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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

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 31)

**DISCLOSEABLE AND CONNECTED TRANSACTION
FOR THE ACQUISITION OF 35% INTERESTS IN
HAINAN AEROSPACE INVESTMENT MANAGEMENT COMPANY LIMITED
AND
RE-ELECTION OF DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A notice convening the Extraordinary General Meeting of China Aerospace International Holdings Limited to be held at the Salon One, First Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Friday, 10 September 2010 at 11:00 a.m. is set out on pages 31 to 32 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 and return of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

24 August 2010

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DEFINITIONS

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

“Acquisition”	the acquisition of the 35% interests in the equity capital of Hainan Aerospace pursuant to the Property Right Transfer Agreement;
“Aerospace Times”	航天時代置業發展有限公司 (Aerospace Times Properties Development Limited)*, a subsidiary of CASC and its subsidiary established in the PRC as a limited liability company;
“Board”	the Board of Directors of the Company;
“CASC”	China Aerospace Science & Technology Corporation, a state-owned enterprise established in the PRC. As of the Latest Practicable Date, it holds a 37.06% shareholding in the Company and is a controlling shareholder of the Company;
“CASIL Hainan”	CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company established in Hong Kong as a limited liability 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 of Hong Kong Limited;
“Complex Zone of the Launching Site”	the large scale multi-purpose complex zone comprising aerospace technology commercial centre, aerospace theme park, commercial leisure resort and residential area to be constructed on a parcel of land next to the launching site under development at the north-east coast of Dongjiao town in Wenchang City, Hainan Province with a site area of approximately 6,100 mu;
“Directors”	the Directors of the Company;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting to be convened by the Company at the Salon One, First Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Friday, 10 September 2010 at 11:00 a.m. for the purpose of approving the Property Right Transfer Agreement, being a discloseable and connected transaction, and re-election of director;

DEFINITIONS

“Hainan Aerospace”	海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)*, the Sino-foreign equity joint venture company established by Aerospace Times and CASIL Hainan in the PRC pursuant to the Promoters’ Agreement; <i>Note: in the announcement of the Company dated 20 August 2008, it was announced that the name of Hainan Aerospace was 海南航天開發投資有限公司 (Hainan Aerospace Development Investment Company Limited)*. However, the name approved by the relevant PRC authority was 海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)*.</i>
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Implementation Agreement”	the agreement dated 18 December 2008 between CASIL Hainan and Hainan Aerospace for the implementation of the development activities under the Land Development Agreement;
“Independent Board Committee”	an independent committee of the Board of Directors of the Company comprising the Independent Non-Executive Directors;
“Independent Financial Adviser”	Somerley Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
“Independent Non-Executive Directors”	Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan;
“Independent Shareholders”	all shareholders of the Company excluding CASC and its associates;
“Land Development Agreement”	The Land Development Agreement of the Project of the Complex Zone of the Launching Site in Hainan Province dated 20 August 2008 entered into by CASIL Hainan and the Wenchang Government;
“Latest Practicable Date”	19 August 2010, being the latest practicable date for ascertaining information for inclusion in this Circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“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 direct wholly-owned subsidiary of the Company and a wholly foreign owned enterprise established in the PRC;
“PRC”	the People’s Republic of China (for the purpose of this Circular, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan);
“Promoters’ Agreement”	the Promoters’ Agreement dated 20 August 2008 entered into by CASIL Hainan and Aerospace Times;
“Property Right Transfer Agreement”	the property right transfer agreement dated 4 August 2010 entered into between New Century and Aerospace Times;
“RMB”	Renminbi, the legal currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Wenchang Government”	The People’s Government of Wenchang City, Hainan Province.

For the purpose of this Circular, the exchange rate of RMB:HK\$ is RMB0.87:HK\$1.00.

* *These PRC entities do not have English names. The English name is inserted herein for identification purpose only.*



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)

Executive Directors:

Mr Li Hongjun (*President*)
Mr Jin Xuesheng

Non-executive Directors:

Mr Wu Zhuo (*Chairman*)
Mr Chen Xuechuan
Mr Shi Weiguo
Dr Chan Ching Har, Eliza
Mr Zhou Qingquan

Independent Non-Executive Directors

Mr Chow Chan Lum, Charles
Mr Luo Zhenbang
Mr Wang Junyan

Registered Office:

Room 1103-1107A,
11th Floor, One Harbourfront,
18 Tak Fung Street, Hung Hom,
Kowloon,
Hong Kong

24 August 2010

To the shareholders of the Company,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
FOR THE ACQUISITION OF 35% INTERESTS IN
HAINAN AEROSPACE INVESTMENT MANAGEMENT COMPANY LIMITED
AND
RE-ELECTION OF DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 20 August 2008 and the Circular of the Company dated 10 September 2008 (the “2008 Announcement and Circular”) in respect of the establishment of Hainan Aerospace.

LETTER FROM THE BOARD

The Board published an announcement on 4 August 2010 that New Century, a direct wholly-owned subsidiary of the Company, successfully tendered and entered into a Property Right Transfer Agreement for the acquisition of 35% interests in Hainan Aerospace at the purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713). Upon completion of the Acquisition as contemplated under the Property Right Transfer Agreement, Hainan Aerospace will become an indirect wholly-owned subsidiary of the Company.

On 21 July 2010, the Board of Directors announced that, with effect from 21 July 2010, Mr Shi Weiguo was appointed as Non-Executive Director of the Company. Pursuant to Code A.4.2 of Appendix 14 of the Listing Rules, all directors of listed issuers appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. As such, an ordinary resolution will be proposed at the Extraordinary General Meeting to approve the re-election of Mr Shi Weiguo.

The purpose of this Circular is to provide you with further information regarding (1) the Property Right Transfer Agreement, (2) the recommendation of the Independent Board Committee, (3) the advice of the Independent Financial Adviser, (4) the re-election of Director and (5) the notice of Extraordinary General Meeting.

1. DISCLOSEABLE AND CONNECTED TRANSACTION

The Property Right Transfer Agreement

Date: 4 August 2010

Parties: New Century (as the purchaser), a direct wholly-owned subsidiary of the Company; and

Aerospace Times (as the vendor), a subsidiary of CASC, the controlling shareholder of the Company.

Asset to be acquired: 35% interests in equity capital of Hainan Aerospace, free of all encumbrances.

The 35% equity capital has yet to be fully paid up. Aerospace Times has contributed RMB42,000,000 (equivalent to approximately HK\$48,275,862). The balance, being RMB168,000,000 (equivalent to approximately HK\$193,103,448) has to be paid up by New Century on or before 31 December 2010.

LETTER FROM THE BOARD

Consideration: The tendered purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713), being the only bid price.

The tendered purchase price less the earnest money of RMB13,675,000 (equivalent to approximately HK\$15,718,391) paid by New Century on submission of the tender, shall be payable to the designated account of the China Beijing Equity Exchange within 5 working days from the date of the approval of Independent Shareholders.

Completion procedure: Completion procedure, including the amendments of the articles of association of Hainan Aerospace to reflect New Century as the new shareholder and completion of all registration and filing requirements, shall be procured by Aerospace Times within 30 working days from the issue date of the transaction certificate by China Beijing Equity Exchange.

Governing law: PRC law.

The Acquisition was made via the China Beijing Equity Exchange through an open bid process. The terms of the Property Right Transfer Agreement are based on the terms of the bid.

Hainan Aerospace

The approved business scope of Hainan Aerospace are basic infrastructure construction, development, management and operation of the Complex Zone of the Launching Site, landscaping, property development, property investment and management, trading, business investment and management, direct investments or equity participation in properties and ventures, etc.

As set out in the 2008 Announcement and Circular, Hainan Aerospace has committed in the Implementation Agreement to take up the obligations of CASIL Hainan under the Land Development Agreement and CASIL Hainan agrees that Hainan Aerospace shall receive the profits (net of tax and fees) CASIL Hainan entitled under the Land Development Agreement in respect of the development of the Complex Zone of the Launching Site.

The Master Plan of the Complex Zone of the Launching Site in Hainan Province prepared by Hainan Aerospace has been approved by Hainan Provincial Government and currently the approval for control detailed planning of the Complex Zone is being processed. At the same time, Hainan Aerospace and Wenchang Government are working closely on studying and formulating the land expropriation proposal, related works on the land expropriation have been started.

LETTER FROM THE BOARD

Based on information appeared on the website of the China Beijing Equity Exchange, as at 31 March 2010, the valuation of the entire equity capital of Hainan Aerospace, based on asset based approach, was RMB130,238,200 (equivalent to approximately HK\$149,699,080). The original cost of Aerospace Time's acquisition of the 35% interests in the equity capital of Hainan Aerospace was RMB42,000,000 (equivalent to approximately HK\$48,275,862) pursuant to the Promoters' Agreement.

Hainan Aerospace was established on 24 November 2008 and did not have any activities in 2008 and hence no audited accounts were available. As at 31 December 2009, the audited net assets of Hainan Aerospace were RMB115,235,391 (equivalent to approximately HK\$132,454,472). As the Complex Zone of the Launching Site was at developing stage, Hainan Aerospace did not record any revenue for the year ended 31 December 2009. The loss recorded by Hainan Aerospace for the year ended 31 December 2009 was RMB4,764,609 (equivalent to approximately HK\$5,476,562).

Reasons for and Benefit of the Acquisition

The Company, through its subsidiaries, is principally engaged in hi-tech manufacturing, and aerospace and aerospace service business.

The development of the Complex Zone of the Launching Site in Hainan Province is the Company's important project in aerospace service business with good development prospect. The acquisition of 35% interests in the equity capital of Hainan Aerospace seizes the advantages of enhancing efficiency and speeding up the progress of the project. Upon completion of the Acquisition, Hainan Aerospace will be indirectly wholly-owned by the Company. As such, the benefits derived from the development of the Complex Zone of the Launching Site in Hainan Province will be fully accounted for by the Company. CASC, same as before, will offer necessary support and assistance in the project development.

Funding

The purchase price of RMB45,583,400 (equivalent to approximately HK\$52,394,713) and the future capital contribution of RMB168,000,000 (equivalent to approximately HK\$193,103,448) will be funded by internal resources.

Information on the Parties to the Property Right Transfer Agreement

Aerospace Times

The principal activities of Aerospace Times are property development, sale of self-developed commodity apartments, professional subcontracting, gardening design, strategic planning management, investment advisory, property information advisory, etc.

New Century

New Century is a wholly-owned subsidiary of the Company and is principally engaged in the investment holding business.

LETTER FROM THE BOARD

Listing Rules Implication

Aerospace Times, being a subsidiary of CASC, which in turn is the controlling shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition contemplated under the Property Right Transfer Agreement constitutes a connected transaction for the Company. As New Century will, subsequent to the completion of the Acquisition, be responsible to contribute the balance of the registered capital for the 35% equity capital of Hainan Aerospace, the aggregate of the consideration and the capital contribution to be made represents more than 5% but less than 25% of the market capitalisation of the Company and constitutes a discloseable transaction. The Acquisition is subject to Independent Shareholders' approval, CASC and its associates shall abstain from voting at the Extraordinary General Meeting.

2. RE-ELECTION OF DIRECTOR

On 21 July 2010, the Board of Directors announced that, with effect from 21 July 2010, Mr Shi Weiguo was appointed as Non-Executive Director of the Company.

Pursuant to Code A.4.2 of Appendix 14 of the Listing Rules, all directors of listed issuers appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. As such, an ordinary resolution will be proposed at the Extraordinary General Meeting to approve the re-election of Mr Shi Weiguo.

Mr Shi Weiguo, aged 40, a Senior Engineer, studied Applied Physics at Suzhou University from 1988 to 1992 and obtained a degree in Bachelor of Science. Since 1992, he served as Technician in Suzhou Nuclear Power Research Institute under the Ministry of Power Industry. He served as Executive of Foreign Trade Branch of China Suzhou International Economic Technical Cooperation Corporation since 1995, and that of Deputy General Manager of Asian Pacific Engineering Branch and Manager of Fujian Branch since 2003, respectively, during which he completed a postgraduate program of National Economic Investment in Nanjing University. Since 2005, he served as Deputy General Manager of Wan Yuan Industrial Company under the China Academy of Launch Vehicle Technology. From March 2007 to December 2007, he served as Deputy General Manager of CASIL Telecommunications Holdings Limited (now known as China Engine International (Holdings) Limited, stock code: 1185), the shares of which are listed on the Stock Exchange. He was a Deputy Director General of the Business Investment Department of China Aerospace Science & Technology Corporation since December 2007 and is currently that of the Director General since June 2010. Mr Shi has ample experience and ability in market development and operating management.

As at the Latest Practicable Date, Mr Shi Weiguo:

1. confirmed that he did not have any interest in and did not hold any short position in any share or underlying share in or any debenture of the Company or any of its associated companies within the meaning of Part XV of the Securities and Futures Ordinance;

LETTER FROM THE BOARD

2. confirmed that he had no relationships with any director, senior management, or substantial or controlling shareholder of the Company (as defined in the Listing Rules);
3. confirmed that he did not have any directorship in other listed public company in the past three years, save as disclosed above;
4. did not enter into any service contract with the Company and has a fixed term of two years and is subject to retirement by rotation and re-election at general meetings of the Company in accordance with the Articles of the Company; and
5. would entitle to a director's fee of HK\$150,000 per annum, which is based on his past experience, professional qualifications, the operations of the Company and the prevailing market condition.

Save as disclosed above, there is no other information that needs to be brought to the attention of the shareholders of the Company or disclosed pursuant to Rule 13.51(2) of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The notice of the Extraordinary General Meeting is set out on pages 31 to 32 of this Circular. At the EGM, amongst others, ordinary resolutions will be proposed to approve the terms of the Property Right Transfer Agreement and the Acquisition, as well as the re-election of Director.

A form of proxy is enclosed with this document 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 and return of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

Pursuant to rule 13.39(4) of the Listing Rules, any votes of the shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the EGM will be voted by way of a poll by the shareholders.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Property Right Transfer Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Property Right Transfer Agreement (including the consideration) and the process are fair and reasonable and in the interests of the shareholders of the Company as a whole. Except for Mr Wu Zhuo, Mr Chen Xuechuan and Mr Shi Weiguo who are currently the employees of CASC and have abstained from voting at the meeting of the Board, none of the Directors has a material interest in the Property Right Transfer Agreement and transaction thereunder. The Directors recommend that Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the forthcoming Extraordinary General Meeting.

The Independent Board Committee, having reviewed the advice given by Somerley Limited, 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 Independent Financial Adviser for additional information in respect of the Land Development Agreement and the Property Right Transfer Agreement. Further information of the Company and its subsidiaries is set out in the Appendix.

In addition, the Board of Directors has recommended shareholders to approve the re-election of Mr Shi Weiguo as a Non-Executive Director of the Company and to approve his remuneration package.

By order of the Board
Wu Zhuo
Chairman



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)

24 August 2010

To the Independent Shareholders,

**DISCLOSEABLE AND CONNECTED TRANSACTION
FOR THE ACQUISITION OF 35% INTERESTS IN
HAINAN AEROSPACE INVESTMENT MANAGEMENT COMPANY LIMITED**

We refer to the Circular of the Company dated 24 August 2010 (the “Circular”) of which this letter forms 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 a Property Right Transfer Agreement entered into between New Century and Aerospace Times on 4 August 2010 to acquire the 35% interests of the equity capital in Hainan Aerospace. Details of which are contained in the Letter from the Board as set out on pages 4 to 10 of the Circular.

We have considered the various details of the Property Right Transfer 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 Property Right Transfer Agreement as set out in their letter reproduced on pages 12 to 20 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 terms of the Property Right Transfer Agreement are 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

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

24 August 2010

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Company's proposed acquisition of the 35% equity interest in Hainan Aerospace from Aerospace Times pursuant to the Property Right Transfer Agreement. Details of the above transaction are set out in the circular of the Company dated 24 August 2010 (the "Circular") to its shareholders, of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Aerospace Times is a subsidiary of CASC which in turn is the controlling shareholder of the Company. Accordingly, Aerospace Times is considered a connected person of the Company under the Listing Rules and the Company's proposed acquisition of the 35% equity interest in Hainan Aerospace from Aerospace Times constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders by way of poll at the Extraordinary General Meeting. CASC and its associates shall abstain from voting at the Extraordinary General Meeting. The Acquisition 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 in respect of the terms of the Property Right Transfer Agreement. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Company and have assumed that they are true, accurate and complete at the date of the Circular and will remain so up to the time of the Extraordinary General Meeting. 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. We have assumed that all representations contained or referred to in the Circular are true as at the date of the Circular or the Latest Practicable Date (as the case may be) and will remain so up to the time of the Extraordinary General Meeting. However, we have not conducted any independent investigation into the business and affairs of the Company and its subsidiaries, or CASC, and their respective associates (including Aerospace Times), nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Property Right Transfer 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 entering into the Property Right Transfer Agreement

(i) Background of the Company and CASC

The Company is currently owned as to approximately 37.06% by CASC, which is a state-owned enterprise under the direct supervision of the government of the PRC and is the single largest shareholder of the Company. CASC focuses on the development of four core businesses including aerospace system, aerospace service, aerospace technology applications and defense system.

The Company is a commercial arm of CASC engaged in hi-tech manufacturing business, which contributes most of the turnover of the Company and its subsidiaries. Currently, the Company, taking into account the development strategy of CASC, is also engaged in developing aerospace and aerospace service businesses. Two related projects are currently in progress, one of which is the development of the Shenzhen Aerospace International Centre, and the other one is the development of the Complex Zone of the Launching Site in Wenchang City, Hainan Province, the PRC, which is the subject of the Property Right Transfer Agreement.

(ii) Background of the land development project in Hainan Province

On 20 August 2008, CASIL Hainan, a wholly-owned subsidiary of the Company, entered into the Land Development Agreement with the Wenchang Government, pursuant to which it was intended that a launching site for spacecraft and satellites would be established in Dongjiao town in Wenchang City, Hainan Province, the PRC and the area in the vicinity of the launching site would be developed into an aerospace themed complex zone comprising commercial, residential and resort facilities. The Complex Zone of the Launching Site will be constructed on a parcel of land located at the north-east

coast of Dongjiao town in Wenchang City, Hainan Province, the PRC with a site area of approximately 6,100 mu (the “Land”). Pursuant to the Land Development Agreement, the Wenchang Government shall be responsible for approving plans, demolition and resettlement works while CASIL Hainan will undertake land development for the Complex Zone of the Launching Site in Wenchang City, Hainan Province (the “Land Development Project”) and provide the necessary funding. In return, CASIL Hainan shall be reimbursed all such development costs and expenses out of proceeds from sale of the Land. It is expected that the Land would be put up for sale in portions. Any surplus after the above reimbursement shall be shared between parties to the Land Development Agreement (namely the Wenchang Government and CASIL Hainan) on a 30:70 basis.

At the time the Land Development Agreement was signed in 2008, the Company wished to leverage on CASC’s network resources in the PRC and share the investment sum in the Land Development Project, and hence entered into the Promoters’ Agreement on the same date with Aerospace Times, a subsidiary of CASC, pursuant to which Hainan Aerospace was established to undertake the Land Development Project. The Implementation Agreement was subsequently entered into between CASIL Hainan and Hainan Aerospace on 18 December 2008, whereby Hainan Aerospace agreed to abide by and undertake all responsibilities of CASIL Hainan under the Land Development Agreement and irrevocably undertake to CASIL Hainan to take up any responsibilities which may arise under the Land Development Agreement, including but not limited to all specific or potential compensation and losses. Subject to the fulfilment of all the provisions of the Implementation Agreement by Hainan Aerospace, Hainan Aerospace shall receive all CASIL Hainan’s share of profit, net of taxes and expenses (if any) which may be incurred by CASIL Hainan in relation to the project, pursuant to the Land Development Agreement.

(iii) Reasons for entering into the Property Right Transfer Agreement

The Directors consider the Complex Zone of the Launching Site in Hainan Province is a key project in its aerospace services business, with good development prospect. The development of the Complex Zone of the Launching Site is considered as a key project in Hainan Province. It is believed that, further to the approval of the development of Hainan Province as the “International Tourism Island” by the State Council of the PRC, Hainan Province will become a more popular tourist spot and the property market in Hainan Province will enjoy higher growth potential. The Directors expect that the tourism and commercial activities in Wenchang City, Hainan Province will increase further when the construction of the launching site in Wenchang City, Hainan Province is completed. The Directors therefore anticipate a good return from the development of the Land.

Since its establishment on 24 November 2008, Hainan Aerospace has been a subsidiary of the Company which is responsible for the management of Hainan Aerospace’s affairs. The Directors advised that the Company, through Hainan Aerospace, having actively participated in the preparation work in relation to the Complex Zone of the Launching Site, has gained the requisite experience and built up extensive networks in Hainan Province, and consider the Company would be

able to complete the whole development project by itself. Nevertheless, we are advised by the Directors that CASC will continue to offer all necessary support and assistance in the project development.

Taking into account the above, we agree with the Directors that the Acquisition will enable the Company to take full advantage of the development of the Complex Zone of the Launching Site.

2. Principal terms of the Property Right Transfer Agreement

(i) Subject matter

Under the Property Right Transfer Agreement entered into between Aerospace Times and New Century, the Company would, through New Century being its wholly-owned subsidiary, purchase from Aerospace Times the 35% equity interest of Hainan Aerospace.

Aerospace Times is a subsidiary of CASC, which in turn is a state-owned enterprise in the PRC. The 35% equity interest in Hainan Aerospace currently owned by Aerospace Times is therefore considered to be state-owned assets, the disposal of which is subject to a public tendering process pursuant to the relevant PRC rules and regulations. The tendering process was conducted via the China Beijing Equity Exchange during the period between 7 July 2010 and 3 August 2010 at a minimum bid price of approximately RMB45.6 million. The minimum bid price was fixed according to a PRC valuation of the 35% equity interest as at 31 March 2010 which was posted on the website of the China Beijing Equity Exchange for tendering. The Company, through its wholly-owned subsidiary New Century, won the tender at the minimum bid price of approximately RMB45.6 million, and subsequently entered into the Property Right Transfer Agreement with Aerospace Times on 4 August 2010.

(ii) Consideration

Pursuant to the Property Right Transfer Agreement, the Company and its subsidiaries would pay to Aerospace Times an aggregate consideration of approximately RMB45.6 million in cash (the "Consideration") for the acquisition of the 35% equity interest in Hainan Aerospace. According to the requirement of the China Beijing Equity Exchange, earnest money of approximately RMB13.7 million, representing 30% of the Consideration, was paid by New Century to the designated account of the China Beijing Equity Exchange as earnest money at the time New Century submitted the bid. In the event that the Acquisition is not approved by the Independent Shareholders at the Extraordinary General Meeting, the abovementioned earnest money would be treated as forfeited and transferred to Aerospace Times by the China Beijing Equity Exchange.

The balance of the Consideration, being approximately RMB31.9 million, will be paid to the designated account of the China Beijing Equity Exchange within 5 working days from the date of Independent Shareholders' approval of the Acquisition. The Consideration will be remitted by the China Beijing Equity Exchange to Aerospace Times after Completion.

(iii) Completion

Completion of the Acquisition (the "Completion") is subject to, among others, (i) the approval of the Independent Shareholders at the Extraordinary General Meeting, (ii) the payment of the remaining portion of the Consideration of approximately RMB31.9 million to the designated account of the China Beijing Equity Exchange and the issue of the transaction certificate by it in relation to the Acquisition, and (iii) completion of the relevant filing and registration requirements under the relevant PRC rules and regulations and the articles of association of Hainan Aerospace. Completion is expected to take place within 30 business days from the issue date of the transaction certificate by the China Beijing Equity Exchange.

3. Information on Hainan Aerospace

(i) Background information of Hainan Aerospace

Hainan Aerospace is a Sino-foreign equity joint venture company established in the PRC on 24 November 2008, and is currently owned as to 65% by CASIL Hainan and 35% by Aerospace Times. The business scope of Hainan Aerospace includes, among others, the basic infrastructure construction, development, management and operation of the Complex Zone of the Launching Site.

Pursuant to the Implementation Agreement, the total investment of Hainan Aerospace is approximately RMB1,200 million, which includes:

- (i) approximately RMB530 million earmarked for compensation payment for demolition and resettlement and other expenses; and
- (ii) approximately RMB670 million for construction of basic infrastructure.

The above RMB1,200 million is the same as the total investment under the Land Development Agreement, to be contributed by CASIL Hainan and Aerospace Times on a pro-rata basis according to their respective equity interest in Hainan Aerospace. The registered capital of Hainan Aerospace is RMB600 million, being 50% of the total investment of Hainan Aerospace. It is intended that the remaining portion of the total investment of approximately RMB600 million would be financed by bank borrowings and internal resources of Hainan Aerospace. As at the Latest Practicable Date, a total of approximately RMB120 million (or approximately 20% of the registered capital) was injected as share capital to Hainan Aerospace, of which (i) approximately RMB78 million (or

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approximately 65%) was contributed by the Company through CASIL Hainan; and (ii) approximately RMB42 million (or approximately 35%) was contributed by Aerospace Times.

Pursuant to the Implementation Agreement, Hainan Aerospace agreed to abide by and undertake all responsibilities of CASIL Hainan under the Land Development Agreement and irrevocably undertake to CASIL Hainan to take up any responsibilities which may arise under the Land Development Agreement.

The Master Plan of the Complex Zone of the Launching Site prepared by Hainan Aerospace was approved by Hainan Provincial Government in July 2008. Other detailed plans of the Complex Zone of the Launching Site are currently under approval processes. Hainan Aerospace has commenced the expropriation works on the Land which is expected to be completed within 2010.

(ii) Financial information of Hainan Aerospace

Hainan Aerospace was established on 24 November 2008. No audited financial statements were available for the period from 24 November 2008 to 31 December 2008 as Hainan Aerospace did not have any activities during 2008. For the year ended 31 December 2009, Hainan Aerospace recorded no turnover and a consolidated net loss of approximately RMB4.8 million. According to the management of the Company, it was primarily due to the fact that the Complex Zone of the Launching Site was still in preparatory stage with no income stream generated yet. The consolidated net loss during 2009 mainly represented administrative expenses in relation to early preparation works on the project undertaken by Hainan Aerospace.

The following table summarises the consolidated financial position of Hainan Aerospace, prepared in accordance with the Generally Accepted Accounting Principles in the PRC, as at 31 December 2009, as extracted from the audited consolidated financial statements of Hainan Aerospace:

Financial position

	As at 31 December 2009 <i>RMB'000</i> (audited)
Non-current assets	19,847
Current assets	<u>96,339</u>
Total assets	<u>116,186</u>
Non-current liabilities	—
Current liabilities	<u>(951)</u>
Total liabilities	<u>(951)</u>
Net assets	<u><u>115,235</u></u>

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As at 31 December 2009, non-current assets of Hainan Aerospace represented mainly an office unit in Haikou City, Hainan Province (the “Property”) of approximately RMB16.0 million. As advised by the management of the Company, the office unit is mainly used for preparation works in relation to the Complex Zone of the Launching Site. Current assets of Hainan Aerospace as at 31 December 2009 represented mainly cash and bank balance of approximately RMB68.7 million and an amount prepaid to the Wenchang Government of approximately RMB12.0 million, which was related to a proposed acquisition of a piece of land in Hainan that was subsequently cancelled. As advised by the management of the Company, the RMB12.0 million had already refunded to Hainan Aerospace as at the Latest Practicable Date.

Liabilities of Hainan Aerospace as at 31 December 2009 mainly represented accrued staff costs and other payables totaling approximately RMB0.9 million.

Consolidated net assets of Hainan Aerospace of approximately RMB115.2 million as at 31 December 2009 represented the capital injection of RMB120.0 million by CASIL Hainan and Aerospace Times during 2009, less consolidated net loss of approximately RMB4.8 million recognised during 2009 as mentioned above.

4. Evaluation of the Consideration

The minimum bid price of approximately RMB45.6 million as stipulated by the China Beijing Equity Exchange, which equals to the Consideration, was determined based on the PRC valuation of the 35% equity interest of Hainan Aerospace as at 31 March 2010.

The Company has appointed Vigers Appraisal & Consulting Limited (the “Valuer”) to evaluate the Property as at 30 June 2010 as set out in Appendix I to the Circular. In analysing the fairness of the Consideration, we have referred to the net asset value of Hainan Aerospace as well as the valuation performed by the Valuer. We have compared the Consideration of approximately RMB45.6 million to 35% of the adjusted net asset value of Hainan Aerospace (“Adjusted NAV”), which may be analysed as follows:

	<i>RMB'000</i>
Consolidated audited net asset value of Hainan Aerospace as at 31 December 2009	115,235
Less: carrying value of the Property as at 31 December 2009	(16,000)
Add: valuation of the Property as at 30 June 2010	<u>34,000</u>
Adjusted NAV	133,235
35% of the Adjusted NAV	46,632

On the above basis, the consideration for the Acquisition of approximately RMB45.6 million is slightly lower than 35% of the Adjusted NAV of Hainan Aerospace of approximately RMB46.6 million.

5. Valuation of the Property

The Property has been valued by the Valuer. The valuation report is set out in Appendix I to the Circular.

In assessing the Consideration, we have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Property as contained in the valuation report.

The primary methodology used for the valuation is the direct comparison approach, whereby sales evidence of similar properties is collated and analysed to arrive at a value appropriate to the Property. We consider the direct comparison approach adopted by the Valuer is a normal approach in establishing the market value of the Property.

6. Financial effects of the Acquisition

(i) Net assets and earnings

Following the completion of the Acquisition, the Company's equity interest in Hainan Aerospace, which was already a subsidiary of the Company as at the Latest Practicable Date, would be increased from 65% to 100%. The financial results and financial position of Hainan Aerospace would continue to be consolidated in the financial statement of the Company.

As the Complex Zone of the Launching Site is still in preparatory stage, the acquisition of the remaining 35% equity interest in Hainan Aerospace would not immediately contribute to the consolidated profits of the Company upon Completion. However, the Directors anticipate a good return from the development of the Land, and believe that the Acquisition would enhance the earnings of the Company and its subsidiaries in future.

(ii) Working capital

As mentioned in the above section headed "Information on Hainan Aerospace", the total investment of Hainan Aerospace is approximately RMB1,200 million, which is the same as the total investment under the Land Development Agreement. The total investment of RMB1,200 million includes RMB600 million of registered capital, and a further investment cost of RMB600 million.

As at the Latest Practicable Date, RMB120 million out of the total registered capital was injected by CASIL Hainan and Aerospace Times. According to the management of the Company, following the completion of the Acquisition, the

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remaining registered capital of approximately RMB480 million would be borne by the Company and its subsidiaries, which would be financed by their internal resources and bank borrowings.

The remaining RMB600 million of investment cost will be injected in accordance with the progress of the Land Development Project, and is expected to be fulfilled by different financing alternatives, including but not limited to internal resources, bank borrowing to be undertaken by the Company and its subsidiaries, and the introduction of strategic shareholders in a longer term.

Having taken into account of (i) the financial position of the Company and its subsidiaries, in particular the relatively low level of debt compared to its bank balance and cash, and the net cash position of the Company and its subsidiaries (defined as borrowings net of bank balances and cash) of approximately HK\$1,193 million (or approximately RMB1,038 million) as at 31 December 2009, and (ii) net proceeds of approximately HK\$560 million (or approximately RMB487 million) from the share placement of the Company completed in February 2010, the Directors are of the view that the Company and its subsidiaries has sufficient resources to finance the future capital commitment for the development of the Complex Zone of the Launching Site.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Property Right Transfer Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Property Right Transfer Agreement is in the ordinary course of business of the Company and in the interests of the Company and its shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the entering into of the Property Right Transfer Agreement.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

The following is the text of a letter and a valuation certificate from Vigers Appraisal & Consulting Limited, in connection with the valuation of the property held by Hainan Aerospace as at 30 June 2010, purported for the purpose of incorporation in this Circular.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants
10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



24 August 2010

The Directors
China Aerospace International Holdings Limited
Rooms 1103-07A, 11th Floor
One Harbourfront
No. 18 Tak Fung Street
Hung Hom, Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions of China Aerospace International Holdings Limited (the “Company”) for us to value the property interest held by 海南航天投资管理有限公司 (“Hainan Aerospace”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 June 2010 (“date of valuation”) for the purpose of incorporation in the Circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have valued the property interest by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Company’s PRC legal adviser, Shu Jin Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 30 June 2010 was HK\$1 = RMB0.871. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty four years' experiences in undertaking valuations of properties in Hong Kong and has over seventeen years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by 海南航天投資管理有限公司 (Hainan Aerospace) in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2010
Level 23 of Sky City International Building (海南天邑國際大廈), No. 85 Binhai Avenue, Haikou City, Hainan Province, the PRC	The property comprises the Level 23 of a 48-storey (including 3 levels of basement) commercial building completed in or about 2008. The property has a total gross floor area of approximately 1,278.08 sq.m.	The property is currently occupied for office purpose.	RMB34,000,000 (equivalent to approximately HK\$39,000,000)

Notes:

1. According to 6 Commodity House Sale and Purchase Agreement (商品房買賣合同) dated 23 March 2009 entered into between 海南天邑國際大廈有限公司 (Sky City International Building Company Limited*) (“Party A”) and 海南航天投資管理有限公司 (Hainan Aerospace) (“Party B”), Party A agreed to sell the property with a total gross floor area of approximately 1,278.08 sq.m. to Party B for office use at a total consideration of RMB16,000,000. According to the documents provided by Hainan Aerospace, the consideration, land premium and other costs of the property have been fully settled.
2. In the course of our valuation, we have made the following assumptions:
 - (i) We have valued the property on the assumption that 海南航天投資管理有限公司 (Hainan Aerospace) is in possession of a proper legal title to the property and is entitled to freely transfer, lease and mortgage the property to any third parties (including local and foreign purchasers) in the market with its residual term of land use rights at no land premium or other onerous payment payable to the government; and
 - (ii) The property is free from any mortgage, legal charges, order and other encumbrances which may cause adversely effect on the title ship of the property.
3. The PRC legal opinion states, inter alia, the following:
 - (i) The property is owned by 海南航天投資管理有限公司 (Hainan Aerospace) .
 - (ii) 海南航天投資管理有限公司 (Hainan Aerospace) is the legal owner of the property and is entitled to occupy, use, transfer, mortgage or dispose of the property by other means.
 - (iii) The property is free from any mortgages and charges imposed by judicial authorities.

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS**A. Directors' or chief executive's 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 executives 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 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 Company and its subsidiaries:

Name of shareholder	Capital	Direct Interest (Y/N)	Number of shares held for long positions	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporations (note 1)	N	1,143,330,636	37.06%
Jetcote Investments Limited	Beneficial owner Interested in controlled corporations (note 2)	Y N	131,837,011 1,011,493,625	4.27% 32.79%
			<u>1,143,330,636</u>	<u>37.06%</u>
Burhill Company Limited	Beneficial owner (note 2)	Y	539,566,136	17.49%
Sin King Enterprises Company Limited	Beneficial owner (note 2)	Y	471,927,489	15.30%

Notes:

- (1) These 1,143,330,636 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 1,011,493,625 shares are duplicated in the interests held by Burhill Company Limited and Sin King Enterprises Company Limited, being wholly-owned subsidiaries of Jetcote Investments 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 carrying rights to vote in all circumstances at general meetings of any other members of the Company and its subsidiaries and none of the Directors are directors or employees of person have such interest or short position.

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 Company and its subsidiaries excluding contracts expiring or determinable by such member of the Company and its subsidiaries within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

Save for Mr Wu Zhuo, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, who are employees of CASC, 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 Company and its subsidiaries, other than those businesses in which (a) the Company and its subsidiaries was interested and (b) the Directors' only interests were as directors appointed to represent the interests of the Company and its subsidiaries.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, 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 Company and its subsidiaries.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in financial or trading position of the Company and its subsidiaries since 31 December 2009, the date to which the latest audited consolidated financial statements of the Company and its subsidiaries were made up.

7. EXPERT

The following is the qualification of the experts who have given an opinion or advice contained in this Circular:

Name	Qualification
Somerley Limited	licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
Vigers Appraisal & Consulting Limited	property valuer
Shu Jin Law Firm	PRC legal advisor

As at the Latest Practicable Date, none of Somerley Limited, Vigers Appraisal & Consulting Limited and Shu Jin Law Firm had any shareholding in any member of the Company and its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Company and its subsidiaries.

Each of Somerley Limited, Vigers Appraisal & Consulting Limited and Shu Jin Law Firm has given and has not withdrawn its written consent to the issue of this Circular with the reference to its name and its letter in the form and context in which they appear.

As at the Latest Practicable Date, none of Somerley Limited, Vigers Appraisal & Consulting Limited and Shu Jin Law Firm had any interest, direct or indirect, in any assets which since 31 December 2009, the date to which the latest published audited financial statements of the Company and its subsidiaries were made up, have been acquired or disposed of by or leased to any member of the Company and its subsidiaries, or are proposed to be acquired or disposed of by or leased to any member of the Company and its subsidiaries.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr Chan Ka Kin, Ken. Mr Chan is a member of both The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries.
- (b) The Company's share registrar and transfer office is Tricor Standard Limited, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) 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
 - (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.

- (d) None of the Directors has since 31 December 2009, being the date to which the latest published audited accounts of the Company and its subsidiaries have been made up, any direct or indirect interests in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Company and its subsidiaries.
- (e) 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 Company and its subsidiaries.
- (f) 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 Property Right Transfer Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 11 of this Circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 12 to 20 of this Circular;
- (d) the Valuation Report, the text of which is set out in Appendix I to this Circular;
- (e) the respective written consents from Somerley Limited, Vigers Appraisal & Consulting Limited and Shu Jin Law Firm referred to in the section headed “Expert” in this appendix;
- (f) the Implementation Agreement;
- (g) a copy of the legal opinion issued by Shu Jin Law Firm in respect of the Property;
and
- (h) this Circular.



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)

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 Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Friday, 10 September 2010 at 11:00 a.m. to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Ordinary Resolutions

- (1) **“THAT** the acquisition of the 35% interests of the equity capital in 海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)* pursuant to the property right transfer agreement (the “Property Right Transfer Agreement”) 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)* (the “Purchaser”) (a direct wholly-owned subsidiary of the Company) and 航天時代置業發展有限公司 (Aerospace Times Properties Development Limited)* (the “Vendor”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed and the directors of the Company be and are hereby authorised to take all actions and to sign, execute and deliver all such agreements, deeds and documents for and on behalf of the Company as they may deem appropriate and expedient for the purpose of effecting the Property Right Transfer Agreement and the transactions contemplated thereunder.”
- (2) **“THAT** the appointment of Mr Shi Weiguo as a Non-Executive Director of the Company be and is hereby approved and that a director’s fee of HK\$150,000 per annum be and is hereby approved.”

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

Hong Kong, 24 August 2010

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 notarially 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.

* *This PRC entity does not have an English name, the English name sets out in herein is for identification purpose only.*