THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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)

CONTINUING CONNECTED TRANSACTION
PROVISION OF MORTGAGES TO AEROSPACE FINANCE PURSUANT TO THE FACILITY AGREEMENT,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

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, 7 October 2016 at 11:00 a.m. is set out on pages 28 to 29 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 Level 22, Hopewell Centre, 183 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.

14 September 2016

CONTENTS

Page

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

"Aerospace Finance"	航天科技財務有限責任公司* (Aerospace Science & Technology Finance Company Limited), a subsidiary of CASC and its subsidiaries established in the PRC as a limited liability company and whose business activities are subject to the supervision of the China Banking Regulatory Commission;
"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 held a 38.37% shareholding in the Company and is a controlling shareholder of the Company;
"Circular"	the circular of the Company dated 14 September 2016;
"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;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the Directors of the Company;
"Existing Facilities"	the RMB1,500 million facility for a period of 5 years from the date of drawdown, including a bank guarantee of up to RMB150 million to the main contractor(s) and advances of up to RMB1,350 million pursuant to the syndicate loan agreement dated 14 January 2011 between Shenzhen Aerospace and the Finance Syndicate. Further details of which were set out in the announcement of the Company dated 14 January 2011 and the circular dated 25 January 2011;
"Extraordinary General Meeting"	the extraordinary general meeting to be convened by the Company on Friday, 7 October 2016 at 11:00 a.m. at the Salon One, First Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong for the purpose of approving the Facility Agreement and re-election of Directors;
"Facility"	the RMB1,300 million facility for a period of 12 years to be provided by Aerospace Finance to Shenzhen Aerospace pursuant to the Facility Agreement;

"Facility Agreement"	the conditional fixed asset facility agreement dated 30 August 2016 entered into between Shenzhen Aerospace and Aerospace Finance in relation to the Facility and the Mortgages;
"Finance Syndicate"	Aerospace Finance, 中國工商銀行股份有限公司深圳深圳灣支行* (Industrial and Commercial Bank of China, Shenzhen Shenzhen Bay Sub-branch) and 中國銀行股份有限公司深圳南頭支行* (Bank of China, Shenzhen Nantou Sub-branch);
"Independent Board Committee"	an independent committee of the Board comprising Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, being all the Independent Non-Executive Directors;
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Facility Agreement;
"Independent Shareholders"	all Shareholders excluding CASC and its associates;
"Latest Practicable Date"	8 September 2016, 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;
"Mortgages"	(1) the mortgage of the land use right of the Shenzhen Aerospace Science & Technology Plaza in favour of Aerospace Finance within one month after Shenzhen Aerospace has repaid the outstanding amount of the Existing Facilities to the Finance Syndicate and obtained the release of the land use rights certificates of the Shenzhen Aerospace Science & Technology Plaza that are currently mortgaged to the Finance Syndicate as security; and (2) subsequently replace the mortgage of the land use right of the Shenzhen Aerospace Science & Technology Plaza with a mortgage of the property ownership certificates of the whole storey of each of the third to twenty-third floor of Tower A of the Shenzhen Aerospace Science & Technology Plaza with an aggregate gross floor area of approximately 39,927.93 square metres of office space (which has an estimated value of RMB1,895.58 million as at 30 June 2016) in favour of Aerospace Finance after Shenzhen Aerospace has obtained the relevant certificates;

"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);
"RMB"	Renminbi, the legal currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Share(s)"	the ordinary share(s) in the share capital of the Company;
"Shareholders"	shareholders of the Company;
"Shenzhen Aerospace"	深圳市航天高科投資管理有限公司* (Shenzhen Aerospace Technology Investment Management Company Limited), a company established in PRC as a limited liability company and is an indirect subsidiary of the Company; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

* *These PRC entities do not have English names, the English names set out herein are 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 Zhang Jianheng *(Chairman)*
Mr Mao Yijin
Mr Xu Liangwei

Independent Non-Executive Directors:
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun

Registered Office:
Room 1103–1107A
11th Floor, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon
Hong Kong

14 September 2016

To the Shareholders of the Company,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION PROVISION OF MORTGAGES TO AEROSPACE FINANCE PURSUANT TO THE FACILITY AGREEMENT, RE-ELECTION OF DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 30 August 2016, it was announced that Shenzhen Aerospace, a 60% indirectly owned subsidiary of the Company, entered into a Facility Agreement with Aerospace Finance in respect of a RMB1,300 million facility for a period of 12 years and provided an undertaking to Aerospace Finance to (1) mortgage the land use right of the Shenzhen Aerospace Science & Technology Plaza in favour of Aerospace Finance within one month after Shenzhen Aerospace has repaid the outstanding amount of the Existing Facilities to the Finance Syndicate and obtained the release of the land use rights certificates of the

Shenzhen Aerospace Science & Technology Plaza that are currently mortgaged to the Finance Syndicate as security; and (2) subsequently replace the mortgage of the land use right of the Shenzhen Aerospace Science & Technology Plaza with a mortgage of the property ownership certificates of the whole storey of each of the third to twenty-third floor of Tower A of the Shenzhen Aerospace Science & Technology Plaza with an aggregate gross floor area of approximately 39,927.93 square metres of office space (which has an estimated value of RMB1,895.58 million as at 30 June 2016) in favour of Aerospace Finance after Shenzhen Aerospace has obtained the relevant certificates. The mortgaged office space represents approximately 31% of the aggregate gross floor area of the office spaces and approximately 20% of the aggregate gross floor area of the Shenzhen Aerospace Science & Technology Plaza, respectively. The provision of the mortgage of land use rights certificate(s) (and the subsequent mortgage of property ownership certificates) is subject to the approval of the Independent Shareholders at the Extraordinary General Meeting.

As at 30 June 2016, the outstanding principal amount of the Existing Facilities was RMB1,144.10 million, of which RMB572.05 million and an interest of RMB13.85 million would be due and payable in September 2016 and the remaining RMB572.05 million and an interest to be calculated based on the actual date of repayment would be due and payable in December 2016.

On 23 August 2016, the Board announced the appointment of Mr Mao Yijin and Mr Xu Liangwei as Non-Executive Directors of the Company with effect from 24 August 2016 to fill the casual vacancy after the resignation of Mr Chen Xuechuan and Mr Shi Weiguo. Pursuant to the requirements of the Listing Rules, Mr Mao Yijin and Mr Xu Liangwei are subject to re-election at the Extraordinary General Meeting.

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

1. THE FACILITY

On 30 August 2016, Shenzhen Aerospace, a 60% indirectly owned subsidiary of the Company, entered into a Facility Agreement with Aerospace Finance. The major terms of the Facility are as follows:

Date of Facility Agreement:	30 August 2016
Lender:	Aerospace Finance
Borrower:	Shenzhen Aerospace
Facility amount:	RMB1,300 million
Security:	the Mortgages

Use of loan proceeds:	As to approximately RMB1,200 million for the repayment of the Existing Facilities and as to approximately RMB100 million for working capital of Shenzhen Aerospace
Duration of the Facility:	12 years from the first drawdown date.
Drawdown period:	12 years from the first drawdown date.
Drawdown:	There is no minimum drawdown amount under the Facility. Shenzhen Aerospace intends to draw down the Facility within or around one week after obtaining the Independent Shareholder's approval at the EGM, which is expected to be in or around the second week of October 2016.
Interest rate:	10% below the base lending rate for mid to long term loans as announced by the People's Bank of China at the relevant date of advances. Assuming the Facility was drawndown on the Latest Practicable Date, the interest rate would be 4.41% p.a. Interest rate will be adjusted correspondingly on 1 January of the subsequent year if there is any change of base lending rate. Interest shall be payable on a quarterly basis.
Repayment:	No principal repayment in the first 5 years. Repayment shall be made from the sixth year of the Facility Agreement by half yearly installments and the repayment amount will be determined by Shenzhen Aerospace in accordance with its operations until full repayment of the principal and the interests.
Early repayment:	Early repayment of partial or full portion of the loans is permitted. No charges will be levied provided prior notice is given to Aerospace Finance by Shenzhen Aerospace.

The terms of the Facility were negotiated after arm's length negotiation. The Facility amount was determined with reference to the outstanding balance of Existing Facilities and the working capital requirement of Shenzhen Aerospace. As at 30 June 2016, the outstanding principal amount of the Existing Facilities was RMB1,144.10 million, of which RMB572.05 million and an interest of RMB13.85 million would be due and payable in September 2016 and the remaining RMB572.05 million and an interest to be calculated based on the actual date of repayment would be due and payable in December 2016. Since the first drawdown under the Facility is expected to be in or around the second week of October 2016 which is after the due date for the part repayment of RMB585.90 million in

September 2016, Shenzhen Aerospace will use the internal resources of the Company and its relevant subsidiaries to meet its payment obligations in September 2016 and the Company and its relevant subsidiaries will be repaid shortly after the Company has obtained the Independent Shareholder's approval and Shenzhen Aerospace has made the first drawdown under the Facility. The Directors consider that the terms of the Facility (including the provision of the Mortgages and the duration of the Facility) are on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Facility Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Shenzhen Aerospace Science & Technology Plaza

The Shenzhen Aerospace Science & Technology Plaza is situated at the northern reclamation district of the east of Nanshan Houhai Centre District with a site area of approximately 12,618.67 square metres. The land use right is for a term of 50 years commencing from 14 March 2008 and is for commercial office purpose. It comprises a 48-storey tower, a 28-storey tower, a 6-storey commercial podium and a 4-storey basement that amount to a total gross floor area of approximately 199,746.50 square metres. The Shenzhen Aerospace Science & Technology Plaza has been transited from construction stage to operation and management stage where the rentable gross floor areas of office space is approximately 118,611.58 square metres, that of the commercial spaces are approximately 31,100 square metres, and there are 920 parking lots in the basement. It is currently intended all of the Shenzhen Aerospace Science & Technology Plaza will be leased out for rental.

Shenzhen Aerospace determined the proposal of the overall business and leasing promotion, and completed the preparation of tender documents. Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) has been established by Shenzhen Aerospace based on the operational needs of the project. Shenzhen Aerospace Science & Technology Plaza has become a new landmark of the Company in the southern China, representing a cornerstone for the start of the Company's development under the 13th Five-Year Plan. With continuous and promising prospect of the commercial property market in Shenzhen over the past few years, Shenzhen Aerospace Science & Technology Plaza has contributed to the satisfactory asset appreciation of the Company. As at 30 June 2016, the Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,168,000,000. For the six months ended 30 June 2016, as a result of the increase in fair value, the Shenzhen Aerospace Science & Technology Plaza has contributed HK$1,292,944,000 to the results of the Company and its subsidiaries.

Reasons for and benefit of the Facility

Given the prosperous development of property market in Shenzhen, it is anticipated that the Company will benefit from the provision of steady cash flow by Shenzhen Aerospace from the recurring rental income of the Shenzhen Aerospace Science & Technology Plaza and would benefit from favourable return through the operations of the Shenzhen Aerospace Science & Technology Plaza. Hence, the

Company has no intention to dispose of any interest in Shenzhen Aerospace Science & Technology Plaza in the near future. In addition, there is a selling restriction in respect of 60% of the gross floor area for 10 years from the date of proof of completion, that is 3 June 2016, and the remaining 40% can only be sold to wholly-owned subsidiaries, subsidiaries or associates of CASC pursuant to the requirements of its land grant, therefore a longer term facility is more suitable and further re-financings in the next few years is not necessary.

The Facility is intended to repay the Existing Facilities and for general working capital for Shenzhen Aerospace. As at 30 June 2016, the outstanding principal amount of the Existing Facilities was RMB1,144.10 million, of which RMB572.05 million and an interest of RMB13.85 million would be due and payable in September 2016 and the remaining RMB572.05 million and an interest to be calculated based on the actual date of repayment would be due and payable in December 2016. The 12-year Facility will relieve the repayment pressure of the Existing Facilities at comparatively favourable terms, such as lower interest rate, longer loan period, no principal repayment in the first 5 years, no other fees and so on.

The Company is of the view that the terms of the Facility are extremely favourable and flexible and that fit the present needs of the Company and will benefit the Company's future development.

Information on the Company, Shenzhen Aerospace and Aerospace Finance

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

Shenzhen Aerospace is a 60% indirectly owned subsidiary of the Company. The other 40% interests of Shenzhen Aerospace is owned by Shenzhen Hua Jie Investments Company Limited* (深圳市華杰投資有限公司). The business scope of Shenzhen Aerospace are development and transfer of technologies, provision of technological advisory and services, the establishment of enterprises, the research and manufacturing of satellite related products, development of infrastructure and related businesses, the management and leasing of properties. It owns the entire interest in the Shenzhen Aerospace Science & Technology Plaza.

Aerospace Finance is a subsidiary of CASC and its subsidiaries, whose business scope include (i) provision of finance and fund raising advisory, credit verification and related consultancy and agency services to members of the CASC group; (ii) provision of fund receiving and payment services for transactions conducted by members of the CASC group; (iii) approved insurance agency business; (iv) provision of guarantees for members of the CASC group; (v) provision of entrusted loans and entrusted investment services to members of the CASC group; (vi) acceptance and discounting of bills for members of the CASC group; (vii) settlement of transfers of fund between members of the CASC group and design of plans for related settlements and clearances; (viii) accepting deposits from members of the CASC group; (ix) dealing with loans and financing lease for members of the CASC group; (x) interbank lending; (xi) issue of finance company bonds with approval; (xii) underwriting enterprise bonds of members of the CASC group; (xiii) equity investment in financial institutions; (xiv) investment in marketable securities; (xv) buyer credits and financing lease in respect of products of members of the CASC group.

Continuing Connected Transaction

Aerospace Finance, 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 Facility with the provision of the Mortgages in favour of Aerospace Finance as security constitutes a non-exempted continuing connected transaction of the Company. Accordingly, the Facility Agreement is subject to Independent Shareholders' approval and CASC and its associates shall abstain from voting on this resolution at the Extraordinary General Meeting.

As three of the Directors, namely, Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo are officers of CASC, they had abstained from voting on the resolution approving the transaction contemplated under the Facility Agreement at the board meeting held on 23 August 2016 when the Facility Agreement was considered.

Facility Agreement exceeds Three Years

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement of continuing connected transactions must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. The listed issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For reasons set out in the section "Reasons for and benefit of the Facility", it is proposed that the duration of the Facility will be 12 years from the date of drawndown. Please refer to the Letter from the Independent Financial Adviser for its view on this matter.

2. RE-ELECTION OF DIRECTORS

On 23 August 2016, the Board announced that due to internal shift in duties of CASC, the controlling shareholder of the Company, the followings take place with effect from 24 August 2016:

1. Mr Chen Xuechuan would resign as a Non-Executive Director and a member of the Remuneration Committee and the Nomination Committee;

2. Mr Shi Weiguo would resign as a Non-Executive Director and a member of the Audit Committee;

3. Mr Mao Yijin is appointed as a Non-Executive Director and a member of the Audit Committee; and

4. Mr Xu Liangwei is appointed as a Non-Executive Director and a member of the Remuneration Committee and the Nomination Committee.

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, ordinary resolutions will be proposed at the Extraordinary General Meeting to approve the re-election of Mr Mao Yijin and Mr Xu Liangwei, respectively.

Mr Mao Yijin, aged 53, graduated from the Faculty of Industrial Economics, Hubei Institute of Finance and Economics in 1985. He joined No. 1 Research Academy under CASC shortly after graduation and held such posts as staff of the Planning Department, a Deputy Division Director and Senior Engineer of the Planning Division, a Division Director of the Finance Division, a Deputy Director General of the General Business Department; a Deputy Director General of No. 18 Research Institute, the Chief Accountant of No. 11 Research Academy, and the Chief Accountant and Deputy Head of Shanghai Academy of Spaceflight Technology. Since June 2016, he has served as a Consultant of Shanghai Academy of Spaceflight Technology. Mr Mao has ample experience in administration management and financial management.

Mr Xu Liangwei, aged 61, graduated from the Faculty of Chinese, Shanghai Television University, and obtained a Master degree in Business Administration from Fudan University. Mr Xu joined Shanghai Academy of Spaceflight Technology in 1991 and held such posts as a Deputy Director, Director of General Office and Assistant to Academy General. He served as a Vice President of Shanghai Aerospace Corporation from 1995 to 1998; as a Deputy Academy General of Shanghai Academy of Spaceflight Technology, the Chairman and President of Shanghai Aerospace Industrial Company Limited, the Chairman of both Shanghai Instrument Company Limited and Shanghai Aerospace Energy Company Limited from 2000 to 2011; and he served as a Deputy Director of the preparation group of China Academy of Launch Vehicle Technology Company Limited and as a Consultant of Shanghai Academy of Spaceflight Technology from 2011 to 2015. Mr Xu has ample experience in administration management.

As at the Latest Practicable Date, each of Mr Mao Yijin and Mr Xu Liangwei has respectively confirmed that he:

1. does not have any interest in and does 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 SFO;

2. has no relationships with any director, senior management or substantial or controlling shareholder of the Company (as defined in the Listing Rules), save as disclosed above;

3. did not have any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, save as disclosed above; and

4. did not enter into any service contract with the Company except for an engagement letter with the Company pursuant to the Listing Rules, which provides for, *inter-alia*, a fixed term of two years subject to the rotational retirement requirements and re-election at the first general meeting of the Company after appointment under the Company's Articles of Association.

The remuneration of both Mr Mao Yijin and Mr Xu Liangwei has yet to be confirmed by the Board and that will be announced by the Company in due course.

Save as disclosed above, there is no other information that needs to be brought to the attention of the Shareholders 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 28 to 29 of this Circular.

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, of Level 22, Hopewell Centre, 183 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 Extraordinary General Meeting will be voted by way of a poll by the Shareholders. As of the Latest Practicable Date, CASC, through its wholly-owned subsidiaries, held a total of 38.37% shareholding in the Company and is a controlling shareholder of the Company. As such, CASC and its associates shall abstain from voting on resolution number 1 as set out in the notice of meeting at the Extraordinary General Meeting.

RECOMMENDATION

The Directors are of the opinion that the entering into of the Facility Agreement (including the Mortgages) is in the best interests of the Company. At the meeting of the Board held on 23 August 2016 approving the Facility Agreement, Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo, who were officers of CASC, had abstained from voting. As at the Latest Practicable Date, none of Mr Zhang Jianheng, Mr Mao Yijin and Mr Xu Liangwei, who are officers of CASC and its relevant subsidiary, held any interests in the Shares. The Directors recommend that the Independent Shareholders to vote in favour of the ordinary resolution regarding the Facility Agreement and all the Shareholders to vote in favour of the ordinary resolutions regarding the re-election of Directors to be proposed at the forthcoming Extraordinary General Meeting, respectively.

The Independent Board Committee, having reviewed the advice given by Somerley Capital Limited, recommends Independent Shareholders to vote in favour of the ordinary resolution regarding the Facility Agreement 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 Facility and the provision of the Mortgages. Further information of the Company and its subsidiaries is set out in the Appendix.

By order of the Board
Li Hongjun
Executive Director & President

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)

14 September 2016

To the Independent Shareholders,

CONTINUING CONNECTED TRANSACTION PROVISION OF MORTGAGES TO AEROSPACE FINANCE PURSUANT TO THE FACILITY AGREEMENT

We refer to the circular of the Company dated 14 September 2016 (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.

The Independent Board Committee has been established to consider the terms of the Facility Agreement and to advise and recommend the Independent Shareholders to vote on the Extraordinary General Meeting to be convened, details of which are contained in the Letter from the Board as set out on pages 4 to 12 of the Circular.

We have considered the various details of the Facility Agreement, in particular, the reasons and benefits of transaction and the effect thereof. We have also reviewed the advice given by Somerley Capital Limited, the Independent Financial Adviser, on the terms of the Facility Agreement as set out in their letter reproduced on pages 14 to 22 of the Circular.

Having considered the information set out in the Letter from the Board and taking into account the advice from Somerley Capital Limited, we consider the Facility 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 Facility Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution regarding the Facility and the provision of the Mortgages as set out in the notice of the Extraordinary General Meeting.

Yours faithfully,

Luo Zhenbang **Leung Sau Fan, Sylvia** **Wang Xiaojun**

Independent Board Committee

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 September 2016

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION PROVISION OF MORTGAGES TO AEROSPACE FINANCE PURSUANT TO THE FACILITY AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the entering into of the Facility Agreement by Shenzhen Aerospace, a 60% indirectly owned subsidiary of the Company, and Aerospace Finance, in respect of a RMB1,300 million facility for a period of 12 years, which would include the provision of mortgages in favour of Aerospace Finance.

Details of the Facility are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 14 September 2016 (the "**Circular**"), 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 Finance is a subsidiary of CASC, which in turn is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Facility Agreement constitutes a non-exempted continuing connected transaction of the Company and is subject to the approval of the Independent Shareholders as set out under the Listing Rules. CASC and its associates shall abstain from voting on the relevant resolution at the Extraordinary General Meeting. Three of the Directors, namely Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo were officers of CASC and had abstained from voting on the resolution approving the Facility Agreement at the board meeting held on 23 August 2016.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, has been established to advise the Independent Shareholders in respect of the terms of the Facility Agreement. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we have not acted as an independent financial adviser to the independent board committee and independent shareholders of the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Company, Aerospace Finance, and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

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 such information and facts provided, and the opinions expressed to us are true, accurate and complete in all material aspects as 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, accuracy and completeness 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, CASC, and their respective subsidiaries and associates (including Shenzhen Aerospace and Aerospace Finance), nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the terms of the Facility Agreement we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for entering into the Facility Agreement

(i) Background of the Company and Aerospace Finance

The Company is owned as to approximately 38.37% by CASC, which is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CASC is the single largest shareholder of the Company. The Company and its subsidiaries are principally engaged in manufacturing and aerospace services. Although the Company's manufacturing business contributes most of its consolidated turnover, its investments in property projects, which are included in the Company's aerospace services segment, have gained importance in recent years. The development of the Shenzhen Aerospace Science & Technology Plaza (the "**Plaza**"), being the subject property under the Facility Agreement, is a major property project that the Company has invested in.

Aerospace Finance, established in the PRC as a limited liability company, is primarily engaged in the provision of financial services to members of the CASC group, including but not limited to lending and deposit taking. It is subject to the supervision of the China Banking Regulatory Commission.

(ii) Background of Shenzhen Aerospace and the Plaza

Shenzhen Aerospace, established in January 2008, is a joint venture between a wholly-owned subsidiary of the Company and two subsidiaries of CASC. Shenzhen Aerospace won a public bid to acquire the land use right of an appropriate parcel of land, with a site area of approximately 12,618.67 square metres, situated at the northern reclamation district of the east of Nanshan Houhai Centre District (the "**Land**"). The Plaza, situated on the Land with an aggregate gross floor area of approximately 199,746.50 square metres, comprises a twin-tower skyscraper office building, together with a shopping complex and parking lots. The construction and inspection of the Plaza had been completed in June 2016.

It is intended that the Plaza will be leased out for rental purpose. It is anticipated that the Plaza will bring in a new stable income source to the Company.

According to the latest unaudited management accounts of Shenzhen Aerospace as at 30 June 2016, the only material assets of Shenzhen Aerospace were cash on hand and its interest in the Plaza. As at 30 June 2016, the Plaza was valued at approximately RMB7.2 billion.

(iii) Reasons for entering into the Facility Agreement

In January 2011, Shenzhen Aerospace entered into the Existing Facilities with the Finance Syndicate, comprising Aerospace Finance and two other independent commercial banks, for a facility in the amount of RMB1.5 billion. The Existing Facilities, further details of which are set out in the circular of the Company dated 25 January 2011, were approved by the then independent shareholders of the Company. The Existing Facilities will expire within this year.

In light of the imminent repayment requirement under the Existing Facilities, it is the intention of Shenzhen Aerospace to arrange long term financing to replace the Existing Facilities. The Board considers that the Facility is intended to replace the Existing Facilities and provide working capital for Shenzhen Aerospace.

The Company considers that it will benefit from the provision of steady cash flow by Shenzhen Aerospace from the recurring rental income of the Plaza and would benefit from a favourable return through the operations of the Plaza. In addition, the Company has confirmed that there is a selling restriction in respect of 60% of the gross floor area of the Plaza for 10 years from the date of proof of completion, being 3 June 2016, and the remaining 40% of the gross floor area of the Plaza can only be sold to wholly-owned subsidiaries, subsidiaries or associates of CASC pursuant to the requirements of its land grant (the "**Plaza Selling Restrictions**"). Therefore, the Company has no intention to dispose of any interest in the Plaza in the near future and considers that a longer term facility (i.e. 12 years pursuant to the Facility Agreement) is more suitable and further re-financings in the next few years would not be necessary.

If the Facility is drawn down, there are no prepayment conditions, fees or penalties, so Shenzhen Aerospace is free to tap the market for a possible refinancing in case of a more favourable borrowing environment.

2. Principal terms of the Facility Agreement

As stated in the letter from the Board in the Circular, the terms of the Facility Agreement were determined after arm's length negotiation, with reference to the outstanding balance of the Existing Facilities and the working capital requirement of Shenzhen Aerospace. The principal terms of the Facility Agreement are summarised as follows:

(i) Total amount and availability period

Aerospace Finance will provide a RMB1,300 million facility to Shenzhen Aerospace, for a period of 12 years from the first drawdown date, and the available drawdown period shall be 12 years from the first drawdown date.

(ii) Interest rate

The interest rate will be 10% below the base lending rate for mid to long term loans as announced by the People's Bank of China (the "**PBOC Rate**") at the relevant date of advances and interest is payable on the twentieth day in the last month of each quarter. The interest rate will be adjusted correspondingly on 1 January of the subsequent year if there is any change in the PBOC Rate.

As confirmed with the Company, save for a penalty arising from default payment, there are no other fees or expenses required to be paid by Shenzhen Aerospace under the Facility.

(iii) Repayment

Repayments of the principal loan amount(s) are due from the sixth year of the date of the Facility Agreement in half yearly instalments and no principal repayment is required in the first five years. The repayment amount will be determined by Shenzhen Aerospace in accordance with its operational requirements. In addition, Shenzhen Aerospace is permitted to early repay partially or the full portion of the principal loan amount at any time, and no charges will be levied by Aerospace Finance provided that prior notice is given to Aerospace Finance by Shenzhen Aerospace.

As confirmed with the Company, Shenzhen Aerospace, after assessment of its operations and financial needs, is allowed to repay a nominal principal loan amount to Shenzhen Aerospace beginning from the sixth year of the Facility Agreement and up to the day before maturity of the Facility, which provides an additional flexibility to Shenzhen Aerospace.

(iv) Security

Shenzhen Aerospace undertakes to (i) mortgage the land use right of the Plaza as security in favour of Aerospace Finance within one month after Shenzhen Aerospace has repaid the outstanding amount of the Existing Facilities to the Finance Syndicate and obtained release of the land use rights certificate of the Plaza (currently mortgaged to the Finance Syndicate as security), and (ii) subsequently replace the mortgage of land use right of the Plaza with a mortgage of the property ownership certificates of the whole storey of each of the third to twenty-third floor of Tower A of the Plaza with an aggregate gross floor area of approximately 39,927.93 square metres of office space (which has an estimated value of RMB1,895.58 million as at 30 June 2016), being approximately 31% of the aggregate gross floor area of the office space and approximately 20.0% of the aggregate gross floor area of the Plaza, respectively, in favour of Aerospace Finance after Shenzhen Aerospace has obtained the relevant certificates.

3. Interest rate under the Facility

Pursuant to the Facility Agreement, the interest rate of the Facility will be 10% below the PBOC Rate at the relevant date of advances. As at the Latest Practicable Date, the "over 5 years" base lending rate as announced by the People's Bank of China is 4.90%. On this basis, the applicable interest rate would be 4.41% (the "**Current Interest Rate**").

The interest rate of the Facility applicable to Aerospace Finance, being 10% below the prevailing PBOC Rate, is lower than the interest rate pursuant to the Existing Facilities, where the applicable interest rate is the prevailing PBOC Rate. We consider the change favourable to the Company.

It is difficult to make extensive comparisons between the interest rate of the Facility and that of other similar loan facilities with similar purposes, as such information is in general not publicly available. However, we consider that secured borrowings, denominated in Renminbi, by property companies listed in Hong Kong may be suitable comparables, given that the use of loan proceeds are likely to be similar (i.e. property development and/or property investment). On this basis, we have identified 4 property companies ("**Comparable Companies**") listed in Hong Kong, with a market capitalisation of between approximately HK$2.0 billion and HK$4.0 billion as at the Latest Practicable Date (the Company's market capitalisation is approximately HK$3.4 billion as at the Latest Practicable Date), that disclosed relevant approximate interest rates per annum of their borrowings in their latest published annual reports. We consider the Comparable Companies to be an exhaustive list according to our research on the website of the Stock Exchange based on the above criteria. It should be noted that circumstances underpinning each of the loan facilities of the Comparable Companies may not be the same as the ones of the Facility. However, as the relevant loan facilities of the Comparable Companies fulfil the aforementioned criteria, we consider that the relevant loan facilities of the Comparable Companies serve as a general reference, and are fair and representative comparables in the Hong Kong market. The details are set out below:

Comparable Companies	**Interest rate per annum**
Wuzhou International Holdings Ltd. ("**Wuzhou International**") (Stock Code: 1369.HK)	1.5% to 13.5%
China Properties Group Limited ("**China Properties**") (Stock code: 1838.HK)	110% over PBOC Rate (bank loans) and 11.3% (other borrowings)
Hydoo International Holding Limited ("**Hydoo International**") (Stock code: 1396.HK)	2.1% to 10.2%
Minmetals Land Limited ("**Minmetals Land**") (Stock code: 230.HK)	4.7 to 5.1%

Note: Details of interest rates derived from relevant disclosure notes as available in the annual reports of the Comparable Companies

As set out in the table above, the effective interest rates of comparable secured borrowings are in the range of between 1.5% and 13.5%. The Current Interest Rate falls within the above range. On a closer examination, the Current Interest Rate of 4.41% is more favourable than the above borrowing rates applicable to China Properties and Minmetals Land. For those Comparable Companies with wide ranges of borrowing rates, including Wuzhou International (1.5% to 13.5%) and Hydoo International (2.1% to 10.2%), but the Current Interest Rate is closer to the low end of such ranges.

We have also reviewed the existing loans between the Company and its subsidiaries and its bankers, of which there are a limited number. As confirmed by the Company, in addition to the Existing Facilities, as at 31 December 2015, a subsidiary of the Company had unsecured bank borrowings denominated in RMB of approximately HK$33.1 million, with interest rates of approximately 4.8% and 5.3% per annum (the "**Unsecured Bank Borrowings**"). We do not consider the Unsecured Bank Borrowings to be comparable to the Facility, given that they are subject to a different risk profile compared to secured bank borrowings.

4. Duration of the Facility Agreement

The term of the Facility Agreement is 12 years. We have discussed with the management of the Company the rationale for such duration. As stated in the letter from the Board in the Circular, the Company expects steady cash flow from the recurring rental income from the Plaza, and it has no intention to dispose any interest in the Plaza in the near future. As further advised by the management of the Company, it is expected that Shenzhen Aerospace will repay the loans drawn down under the Facility by the future cash inflow generated from the rental income of the Plaza. Unlike a property development project where cash inflow may be generated at a relatively earlier stage when pre-sales are conducted, a property investment business generates rental income over a longer time frame after completion of construction and securing of tenants. As such, the longer tenure of the Facility matches the longer payback period for the Plaza.

In order to compare the duration of the Facility against market practice, we have identified recent debt issued by property companies listed in Hong Kong that have announced completion of such debt issuances within two months prior to the announcement of the entering into of the Facility Agreement on 30 August 2016.

We consider the debt issuances we have identified to be an exhaustive list according to our research on the website of the Stock Exchange based on the above criteria. Set out below are the results of our research:

Company	**Date of announcement**	**Size of issue(s)** *(million)*	**Duration**
Powerlong Real Estate Holdings Limited (Stock code: 1238.HK)	25 August 2016	RMB800	5 years
Wuzhou International Holdings Limited (Stock code: 1369.HK)	23 August 2016	RMB500	3 years

Company	Date of announcement	Size of issue(s) *(million)*	Duration
Yuexiu Property Company Limited (Stock code: 123.HK)	4 August 2016	– RMB1,000 – RMB2,000	– 3 years – 5 years
CSI Properties Limited (Stock Code: 497.HK)	2 August 2016	US$250	3 years
Ronshine China Holdings Limited (Stock code: 3301.HK)	29 July 2016	RMB2,900	3 years
Agile Group Holdings Limited (Stock code: 3383.HK)	29 July 2016	RMB3,000	4 years
KWG Property Holding Limited (Stock code: 1813.HK)	28 July 2016	RMB1,300	5 years
Logan Property Holdings Company Limited (Stock code: 3380.HK)	28 July 2016	RMB3,000	5 years
KWG Property Holding Limited (Stock code: 1813.HK)	21 July 2016	RMB2,000	5 years
Longfor Properties Co. Ltd. (Stock code: 960.HK)	15 July 2016	– RMB700 – RMB3,000	– 5 years – 7 years

Source: The website of the Stock Exchange

The above debt issues have terms ranging from 3 to 7 years, shorter than the duration of the Facility of 12 years. In our view, it is in the interests of Shenzhen Aerospace for the duration of the Facility to be as accommodating to Shenzhen Aerospace as possible, in order for Shenzhen Aerospace to have longer term flexibility in respect of repayment schedules. Provided that the terms of the Facility Agreement are fair and reasonable, the longer the duration of the Facility, the more flexibility Shenzhen Aerospace would have when determining future business strategy of the Plaza. In particular, it is stated in the Facility Agreement that Shenzhen Aerospace is allowed to repay any loan drawn down under the Facility, and such early repayment is not subject to any charges provided that notice is given to Aerospace Finance for such early repayment. Consequently, Shenzhen Aerospace would have the option to repay loans to Aerospace Finance before the 12-year maturity if it deems this desirable. The 12-year term effectively binds Aerospace Finance, but not Shenzhen Aerospace, which we consider beneficial to the Shenzhen Aerospace, due to the securing of long-term financing while at the same time allowing for repayment flexibility. In addition, due to the Plaza Selling Restrictions, it is sensible for Shenzhen Aerospace to enter into longer term borrowings in order to finance the operation of the Plaza.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Facility 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 Facility Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole and that, in the circumstances set out above, it is justified and normal business practice for the Facility Agreement to be of a duration in excess of three years. 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, among other things, the entering into of the Facility Agreement.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over seven years of experience in the corporate finance industry.

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 Circular 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 for Securities Transactions by Directors of Listed Issuer, 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	Capacity	Direct Interest (Y/N)	Number of shares held (Long Position)	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporations	N	1,183,598,636	38.37%
Jetcote Investments Limited	Beneficial owner	Y	131,837,011	4.27%
	Interested in controlled corporations	N	1,051,761,625	34.10%
			1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner	Y	579,834,136	18.80%
Sin King Enterprises Company Limited	Beneficial owner	Y	471,927,489	15.30%

Note: Jetcote Investments Limited, Burhill Company Limited and Sin King Enterprises Company Limited are subsidiaries of China Aerospace Science & Technology Corporation, the shares held by them form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

Save as disclosed in this Circular, as at the Latest Practicable Date, so far as 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 having 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 Zhang Jianheng, Mr Mao Yijin and Mr Xu Liangwei, Directors of the Company, who are officers of CASC and its subsidiary, 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 2015, the date to which the latest audited consolidated financial statements of the Company and its subsidiaries were made up.

7. MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of the Company and its subsidiaries within the two years preceding the date of this Circular and is or may be material:

(a) the Facility Agreement.

8. EXPERT

Somerley Capital Limited is a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, Somerley Capital Limited has confirmed that it does not have 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.

Somerley Capital Limited 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, Somerley Capital Limited did not have any interest, directly or indirectly, in any assets which had been, since 31 December 2015, being the date on which the latest published audited accounts of the Company and its subsidiaries were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any of the Company and its subsidiaries.

9. DIRECTORS' INTERESTS IN THE COMPANY'S AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE COMPANY AND ITS SUBSIDIARIES

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which had since 31 December 2015, being the date on which the latest published audited accounts of the Company and its subsidiaries were made up, been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any of the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Company and its subsidiaries which was subsisting as at the Latest Practicable Date and was significant to the business of the Company and its subsidiaries.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr Chan Ka Kin, Ken, who is a member of The Hong Kong Institute of Chartered Secretaries.

(b) The Company's share registrar and transfer office is Tricor Standard Limited, of Level 22, Hopewell Centre, 183 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) The English text of this Circular shall prevail over the Chinese text.

11. 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 articles of association of the Company;

(b) the letter from the Independent Board Committee, the text of which is set out on page 13 of this Circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 22 of this Circular;

(d) the written consent from Somerley Capital Limited referred to in the section headed "Expert" in this appendix;

(e) the annual report of the Company and its subsidiaries for the two years ended 31 December 2015 and the interim report of the Company and its subsidiaries for the six months ended 30 June 2016 (electronic version is available at www.hkexnews.hk and www.casil-group.com);

(f) this Circular;

(g) the Facility Agreement; and

(h) the undertaking in relation to the Mortgages.

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, 7 October 2016 at 11:00 a.m. to consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Ordinary Resolutions

(1) **THAT** (a) the entering into of the facility agreement (and ancillary documentations in respect of the provisions the Mortgages (as defined in the circular of the Company dated 14 September 2016 (the "Circular")) dated 30 August 2016 with 航天科技財務有限責任公司* (Aerospace Science & Technology Finance Company Limited) ("Aerospace Finance") by 深圳市航天高科投資管理有限公司* (Shenzhen Aerospace Technology Investment Company Limited) ("Shenzhen Aerospace") for a RMB1,300 million facility for a period of 12 years; (b) (1) the provision of the mortgage of the land use right of the Shenzhen Aerospace Science & Technology Plaza in favour of Aerospace Finance; and (2) the subsequent replacement of the mortgage of the land use right of the Shenzhen Aerospace Science & Technology Plaza with a mortgage of the property ownership certificates of the whole storey of each of the third to twenty-third floor of Tower A of the Shenzhen Aerospace Science & Technology Plaza with an aggregate gross floor area of approximately 39,927.93 square metres of office space (which has an estimated value of RMB1,895.58 million as at 30 June 2016) in favour of Aerospace Finance after Shenzhen Aerospace has obtained the relevant certificates, as more particularly set out in the Circular, be and are hereby approved **AND 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 proposed transaction contemplated thereunder;

(2) **THAT** the appointment of Mr Mao Jiyin as a Non-Executive Director of the Company be and is hereby approved; and

(3) **THAT** the appointment of Mr Xu Liangwei as a Non-Executive Director of the Company be and is hereby approved.

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

Hong Kong, 14 September 2016

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 Level 22, Hopewell Centre, 183 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.

3. Resolutions numbered (1) to (3) are required to be approved by way of a poll, and CASC and its associates shall abstain from voting on resolution numbered (1).

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