



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT

This announcement is made pursuant to the Rule 13.09 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

We have noted today the increase in the price and the volume of the shares of the Company and wish to state that we are not aware of any reasons for such changes.

Save as disclosed below, we confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither is the Board of Directors of the Company aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

INTRODUCTION

The Board of Directors of the Company would like to provide an update on the litigation between CASIL Clearing Limited (“CASIL Clearing”), a wholly-owned subsidiary of the Company, and Chinluck Properties Limited (“Chinluck”) and Mr Cheng Zhen Shu (“Mr Shu”).

CASIL Clearing made a two-year advance of HK\$251,516,821.65 at 15% per annum to Chinluck in 1997 pursuant to a Money Lenders License granted under Chapter 163 Money Lenders Ordinance. The advance was secured by a piece of land in Peng Chau owned by Chinluck and Mr Shu, the substantial shareholder and chairman of Chinluck, and guaranteed personally by Mr Shu. CASIL Clearing was alleged a breach of the loan agreement in failing to advance the full amount to Chinluck. CASIL Clearing resisted the claim and counterclaimed against Chinluck and sued against Mr Shu upon default on, including but not limited to, interest and payment of the advance made under the loan agreement and the mortgage. A Court hearing in respect of the advance was conducted in June 2004 and the judgement was received at the end of July 2005 (the “Judgement”). The Judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held in favour of CASIL Clearing by the Court in December 2006 that, inter alia, Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations and CASIL Clearing is required to pay a nominal damages of HK\$100 to Chinluck for its breach of agreement to advance the remaining portion of the advance. The nominal damage of HK\$100 payable by CASIL Clearing to Chinluck is to be set off against the amount of the Judgement to be calculated and agreed between the parties. As the calculation of the judgement sum had not been agreed by the parties, the amount of the judgement sum was hence confirmed by the Court in June 2007. As of 31 December 2006, the outstanding balance of the advance was HK\$70,269,000. A deed of settlement (the “Deed”) was entered into between the parties involved on 14 September 2007 after arm’s length negotiation so as to solve the litigation completely.

The details of the advance were set out in the Company's announcements dated 16 April 2003 and 21 December 2006, the 2002 annual report, the interim reports and the annual reports from 2003 to 2006, and the 2007 interim report.

THE DEED OF SETTLEMENT

For the purposes of resolving the litigation abovementioned, the Deed was entered into between the following parties on 14 September 2007:

Parties: CASIL Clearing, Chinluck and Mr Shu

Chinluck and Mr Shu 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.

Consideration: HK\$280,000,000

Terms:

1. Chinluck and Mr Shu jointly and severally agree:
 - (a) not to appeal against the Judgement and to accept the Judgement as final and binding on the parties; and
 - (b) to pay to CASIL Clearing the sum of HK\$280,000,000 in the following manner:
 - (1) a sum of HK\$28,000,000 upon the execution of the Deed;
 - (2) a sum of HK\$56,000,000 on or before 13 December 2007; and
 - (3) the balance of HK\$196,000,000 on or before 14 January 2008.
2. Subject to the due payment by Chinluck and Mr Shu to CASIL Clearing of the money on the dates as set out in item 1(b) above, there shall be an interim stay of execution of the Judgement.
3. If Chinluck and Mr Shu fail to pay any one installment of the money payable by them to CASIL Clearing under item 1(b) above on the due date, the interim stay of execution shall be lifted and CASIL Clearing shall be at liberty to take action to levy execution on the Judgement against Chinluck and Mr Shu forthwith.
4. Upon full payment by Chinluck and Mr Shu of the money payable under item 1(b) above on the due dates:
 - (a) CASIL Clearing shall accept the said payments in full and final settlement of the liabilities of Chinluck and Mr Shu under the Judgement and Chinluck and Mr Shu and each of them shall be absolutely discharged from any liability under the Judgement or any sum due thereunder, or under the loan agreement, the mortgage or the guarantee whatsoever;
 - (b) The parties shall, within 21 days thereof, either by themselves or cause their respective solicitors to sign and file a consent order in terms as per the draft consent order annexed thereto to provide for a permanent stay of execution of the Judgement;

- (c) CASIL Clearing shall, within 7 days thereof, execute and deliver to Chinluck and Mr Shu through their solicitors a release of the mortgage over the properties as set out in the schedule thereto in favour of Chinluck and Mr Shu; and
- (d) The parties agree to waive all orders for costs in their favour which have not been paid up to the date of the Deed.

The terms of the Deed were arrived at after arm's length negotiations between the parties involved. The Board of Directors of the Company considers that the Deed was entered into on normal commercial terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Reasons for the entering into the Deed

The Company is of the view that the entering into the Deed is the best solution to solve the litigation.

Shareholders and/or investors should exercise caution in dealing in the shares of the Company.

By order of the Board
Zhao Liqiang
Executive Director

Hong Kong, 14 September 2007

As of the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr Zhao Liqiang (<i>President</i>)	Mr Ma Xingrui (<i>Chairman</i>)	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Gong Bo	Mr Luo Zhenbang
Mr Zhao Yuanchang	Ms Chan Ching Har, Eliza	Mr Wang Junyan
Mr Wu Hongju	Mr Wang Yujun	
Mr Guo Xianpeng	Mr Xu Jianhua	