
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

If you have sold all your shares in China Aerospace International Holdings Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

If you are in any doubt as to any aspect of this Circular or as to any action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0031)

CONNECTED AND DISCLOSEABLE TRANSACTION

**ESTABLISHMENT OF JOINT VENTURE COMPANY,
CHANGE OF COMPANY'S CHINESE NAME**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of the Company*



A notice convening the Extraordinary General Meeting of China Aerospace International Holdings Limited to be held at the Salon One, First Floor, Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Thursday, 10 January 2008 at 11:00 a.m. is set out on page 22 of this Circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

18 December 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
1. The Establishment of the Joint Venture Company	
Promoters' Agreement Dated 30 November 2007	5
Background	6
Reasons for and Benefit of Investing in the Joint Venture Company .	6
Funding	7
Financial Effect on Earnings, Assets and Liabilities	7
Information on ATI	7
Information on STI	8
Connected Transaction and Discloseable Transaction	8
2. Proposed Change of Company's Chinese Name	
Reasons of the Change of Company Name	8
Effect on the Change of Company Name	9
Extraordinary General Meeting	9
Recommendation	9
Letter from the Independent Financial Adviser	10
Letter from the Independent Board Committee	16
Appendix	17
Notice of Extraordinary General Meeting	22

DEFINITIONS

In this Circular, the following expressions have the following meanings, unless the context requires otherwise:

“Announcement”	the announcement dated 30 November 2007 of the Company;
“ATI”	航天科技投資控股有限公司 (Aerospace Technology Investment Holdings Limited) [#] , a wholly-owned subsidiary of CASC established in the PRC as a limited liability company;
“Board”	the Board of Directors;
“CASC”	China Aerospace Science & Technology Corporation (中國航天科技集團公司), a state-owned enterprise established in the PRC. As of the Latest Practicable Date, it holds a 42.53% shareholding in the Company and is the controlling shareholder of the Company;
“Company”	China Aerospace International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on Thursday, 10 January 2008 at 11:00 a.m., the notice of which is set out on page 22 of this Circular;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board of Directors of the Company comprising Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, being all the independent non-executive directors;

DEFINITIONS

“Independent Financial Adviser”	Somerley Limited, a corporation licensed under the Securities and Futures Ordinance to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the connected transaction and discloseable transaction;
“Independent Shareholders”	shareholders of the Company other than Jetcote Investments Limited, Burhill Company Limited and Sin King Enterprises Company Limited (which together hold approximately 42.53% equity interest in the Company and which are all wholly-owned subsidiaries of CASC) and their respective associates (as defined under the Listing Rules);
“Joint Venture Company”	深圳航天科技投資管理有限公司 (Shenzhen Aerospace Technology Investment Company Limited) [#] , the joint venture company to be established by New Century, ATI and STI in the PRC as a limited liability company pursuant to the Promoters’ Agreement, subject to the approval of the State Administration of Commerce & Industry of the PRC;
“Latest Practicable Date”	13 December 2007, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this Circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Century”	航科新世紀科技發展(深圳)有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited) [#] , a wholly-owned subsidiary of the Company established in the PRC as a limited liability company;
“PRC”	the People’s Republic of China (for the purpose of this Circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan);
“Promoters’ Agreement”	the Promoters’ Agreement dated 30 November 2007 and entered into by New Century, ATI and STI;

DEFINITIONS

“Registrar”	the Company’s share registrar, Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong;
“RMB”	Reminbi, the legal currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	holders of Shares;
“STI”	深圳航天科技創新研究院 (Shenzhen Science & Technology Institute) [#] ; a subsidiary established in the PRC, held by CASC and its subsidiaries, Shenzhen People’s Municipal Government and Harbin Institute of Technology. CASC and its subsidiaries hold a total of 60% interest in STI; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

[#] *These PRC entities do not have English names, the English names set out in herein are for identification purpose only.*

For the purpose of this Circular, as a reference, the exchange rate of RMB: HK\$ is RMB0.97: HK\$1.00.

LETTER FROM THE BOARD



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0031)

Executive Directors:

Mr Zhao Liqiang (*President*)

Mr Zhou Qingquan

Mr Zhao Yuanchang

Mr Wu Hongju

Mr Guo Xianpeng

Registered Office:

Room 1103-1107A,

One Harbourfront,

18 Tak Fung Street,

Hung Hom, Kowloon,

Hong Kong

Non-executive Directors:

Mr Wu Zhuo (*Chairman*)

Mr Chow Chan Lum, Charles (*Independent*)

Mr Luo Zhenbang (*Independent*)

Mr Wang Junyan (*Independent*)

Mr Gong Bo

Ms Chan Ching Har, Eliza

Mr Wang Yujun

Mr Xu Jianhua

18 December 2007

To Shareholders of the Company,

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**ESTABLISHMENT OF JOINT VENTURE COMPANY,
CHANGE OF COMPANY'S CHINESE NAME**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board published the Announcement on 30 November 2007 that New Century, a wholly-owned subsidiary of the Company, ATI and STI had entered into the Promoters' Agreement in respect of the establishment of the Joint Venture Company and the proposed change of Company's Chinese name.

The purpose of this Circular is to provide you with further information regarding (1) the Promoters' Agreement, (2) the advice of the Independent Financial Adviser, (3) the recommendation of the Independent Board Committee, (4) the change of Company's Chinese Name, and (5) the notice of Extraordinary General Meeting.

LETTER FROM THE BOARD

1. THE ESTABLISHMENT OF THE JOINT VENTURE COMPANY

Promoters' Agreement Dated 30 November 2007

Parties:	<ol style="list-style-type: none"> 1. New Century, a wholly-owned subsidiary of the Company, 2. ATI, a wholly-owned subsidiary of CASC, and 3. STI, a subsidiary of CASC. 																		
Business scope of the Joint Venture Company:	Development and transfer of technology, provision of technological advisory and services, the establishment of enterprises, the research and manufacturing of satellite related products and construction of related infrastructure, the management and leasing of properties etc. (subject to the approval by the State Administration of Industry and Commerce of the PRC ("SAIC")).																		
Term:	50 years from the date of issue of the business license of the Joint Venture Company																		
Total registered capital (being the total capital commitment): (in HK\$ equivalent)	<table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td>New Century</td> <td>ATI</td> <td>STI</td> </tr> <tr> <td></td> <td>RMB700,000,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>(HK\$721,649,484)</td> <td></td> <td></td> </tr> </table>				New Century	ATI	STI		RMB700,000,000				(HK\$721,649,484)						
	New Century	ATI	STI																
	RMB700,000,000																		
	(HK\$721,649,484)																		
Share of registered capital: (in HK\$ equivalent) (% of total registered capital)	<table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td>New Century</td> <td>ATI</td> <td>STI</td> </tr> <tr> <td></td> <td>RMB420,000,000</td> <td>RMB140,000,000</td> <td>RMB140,000,000</td> </tr> <tr> <td></td> <td>(HK\$432,989,690)</td> <td>(HK\$144,329,897)</td> <td>(HK\$144,329,897)</td> </tr> <tr> <td></td> <td>(60%)</td> <td>(20%)</td> <td>(20%)</td> </tr> </table>		New Century	ATI	STI		RMB420,000,000	RMB140,000,000	RMB140,000,000		(HK\$432,989,690)	(HK\$144,329,897)	(HK\$144,329,897)		(60%)	(20%)	(20%)		
	New Century	ATI	STI																
	RMB420,000,000	RMB140,000,000	RMB140,000,000																
	(HK\$432,989,690)	(HK\$144,329,897)	(HK\$144,329,897)																
	(60%)	(20%)	(20%)																
Payment of registered capital 1st installment in cash at the time of registration at the SAIC: By installments in cash within 2 years from the date of establishment of the Joint Venture Company:	<table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td>New Century</td> <td>ATI</td> <td>STI</td> </tr> <tr> <td></td> <td>RMB84,000,000</td> <td>RMB28,000,000</td> <td>RMB28,000,000</td> </tr> <tr> <td></td> <td>RMB336,000,000</td> <td>RMB112,000,000</td> <td>RMB112,000,000</td> </tr> </table>		New Century	ATI	STI		RMB84,000,000	RMB28,000,000	RMB28,000,000		RMB336,000,000	RMB112,000,000	RMB112,000,000						
	New Century	ATI	STI																
	RMB84,000,000	RMB28,000,000	RMB28,000,000																
	RMB336,000,000	RMB112,000,000	RMB112,000,000																
Termination:	In the event that the Joint Venture Company fails to be established, the costs incurred in the establishment of the Joint Venture Company shall be split between New Century, ATI and STI in proportion to their respective contributions to the registered capital of the Joint Venture Company. The party in default leading to the failure of the establishment of the Joint Venture Company shall compensate the Joint Venture Company or the other parties for their losses.																		

LETTER FROM THE BOARD

The board of the Joint Venture Company will compose of five members, three directors will be nominated by New Century, one director will be nominated by ATI and one director will be nominated by STI.

It is expected that the Joint Venture Company will be established in early 2008 and will be accounted as an indirect subsidiary of the Company, as such, the Joint Venture Company will be consolidated into the Group's financial statement.

Background

CASC and Shenzhen People's Municipal Government have commenced strategic cooperation with a view to accelerate the development of aerospace industry in China. According to the principal of their cooperation, CASC will develop the Shenzhen Aerospace Technology Building in Shenzhen to serve as an initiative and innovative aerospace technology transformation platform and the operating headquarter of CASC in southern China for being the research and development centres of aerospace technology applications, centres of international economic technology cooperations, and operational and management centres.

The location of the Shenzhen Aerospace Technology Building has not been confirmed yet. The Building would provide an interactive environment that will be home to companies engaging in research and development of aerospace technologies and related commercial industries such as satellite communication equipments. It is expected that the occupants of the Shenzhen Aerospace Technology Building will be available to CASC and/or its subsidiaries and independent third parties upon completion. The Company will make proper announcements upon the confirmation of leasing of the Shenzhen Aerospace Technology Building to CASC and/or its subsidiaries if and when the Listing Rules require.

Reasons for and Benefit of Investing in the Joint Venture Company

The Group is principally engaged in hi-tech manufacturing, science and technology park complex development and related property investment, and hi-tech industries investment businesses.

The Joint Venture Company will engage in the development, management and operations of the Shenzhen Aerospace Technology Building. The Directors are of the view that the Company would benefit from the entering into the Promoters' Agreement. Given that the prosperous development of property market in Shenzhen in recent years and the keen demand in high quality offices in the foreseeable future, it is anticipated that the Company, through the Joint Venture Company, would benefit from good return from the development, management and operations of the Shenzhen Aerospace Technology Building. The establishment of the Joint Venture Company will further strengthen the development of science and technology park complex of the Company, as well as the Group's property investment portfolio. In the long run, the organization and coordination of various projects in related to research and development of aerospace technologies, as well as their related industries in entering the Shenzhen Aerospace Technology Building will provide the Group investment opportunities in hi-tech projects.

LETTER FROM THE BOARD

The terms of the Promoters' Agreement are made after arm's length negotiation. The Directors (including the Independent Non-Executive Directors who have formed their views after considering the advice of the Independent Financial Adviser but excluding Mr Gong Bo who is the common director of both the Company and ATI) of the Company considers that the transaction was entered into on normal commercial terms and the terms of the Promoters' Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Funding

Pursuant to the Promoters' Agreement, the amount of investment made by each party is restricted to their respective contributions in the registered capital of the Joint Venture Company. The funding of New Century's capital contribution will be by way of internal resources.

The capital of the Joint Venture Company will be applied towards the development, management and operations of the Shenzhen Aerospace Technology Building. It is estimated that the registered capital of RMB700 million (or approximately HK\$722 million) would be utilized to acquire a suitable site for the development project and as operating capital for the Joint Venture Company. The parties to the Promoters' Agreement have yet to fix a concrete plan for funding the construction and other ancillary cost of the development of the Building. However, it is expected that those could be funded by internal resources and external borrowings of the Joint Venture Company. In the event any additional funding is required, the Board shall then decide on the required funding with reference to factors including the cash flow position of the Group. In case further capital commitment is required from the Company, the Company shall also fully comply with all necessary requirements of the Listing Rules.

As at 31 October 2007, the Group has free cash and bank balances of approximately HK\$880 million. On this basis and after taking into account the expected cashflow from operating activities, the Directors believe that the Group would have sufficient internal resources to fund its capital commitment to the Joint Venture Company over the next two years.

Financial Effect on Earnings, Assets and Liabilities

Upon establishment, the Joint Venture Company will become a 60% owned subsidiary of the Company. In accordance with the Company's accounting policy, the interest of the Joint Venture Company will be consolidated into the financial statements of the Group and the minority interest will be reduced accordingly. It is expected that the Joint Venture Company will devote most of its resources in the development of the Shenzhen Aerospace Technology Building and will contribute rental income to the Group after completion.

Information on ATI

The principal activities of ATI are project investment, operations and enterprises management, the development of satellite application system products and electronic communications system, the development of aerospace technology, provision of technical advisory and services and property management.

LETTER FROM THE BOARD

Information on STI

The principal activities of STI are the cultivation of top level talents, the development of science & technology, the transformation of achievements, talents' continuing education, the development of hi-tech projects, the assessment of hi-tech achievements, the provision of fund-raising services for hi-tech achievements, international science & technology cooperation and exchange, the industrialization of hi-tech achievements, corporate incubation and intermediary services.

Connected Transaction and Discloseable Transaction

Both ATI and STI, being subsidiaries of the controlling shareholder of the Company, CASC, are connected persons of the Company under the Listing Rules. Accordingly, the entering into the Promoters' Agreement between New Century, ATI and STI constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders of the Company (being shareholders of the Company excluding CASC and its associates) voting by poll at the Extraordinary General Meeting. CASC and its associates shall abstain from voting at the Extraordinary General Meeting.

As the percentage ratios in respect of the transaction under the Promoters' Agreement are more than 5% but less than 25%, the investment by New Century in the Joint Venture Company would constitute a discloseable transaction under the Listing Rules.

The Group has no prior transactions or relationship with ATI, STI and their ultimate beneficial owners that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

2. PROPOSED CHANGE OF COMPANY'S CHINESE NAME

The Board has put forward a proposal to its shareholders for a change of Company's Chinese name from “航天科技國際集團有限公司” to “中國航天國際控股有限公司”. The change in the Chinese stock short name will be notified by way of a separate announcement.

Reasons of the Change of Company Name

The proposal of the change of Company name marks the new milestone of the Company's development. The new name will fully demonstrate the Group's future development strategies in hi-tech manufacturing, science and technology park complex development and related property investment, and hi-tech industries investment. The proposed Chinese name is a better translation of the Company's English name and reflects the new direction of the Group's business development, as well as the close relationship between the Company and CASC, the substantial shareholder of the Company.

The change of Company's Chinese name will be subject to the passing of a special resolution by Shareholders of the Company at the forthcoming Extraordinary General Meeting and the issue of a Certificate of Registration on Change of Name by the Companies Registry, Hong Kong.

LETTER FROM THE BOARD

Effect on the Change of Company Name

All existing share certificates of the Company in issue bearing the existing name will, following the effective change of the Company name, continue to be evidence of the title to the shares of the Company and valid for trading, settlement and registration purposes and will not affect any rights of the shareholders. There will be no arrangement for exchange of share certificate. Following the effective change of the Company name, share certificates for the new shares of the Company will be issued in the new name of the Company.

EXTRAORDINARY GENERAL MEETING

The notice of the Extraordinary General Meeting is set out on page 22 of this Circular.

A form of proxy is enclosed with this Circular for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the enclosed form of proxy to the share registrar of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the meeting. Completion of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

RECOMMENDATION

The Directors are of the opinion that the establishment of the Joint Venture Company and the proposed change of Company's Chinese name are in the best interests of the Company and recommend that Independent Shareholders to vote in favour of both the ordinary and the special resolutions to be proposed at the forthcoming Extraordinary General Meeting.

The Independent Board Committee, having reviewed the advice given by Somerley Limited, the Independent Financial Adviser, has recommended Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the forthcoming Extraordinary General Meeting.

Your attention is also drawn to the letters from the Independent Board Committee and the Independent Financial Adviser for additional information in respect of the Promoters' Agreement.

Further information of the Group is set out in the Appendix.

Yours faithfully,
Wu Zhuo
Chairman

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter from Somerley Limited to the Independent Board Committee and the Independent Shareholders for inclusion in this Circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

18 December 2007

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED AND DISCLOSEABLE TRANSACTION

ESTABLISHMENT OF THE JOINT VENTURE COMPANY

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Group's proposed establishment of the Joint Venture Company with ATI and STI, both are subsidiaries of CASC which is the controlling shareholder of the Company. Details of the above transaction are set out in the circular of the Company dated 18 December 2007 (the "Circular") to its shareholders, of which this letter forms a part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

ATI and STI are associates (as defined under the Listing Rules) of CASC, the controlling shareholder of the Company. Accordingly, the Group's establishment of the Joint Venture Company with ATI and STI constitutes a connected transaction of the Company under the Listing Rules, and is subject to the approval of the Independent Shareholders by way of poll at the EGM. The above transaction also constitutes a discloseable transaction of the Company under the Listing Rules.

The Independent Board Committee comprising all the three independent non-executive Directors, namely Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, has been formed to advise the Independent Shareholders on the terms of the establishment of the Joint Venture Company. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group and have assumed that they are true, accurate and complete at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of the Group, ATI or STI.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Promoters' Agreement are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the establishment of the Joint Venture Company

The Company is 42.53% owned by CASC, which is a state-owned enterprise under the direct supervision of the PRC government. CASC specializes in designing, developing and manufacturing a range of spacecraft, launch vehicles and satellites and is also engaged in producing high end civilian products such as machinery and communication products. The Group is a commercial arm of CASC and is principally engaged in hi-tech manufacturing business, such as liquid crystal displays, printed circuit boards, plastic injection and intelligent battery chargers.

In 2006, the Group diversified into the business of developing science and technology park complex by entering into a joint venture agreement with a wholly owned subsidiary of the government of Minhang District in Shanghai to establish Shanghai Aerospace Technology Investment Company Limited ("Shanghai JV"). Shanghai JV is principally engaged in the development and management of the Aerospace Technology Park (the "Technology Park") in Shanghai. The Technology Park is currently under construction and, upon completion, is planned to attract enterprises engaging in aerospace related and hi-tech industries.

On 30 November 2007, the Group further enhances its business of developing science and technology park complex by entering into the Promoters' Agreement for the purpose of establishing the Joint Venture Company.

The Joint Venture Company's business scope includes research and manufacturing of satellite related products, development of related properties and infrastructure, as well as management and leasing of properties. The Joint Venture Company plans to be engaged in the development and management of a landmark building intended to be named as the "Shenzhen Aerospace Technology Building" (the "Building"). The Building is expected to be situated in a prime area of Shenzhen, the PRC, though the exact location is yet to be determined. It is expected that, subject to full compliance with the relevant requirements of the Listing Rules, CASC would occupy a majority part of the Building as its operating headquarter in the southern part of the PRC. It is targeted that, with CASC as the anchor tenant, the Building would provide an interactive environment that will be home to companies engaging in research and development of aerospace technologies and related commercial industries such as satellite communication equipments.

The Directors are of the view that in light of the current prosperous development of property market in Shenzhen and the strong demand for high quality offices in the foreseeable future, the development and operations of the Building would bring reasonable return to the Group. As the Building is expected to be home to enterprises engaging in aerospace related and hi-tech industries, the management of the Building would enable the Group to gain access to investment opportunities in hi-tech projects, which is targeted to be another principal line of business of the Group.

We agree that the participation in the Joint Venture Company, which is planned to be principally engaged in the development and management of the Building, is in line with the Group's long term business strategy.

2. Details of the Joint Venture Company

(i) Structure of the Joint Venture Company

The Joint Venture Company will be formed by New Century (a wholly owned subsidiary of the Company), ATI and STI. Pursuant to the Promoters' Agreement, New Century, ATI and STI will respectively contribute 60% (RMB420 million, or approximately HK\$433 million), 20% (RMB140 million, or approximately HK\$144 million) and 20% (RMB140 million, or approximately HK\$144 million) of the total registered capital of the Joint Venture Company. Following the establishment of the Joint Venture Company, it will be accounted for as a subsidiary of the Company and its results will be consolidated into the Group's financial statements.

(ii) Capital requirement of the Joint Venture Company

As stated in the Promoters' Agreement, the total registered capital of the Joint Venture Company will be RMB700 million (or approximately HK\$722 million).

First installment of the registered capital of RMB140 million (or approximately HK\$144 million), of which RMB84 million (or approximately HK\$87 million) would be contributed by New Century, will be due at the time of registration of the Joint Venture Company at the SAIC.

According to the Promoters' Agreement, the remaining registered capital of RMB560 million (or approximately HK\$577 million), of which RMB336 million (or approximately HK\$346 million) would be contributed by New Century, has to be injected by the joint venture partners within two years from the date of establishment of the Joint Venture Company. The exact time-table for the above payment shall be decided by the board of directors of the Joint Venture Company in accordance with the progress of the construction of the Building.

It is estimated that the registered capital of RMB700 million (or approximately HK\$722 million) would be utilized to acquire a suitable site for the development project and as operating capital for the Joint Venture Company. The parties to the Joint Venture Company have not yet fixed any concrete plan for funding the construction and other ancillary cost of the development project. However, it is expected that those could be funded by internal resources and external borrowings of the Joint Venture Company. In the event that any additional funding is required, the board of directors of the Company shall then decide on the required funding with reference to factors including the cash flow position of the Group. The Company shall also fully comply with all necessary requirements of the Listing Rules then applicable to transaction of that type.

Funding arrangement

As at 31 October 2007, the Group had free cash and bank balances of approximately HK\$880 million. On this basis and after taking into account the expected cashflow from operating activities, the Directors believe that the Group would have sufficient internal resources to fund its capital contribution to the Joint Venture Company over the two-year term.

(iii) Management of the Joint Venture Company

The board composition of the Joint Venture Company is pro-rata to the joint venture partners' respective capital contributions to the Joint Venture Company. Pursuant to the terms of the Promoters' Agreement, the board of directors of the Joint Venture Company will comprise five members, of which three will be nominated by the Group and each of ATI and STI shall be entitled to nominate one board representative. The board of directors of the Joint Venture Company shall elect the chairman to its board.

Certain powers are reserved to be exercised by the joint venture partners. Pursuant to the proposed articles of association of the Joint Venture Company, certain corporate actions such as (i) change in registered capital; (ii) merger or division; (iii) liquidation; (iv) change in business scope; and (v) change in articles of association of the Joint Venture Company are subject to approval by holders of at least two-third of the equity interests of the Joint Venture Company.

(iv) Sharing of economic interest

Under the terms of the proposed articles of association of the Joint Venture Company, any future net profit (or loss) generated by the Joint Venture Company will be shared by the joint venture partners on a pro-rata basis according to their respective equity interest in the Joint Venture Company. Accordingly, the Group, ATI and STI will share any economic return from the Joint Venture Company on a 60:20:20 basis.

(v) Pre-emptive rights

Pursuant to the terms of the Promoters' Agreement, each of New Century, ATI and STI may assign, transfer or deliver its equity interest in the Joint Venture Company subject to the written notices given to the other parties to the Promoters' Agreement and their pre-emptive rights.

The Promoters' Agreement and the proposed articles of association set out the major terms which regulate the rights and obligations of the parties to the Joint Venture Company. We note that the rights and obligations of the joint venture partners are largely in proportion to their respective equity interests in the Joint Venture Company. The pre-emptive clauses as set out in the Promoters' Agreement contain normal provisions. On this basis, we consider the terms for the establishment of the Joint Venture Company fair and reasonable.

3. Financial effects of the establishment of the Joint Venture Company

As mentioned above, the Joint Venture Company will become a non-wholly owned subsidiary of the Company and therefore the results of the Joint Venture Company will be consolidated into the financial statements of the Group.

As the construction of the Building is still in the planning stage, the establishment of the Joint Venture Company is not expected to have any material effect on the published earnings of the Group in the near term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors, we consider that the Joint Venture Company will be established on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Promoters' Agreement is in the interests of the Company and its shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the establishment of the Joint Venture Company pursuant to the Promoters' Agreement.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Sylvia Leung
Director



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0031)

18 December 2007

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**ESTABLISHMENT OF JOINT VENTURE COMPANY
AND
EXTRAORDINARY GENERAL MEETING**

We refer to the Circular of the Company dated 18 December 2007 (the “Circular”) of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in respect of the establishment of the Joint Venture Company pursuant to the Promoters’ Agreement entered into by New Century, the Company’s wholly-owned subsidiary, ATI and STI on 30 November 2007. Details of which are contained in the Letter from the Board as set out on pages 4 to 8 of the Circular.

We have considered the various details of the Promoters’ Agreement, in particular, the reasons and benefits of transaction and the effect thereof. We have also reviewed the advice given by Somerley Limited, the Independent Financial Adviser, on the terms of the Promoters’ Agreement as set out in their letter reproduced on pages 10 to 15 of the Circular.

Having considered the information set out in the Letter from the Board and taking into account the advice from Somerley Limited, we consider the Joint Venture Company will be established on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the Extraordinary General Meeting.

Yours faithfully,

Chow Chan Lum, Charles

Luo Zhenbang

Wang Junyan

Independent Board Committee

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

A. Directors' interests in the securities and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company were, or were taken or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

B. Persons who have interests or short positions in Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following parties, had, or were deemed or taken to have any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested

APPENDIX

in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	Number of shares interested (Long Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation (<i>Note 1</i>)	1,093,330,636	42.53%
Jetcote Investments Limited	Beneficial owner	131,837,011	5.13%
	Interests in controlled corporation (<i>Note 2</i>)	961,493,625	37.40%
		1,093,330,636	42.53%
Burhill Company Limited	Beneficial owner (<i>Note 2</i>)	489,566,136	19.04%
Sin King Enterprises Company Limited	Beneficial owner (<i>Note 2</i>)	471,927,489	18.36%
Montpelier Asset Management Limited	Investment manager (<i>Note 3</i>)	232,099,506	9.03%
Montpelier Global Funds Limited – The Montpelier Fund	Beneficial owner (<i>Note 3</i>)	191,757,966	7.46%

Notes:

- (1) These 1,093,330,636 shares are duplicated in the interests held by Jetcote Investments Limited, a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, and its subsidiaries.
- (2) These 961,493,625 shares are duplicated in the interests held by Burhill Company Limited and Sin King Enterprises Company Limited, wholly-owned subsidiaries of Jetcote Investments Limited.
- (3) Montpelier Asset Management Limited has been appointed by Montpelier Global Funds Limited as Investment Manager and the shareholding of Montpelier Global Funds Limited in the Company is duplicated in the interests held by Montpelier Asset Management Limited.

Save as disclosed in this Circular, as at the Latest Practicable Date, so far is known to any Director or chief executive of the Company, no other person has an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital.

APPENDIX

As at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

Save as Mr Wu Zhuo, Mr Zhao Liqiang, Mr Zhou Qingquan, Mr Zhao Yuanchang, Mr Wu Hongju, Mr Guo Xianpeng, Mr Gong Bo, Mr Wang Yujun and Mr Xu Jianhua, the Directors of the Company, are the employees of CASC or its subsidiaries, as at the Latest Practicable Date, none of the Directors and the chief executive officer of the Company were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests were as directors appointed to represent the interests of the Group.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, so far as the Directors were aware, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Group.

CASIL Clearing Limited ("CASIL Clearing"), a wholly-owned subsidiary of the Company, made an advance in the past to Chinluck Properties Limited ("Chinluck"), an independent third party. The loan was secured by a piece of land and guaranteed personally by Mr Cheng Zhen Shu, the substantial shareholder and chairman of Chinluck. CASIL Clearing was alleged a breach of the loan agreement in failing to advance the full amount of HK\$330,000,000 to Chinluck. CASIL Clearing resisted the claim and counterclaimed against Chinluck and sued against Mr Cheng Zhen Shu upon default on, including but not limited to, interest and payment of the loan amount advanced under the loan agreement and the mortgage. A Court hearing in respect of the loan was conducted in June 2004, and the judgement in respect of the action was received at the end of July 2004. The judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held by the Court in December 2006 that, inter alia, CASIL Clearing is required to pay a nominal damages of HK\$100 to Chinluck for its breach of agreement to advance the remaining portion of the loan and Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations. The nominal damage of HK\$100 payable by CASIL Clearing to Chinluck is to be set off against the amount of the judgement to be calculated and agreed between the parties. As the calculation of the judgement sum had not been agreed by both parties, the amount of the judgement sum was hence confirmed by the Court in June 2007. As of 31 December 2006, the outstanding balance of the advance was HK\$70,269,000.

APPENDIX

In September 2007, CASIL Clearing had entered into a settlement agreement with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement agreement, both Chinluck and Mr Cheng Zhen Shu agreed to repay a sum of HK\$280,000,000 to CASIL Clearing by instalments and there shall be an interim stay of execution of the Judgement by CASIL Clearing, otherwise, the execution will be lifted. Upon full payment by Chinluck and Mr Cheng Zhen Shu of the money payable on the due dates, CASIL Clearing shall accept the said payments in full and final settlement of the liabilities of Chinluck and Mr Cheng Zhen Shu and the parties shall sign and file a consent order to provide for a permanent stay of execution of the Judgement.

6. EXPERT

Somerley Limited is licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO. Somerley Limited has confirmed that it does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Somerley Limited has given and has not withdrawn its written consent to the issue of this Circular with its advice included in the form and context in which it is included.

7. MATERIAL ADVERSE CHANGE

So far as the directors of the Company are aware, there is no material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Company have been made up.

8. MISCELLANEOUS

- (a) The qualified accountant of the Company is Mr Luk Chi Keung. Mr Luk is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.
- (b) The company secretary of the Company is Mr Chan Ka Kin, Ken. Mr Chan is a fellow member of both The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries.
- (c) The Company's Hong Kong share registrar and transfer office is Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) Pursuant to article 74 of the articles of association of the Company, the following categories of persons may demand the vote in respect of the resolutions to be put to at any general meeting be taken on a poll:
 - (i) by the Chairman of the meeting; or
 - (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

APPENDIX

- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A poll may be so demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

- (e) Neither Somerley Limited or any directors of the Company have any interest, direct or indirect, in any assets which have been, since 31 December 2006, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (f) None of the directors of the Company is materially interested in any contract or arrangement subsisting at the date of the Latest Practicable Date and which is significant in relation to the business of the Group.
- (g) The English text of this Circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents (or copies thereof) will be available for inspection during normal office hours at the registered office of the Company from the date of this Circular up to the date of the Extraordinary General Meeting (both dates inclusive):

- (a) the Promoters' Agreement dated 30 November 2007;
- (b) the letter of consent referred to under the paragraph headed "Expert" in this Appendix;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 10 to 15 of this Circular;
- (d) the Settlement Agreement dated 14 September 2007;
- (e) the Underwriting Agreement dated 5 June 2007;
- (f) the Promoters' Agreement dated 26 October 2006 and entered into between 航科新世紀科技發展(深圳)有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited), a wholly-owned subsidiary of the Company, and 上海閔航投資建設有限公司 (Shanghai Minhang Investment Construction Company Limited) in respect of the Shanghai Project; and
- (g) the Sale and Purchase Agreement dated 20 March 2006 and entered into between CASC and CASIL Clearing Limited, a wholly-owned subsidiary of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0031)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of China Aerospace International Holdings Limited (the “Company”) will be held at the Salon One, First Floor, Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Thursday, 10 January 2008 at 11:00 a.m. to consider and if thought fit to pass the following resolutions as an ordinary resolution and a special resolution:

Ordinary Resolution

“**THAT**

- (1) the proposed establishment of 深圳航天科技投資管理有限公司 (Shenzhen Aerospace Technology Investment Company Limited[#]) pursuant to the Promoters’ Agreement dated 30 November 2007 between 航天新世紀科技發展(深圳)有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited[#]), a wholly-owned subsidiary of the Company, and 航天科技投資控股有限公司 (Aerospace Technology Investment Holdings Limited[#]) and 深圳航天科技創新研究院 (Shenzhen Science & Technology Institute[#]) and transactions contemplated thereunder, as more particularly set out in the Circular of the Company dated 18 December 2007, be and are hereby approved; and
- (2) that the directors of the Company be and are hereby authorized to take such action and execute such documents as they may deem appropriate and expedient in respect of the completion of the proposed transaction contemplated under the Agreement.”

[#] *These PRC entities do not have English names, the English names set out in herein are for identification purpose only.*

Special Resolution

“**THAT**

subject to the approval of the Companies Registry of Hong Kong, the Chinese name of the Company be changed from “航天科技國際集團有限公司” to “中國航天國際控股有限公司”.”

By order of the Board
Chan Ka Kin, Ken
Company Secretary

Hong Kong, 18 December 2007

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of that power or authority must be deposited at the share registrar of the Company, Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.