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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)
(the "Company")*

ANNOUNCEMENT

A wholly-owned subsidiary of the Company had made an advance to a third party in the past, in which the amount of the loan represented approximately 30% of the Group's net worth as at 31st December, 2002. This announcement is made pursuant to the requirement of Practice Note 19 of the Listing Rules.

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CASIL Clearing Limited, a wholly-owned subsidiary incorporated in Hong Kong which holds a valid money lender license under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong), made an advance to a third party ("Company A") in 1997 repayable in 2 years at the interest rate of 15% per annum and was due in 1999. The loan was secured by a piece of land in Peng Chau with an area of around 410,000 square feet and guaranteed by the substantial shareholder and chairman of Company A personally. The outstanding balance of the loan was HK\$248,258,089.65 as at 31st December, 2002, which represented approximately 30% of the Group's audited net worth, of HK\$804,807,000.00 as at 31st December, 2002. Both parties are under litigation at present because of disputes over the terms of the loan agreement. The substantial shareholder of the Company has undertaken to guarantee the full recovery of the loan.

Company A, its directors, and its substantial shareholder and chairman are independent of and not connected with any of the directors, chief executive or substantial shareholder of the Company or its subsidiaries or any of their respective associates. CASIL Clearing Limited has been performing an internal settlement role of the Group since incorporation, it used to engage in lending business from 1996 and that business was terminated in 1998.

By order of the Board,
Zhou Qingquan
Director

Hong Kong, 16th April, 2003