construction under the Construction Contract is RMB94,546,637.19 (equivalent to approximately HK\$104,381,458), subject to adjustments (i) in the event of design change or issuance of any on-site permit confirmed by HZ Industrial Garden or the project manager engaged by HZ Industrial Garden; and (ii) in the event of the market price fluctuation of certain major building materials (such as cement, rebar, concrete, mortar, masonry and aluminium alloy) exceeds 5% over the unit price confirmed by HZ Industrial Garden.

The consideration was arrived at based on the bidding price offered by Huizhou Construction, which has been selected by HZ Industrial Garden through a public tender procedure. After thorough evaluation of the bids and considering the factors as explained in the section headed "Introduction" above, HZ Industrial Garden considers that Huizhou Construction is able to provide related construction services so as to satisfy the construction requirements of the Plants Construction Project Phase 5.

**Construction period** : The construction period is 12 months, i.e. 365 days (it is expected to commence construction in November 2022 and complete in October 2023).

**Payment terms** : The consideration of the Construction Contract shall be paid by HZ Industrial Garden in cash in the manners set out below:

1. Construction advance payment: 20% of the consideration of the Construction Contract (exclusive of any provisional amount) (i.e. RMB18,909,327.44 (equivalent to approximately HK\$20,876,292) ) shall be paid to Huizhou Construction within 10 days from the signing of the Construction Contract.
2. Construction progress payment: 80% of the value of actual completed construction works in the relevant month, as reviewed by the project manager and HZ Industrial Garden (including 80% of the price adjustment for the corresponding period as a result of design change and major building materials price change) shall be paid to Huizhou Construction on a monthly basis.

The remainder of up to 85% of the consideration of the Construction Contract (i.e. RMB80,364,641.61 (equivalent to approximately HK\$88,724,239)) shall be paid to Huizhou Construction upon completion and the acceptance of the construction works.

Upon completion of the construction works and the project settlement audit and after the submission of construction completion documents for the confirmation of HZ Industrial Garden, up to 97% of the reviewed settlement price of such completed construction works shall be paid to Huizhou Construction.

3. Quality guarantee deposit: the remaining 3% of the reviewed settlement price will be withheld by HZ Industrial Garden as quality guarantee deposit. The two-year warranty period shall start from the date of completion and the acceptance of the construction works. Huizhou Construction shall undertake the repair works due to quality problems on the construction works within the warranty period, the cost of such repair works shall be borne by Huizhou Construction. HZ Industrial Garden shall release 50% of the quality guarantee deposit to Huizhou Construction one year after the completion and the acceptance of the construction works. The remainder of the quality guarantee deposit shall be released to Huizhou Construction upon expiry of the warranty period.

**Delay in construction period** : If the construction period is delayed due to reasons caused by Huizhou Construction, Huizhou Construction shall pay to HZ Industrial Garden liquidated damages, a sum equivalent to 0.2% of the consideration of the Construction Contract for each day of delay from the third day of delay, and there is no cap for liquidated damages.

**Completion** : Upon the submission of application for completion acceptance by Huizhou Construction, HZ Industrial Garden shall organize for the arrangement of completion inspection and acceptance. If HZ Industrial Garden fails to make such arrangement and issue the project acceptance certificate in accordance with the terms thereon, the liquidated damages payable by HZ Industrial Garden to Huizhou Construction will be calculated according to the loan market quotation interest rate published by the National Interbank Funding Center authorized by the People's Bank of China.

## **INFORMATION ON THE COMPANY, HZ INDUSTRIAL GARDEN AND HUIZHOU CONSTRUCTION**

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.

HZ Industrial Garden is a sino-foreign joint equity enterprise established in the PRC and is directly owned as to 90% by the Company and 10% by Huizhou Hongyue Real Estate Co., Ltd.\* (惠州市宏月房地產有限公司) (formerly known as Huizhou Township Enterprise Real Estate Development Company\* (惠州市鄉鎮企業房地產開發公司)). HZ Industrial Garden is principally engaged in constructing industrial buildings and supporting facilities.

Huizhou Construction is a limited liability company established in the PRC and is wholly owned by Huizhou City Construction Investment Group Co., Ltd. \* (惠州市城市建設投資集團有限公司) which is in turn indirectly held as to 93.31% by the State-owned Assets Supervision and Administration Commission of the Huizhou Municipal People's Government and 6.69% by the Department of Finance of Guangdong Province. Huizhou Construction is principally engaged in the businesses of undertaking housing construction works, municipal public works, building decoration and installation works, earthwork engineering, ancient architecture engineering, steel structure works, mechanical and electrical equipment installation works and landscaping engineering, etc.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT**

Given the present utilization rate of the production plants in Aerospace Science and Technology Industrial Garden has been saturated, the Company has initiated the Plants Construction Project Phase 5 to ensure the smooth and effective implementation of the “14th Five-Year Plan” development plan for its subsidiaries and expand the production capability of the Company and its subsidiaries in advanced manufacturing and high-tech industries in Aerospace Science and Technology Industrial Garden, as well as to better utilize the idle land in the area of industrial garden. The implementation of the Plants Construction Project Phase 5 in accordance to the Construction Contract will enable the Company and its subsidiaries to expand its production scale in the future.

Huizhou Construction was selected by HZ Industrial Garden as the contractor of the Plants Construction Project Phase 5 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 IMPLCATIONS**

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 5% but all of them are less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements, but is exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITION**

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 October 2022 relating to the construction of the Plants Construction Project Phase 5 entered into between HZ Industrial Garden (as principal) and Huizhou Construction (as contractor);
“Construction Works”	the construction works of the Plants Construction Project Phase 5 at Industrial Garden Land pursuant to the Construction Contract as further elaborated in the paragraph headed “Construction Works” in this announcement;
“Director(s)”	the directors of the Company;
“Huizhou Construction”	Huizhou Construction Engineering Co., Ltd.* (惠州市建築工程有限公司), a limited liability company established in the PRC;
“HZ Industrial Garden”	China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), a sino-foreign joint equity enterprise established in the PRC and is directly owned as to 90% by the Company;
“Industrial Garden Land”	a parcel of land situated at Aerospace Science and Technology Industrial Garden, No. 252, Zhongkai Avenue (Huihuan Section), Zhongkai High-tech Zone, Huizhou City, Guangdong Province, the PRC with an aggregate site area of approximately 14,849.05 sq.m;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Plants Construction Project Phase 5”	China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司) electronic product production and construction projects phase 5, the construction of two eight-storey production plants and one four-storey office of an aggregate construction floor area of approximately 40,365 sq.m on Industrial Garden 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 October 2022

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

<b>Executive Directors</b>	<b>Non-Executive Directors</b>	<b>Independent Non-Executive Directors</b>
Mr Zhou Limin ( <i>Chairman</i> )	Mr Liu Xudong	Mr Luo Zhenbang
Mr Jin Xuesheng ( <i>President</i> )	Mr Hua Chongzhi	Mr Wang Xiaojun
	Mr Mao Yijin	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 : RMB 0.90578. 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.*