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中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2357)

ESTABLISHMENT OF A JOINT VENTURE BETWEEN HARBIN AIRCRAFT GROUP, AIRBUS CHINA, THE COMPANY, HAFEI AVIATION AND HARBIN HELI;

CONNECTED TRANSACTION WITH AN ASSOCIATE OF AVIC; AND

RESUMPTION OF TRADING

SUMMARY

The Board is pleased to announce that the Company entered into the Joint Venture Agreement on 30 January 2009 (European time), pursuant to which Harbin Aircraft Group, Airbus China, the Company, Hafei Aviation and Harbin Heli agreed to establish the Joint Venture Company in China to engage in the business of manufacturing of composite material parts and components for the Airbus A350 XWB and Airbus A320 aircraft series.

The Joint Venture Agreement is agreed by the parties after arm's length negotiations. The Directors (excluding the independent non-executive Directors) consider that the Joint Venture Agreement was entered into by the parties on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

AVIC is the controlling shareholder of the Company holding 61.06% interest in the Company. Harbin Aircraft Group is a controlling subsidiary of AVIC with 81.12% interest being held by AVIC. As AVIC is a connected person of the Company and Harbin Aircraft Group is a controlling subsidiary of AVIC, pursuant to Chapter 14A of the Listing Rules, Harbin Aircraft Group is an associate of AVIC. Therefore, the establishment of the Joint Venture Company by the Company with, among others, Harbin Aircraft Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the approval of the Independent Shareholders.

An independent board committee comprising the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transaction. An independent financial adviser will also be appointed to advise the independent board committee and the Independent Shareholders on the connected transaction.

A circular containing, among other things, (1) further details of the Joint Venture Agreement; (2) the letter from the independent board committee; and (3) the letter of recommendation from the independent financial adviser on the connected transaction will be despatched to the shareholders of the Company as soon as possible.

At the request of the Company, trading in the H shares of the Company was suspended with effect from 9:30 a.m. on Monday, 2 February 2009 pending the release of this announcement. An application has been made to the Stock Exchange requesting the resumption of trading in the H shares of the Company with effect from 9:30 a.m. on Wednesday, 4 February 2009.

BACKGROUND

The Board is pleased to announce that the Company entered into the Joint Venture Agreement on 30 January 2009 (European time), pursuant to which Harbin Aircraft Group, Airbus China, the Company, Hafei Aviation and Harbin Heli agreed to establish the Joint Venture Company in China to engage in the business of manufacturing of composite material parts and components for the Airbus A350 XWB and Airbus A320 aircraft series.

THE JOINT VENTURE AGREEMENT

Date:

30 January 2009 (European time)

Parties:

Harbin Aircraft Group;
Airbus China;
the Company;
Hafei Aviation; and
Harbin Heli.

Term:

The Joint Venture Agreement shall have a term of 50 years commencing from the date of establishment of the Joint Venture Company, unless the parties agree otherwise pursuant to the terms of the Joint Venture Agreement.

Objective:

The Joint Venture Company will principally engage in the business of manufacturing of composite material parts and components for the Airbus A350 XWB and Airbus A320 aircraft series in Harbin, the PRC and participate in the manufacturing business of other existing and future aircraft projects of Airbus S.A.S..

Registered Capital:

The registered capital of the Joint Venture Company shall be USD 150,000,000, which will be contributed by the parties in the following manner:

1. Harbin Aircraft Group will contribute USD 75,000,000 in cash and/or assets, representing 50% of the registered capital;
2. Airbus China will contribute USD 30,000,000 in cash, representing 20% of the registered capital;
3. The Company will contribute USD 15,000,000 in cash, representing 10% of the registered capital;
4. Hafei Aviation will contribute USD 15,000,000 in cash, representing 10% of the registered capital; and
5. Harbin Heli will contribute USD 15,000,000 in cash and/or assets, representing 10% of the registered capital.

The registered capital is determined based on the investment amount required for operating the Joint Venture Company. The registered capital to be contributed by the parties are determined based on their respective shareholdings held in the Joint Venture Company and will be funded by their own resources. As at the date of the Joint Venture Agreement, the relevant assets to be contributed by Harbin Aircraft Group and Harbin Heli to the Joint Venture Company have not yet been determined by the parties. However, pursuant to the Joint Venture Agreement, any shortfall between the required capital contribution amount and the appraised value of the assets to be injected to the Joint Venture Company will be made up by cash by Harbin Aircraft Group and Harbin Heli, respectively.

According to the Joint Venture Agreement, the registered capital of the Joint Venture Company shall be paid by each of the parties in the following manner, subject to obtaining certain necessary approvals by the PRC government authorities: (i) 15% of their respective capital contribution shall be paid within two (2) months after the date of issuance of the Business License of the Joint Venture Company; (ii) the remaining 85% of their respective capital contribution shall be paid in installments in accordance with the specific timetable to be approved by the board of directors of the Joint Venture Company within twenty four (24) months after the date of issuance of the Business License of the Joint Venture Company. The total capital commitment of the Group (including the capital commitment of the Company and Hafei Aviation) in respect of the Joint Venture Company amounts to USD 30,000,000. Except for the registered capital of USD 30,000,000, as at the date of this announcement, the Group has no other capital commitment to the Joint Venture Company.

Upon making capital contributions to the Joint Venture Company, Harbin Aircraft Group, Airbus China, the Company, Hafei Aviation and Harbin Heli will hold 50%, 20%, 10%, 10% and 10% interest in the Joint Venture Company, respectively. The Joint Venture Company will be treated as interest in associate in the Group's accounts.

The board of directors of the Joint Venture Company:

The Joint Venture Company will comprise seven (7) directors, of whom two (2) shall be nominated by Harbin Aircraft Group, two (2) shall be nominated by Airbus China, one (1) shall be nominated by the Company, one (1) shall be nominated by Hafei Aviation and one (1) shall be nominated by Harbin Heli. Each Director shall be appointed for a term of four (4) years, commencing from the date of establishment of the board of directors of the Joint Venture Company. The chairman of the board of directors of the Joint Venture Company shall be nominated by Harbin Aircraft Group.

Profit Distribution:

Profits derived from the Joint Venture Company shall be distributed among the shareholders based on their equity interests held in the Joint Venture Company, unless otherwise agreed by the parties in writing and subject to the requirements of any applicable laws.

REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT

Through the participation in the business and operational activities of the Joint Venture Company, the Board considers that the Company will enhance its communication and cooperation with Airbus China in respect of aircraft production technology and expand its market share in aircraft subcontracting services at international level. The Board considers that the Company's investment in the Joint Venture Company will enable the Group to further strengthen its aviation business. The Directors (excluding the independent non-executive Directors) consider that the Joint Venture Agreement was entered into on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

AVIC is the controlling shareholder of the Company holding 61.06% interest in the Company. Harbin Aircraft Group is a controlling subsidiary of AVIC with 81.12% interest being held by AVIC. As AVIC is a connected person of the Company and Harbin Aircraft Group is a controlling subsidiary of AVIC, pursuant to Chapter 14A of the Listing Rules, Harbin Aircraft Group is an associate of AVIC. Therefore, the establishment of the Joint Venture Company by the Company with, among others, Harbin Aircraft Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the approval of the Independent Shareholders.

An independent board committee comprising the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transaction. An independent financial adviser will also be appointed to advise the independent board committee and the Independent Shareholders on the connected transaction.

A circular containing, among other things, (1) further details of the Joint Venture Agreement; (2) the letter from the independent board committee; and (3) the letter of recommendation

from the independent financial adviser on the connected transaction will be despatched to the shareholders of the Company as soon as possible.

INFORMATION ON THE PARTIES

Harbin Aircraft Group is a controlling subsidiary of AVIC with 81.12% interest being held by AVIC and is mainly engaged in the manufacture, assembly and sale of military aviation products.

Airbus China is a limited liability company incorporated under the laws of the Hong Kong Special Administrative Region of China and wholly-owned by Airbus S.A.S.. Airbus China is principally engaged in the business of promotion of Airbus airline activities, training and technical support in China.

The Company is mainly engaged in the research, development, manufacture and sale of vehicles and civil aviation products.

Hafei Aviation is a subsidiary of the Company with 50.05% interest being held by the Company through a wholly-owned subsidiary of the Company and is mainly engaged in the manufacture and sale of aviation products.

Harbin Heli, a third party independent from the Company and its connected persons (as defined under the Listing Rules), and is an investment company engaging in investment business.

RESUMPTION OF TRADING

At the request of the Company, trading in the H shares of the Company was suspended with effect from 9:30 a.m. on Monday, 2 February 2009 pending the release of this announcement. An application has been made to the Stock Exchange requesting the resumption of trading in the H shares of the Company with effect from 9:30 a.m. on Wednesday, 4 February 2009.

DEFINITIONS

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| “Airbus China” | Airbus China Limited, a company wholly-owned by Airbus S.A.S. |
| “AVIC” | Aviation Industry Corporation of China (中國航空工業集團公司), a controlling shareholder of the Company holding 61.06% interest in the Company |
| “Board” | the board of Directors of the Company |
| “Company” | AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司) |
| “Directors” | the director(s) of the Company |
| “Hafei Aviation” | Hafei Aviation Industry Co., Ltd (哈飛航空工業股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange with 50.05% of its interest |

being held by the Company through its wholly-owned subsidiary

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| “Harbin Aircraft Group” | Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限公司), a controlling subsidiary of AVIC with 81.12% interest being held by AVIC |
| “Harbin Heli” | Harbin Development Zone Heli Infrastructure Development Co., Ltd. (哈爾濱開發區合力基礎設施發展有限公司), a third party independent from the Company and its connected persons (as defined under the Listing Rules) |
| “Joint Venture Agreement” | the joint venture agreement entered into between Harbin Aircraft Group, Airbus China, the Company, Hafei Aviation and Harbin Heli on 30 January 2009 (European time) |
| “Joint Venture Company” | Harbin Hafei Airbus Composite Manufacturing Centre Company Limited (哈爾濱哈飛空客複合材料制造中心有限公司), a joint venture company to be established as a limited liability company in Harbin, the PRC pursuant to the Joint Venture Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange (as amended from time to time) |
| “Independent Shareholders” | shareholders of the Company who are not required to abstain from voting on the resolutions(s) to be proposed at the extraordinary general meeting of the Company to approve the Joint Venture Agreement under the Listing Rules |
| “PRC” | the People’s Republic of China |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “USD” | the lawful currency of the United States of America |

By order of the Board

AviChina Industry & Technology Company Limited

Yan Lingxi

Company Secretary

Hong Kong, 3 February 2009

As at the date of this announcement, the Board comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong, and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Li Fangyong, Mr. Wang Yong, Mr. Maurice Savart as well as independent non-executive directors Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.

**For identification purposes only.*