

Important Note: The following is an English translation of the Chinese version of the Terms of Reference of the Supervisory Committee of AviChina Industry & Technology Company Limited (中国航空科技工业股份有限公司监事会议事规则). In case of any discrepancies or inconsistencies, the Chinese version shall always prevail.

Terms of Reference of the Supervisory Committee

(Approved by the 1st meeting of the first session of the Supervisory Committee on 4 April 2005)

Chapter 1 General Rules

Article 1 The following Rules has been established in accordance with the Company Law of the People's Republic of China, Mandatory Provisions for Articles of Association for Companies to be Listed Overseas, the Articles of Association of AviChina Industry & Technology Company Limited (the "**Company**") (the "**Articles of Association**"), Terms of Reference of Shareholders' General Meeting and other laws and regulations to perfect the corporate governance of the Company, to ensure the Supervisory Committee of the Company (the "**Supervisory Committee**") in independent exercise of its supervisory authority, to serve the best interests of shareholders as a whole and to assure the development of the Company.

Article 2 The Supervisory Committee has been established by the Company in conformity with legal provisions, and been organized as required by the Articles of Association. It exercises its supervisory authority to ensure the interests of shareholders and the Company, and the lawful rights and interests of its employees are protected from infringement. The Supervisory Committee shall be accountable for shareholders' general meeting and reports to it.

Article 3 The Supervisor(s) representing the shareholders and the independent Supervisor(s) shall be nominated by shareholders, and then be elected by half or more of the votes cast by shareholders in the shareholders' general meeting. Changing of the above Supervisor(s) shall take the same procedures. Supervisor(s) representing the employees shall be democratically elected or removed by the Company's employees.

Chapter 2 Terms of Reference of the Supervisory Committee

Article 4 The Supervisory Committee shall be accountable to the shareholders' general meeting and exercises the following functions and powers in accordance with the law:

1. to review the financial reports of the Company;
2. to supervise the directors of the Company (the "**Directors**"), the Managers and other senior management staff who violate laws, administrative regulations and Articles of Association in performing of their duties;

3. to require him or her to correct such act if an act of a director or of the Manager or another senior officer is detrimental to the Company's interests;

4. to verify financial information such as the financial report, business report and profit distribution plans, etc. to be proposed by the board of Directors (the "**Board**") to the shareholders' general meeting and, if in doubt, to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information;

5. to propose the convening of extraordinary shareholders' general meetings;

6. to represent the Company in negotiations with or suing a director; and

7. other functions and powers stipulated in the Articles of Association or authorized by the shareholders' general meeting.

The Supervisors shall attend the Board meetings as nonvoting attendants.

Article 5 The performing of supervisory authority in conformity with laws by Supervisors is protected by laws, and shall not be interfered with by any company or person. The Company shall provide necessary office conditions and business expenses for Supervisors to exercise their duties.

In performing their supervisory duties, Supervisors are entitled to demand any department of the Company to provide relevant materials. Relevant department(s) of the Company shall provide the relevant materials and other necessary assistance as required. Any form of refusing, shuffling or obstructing is prohibited.

Article 6 The Supervisors shall perform their duties and assume obligations as required by the Articles of Association.

If Supervisors violate any laws, regulations or the Articles of Association in performing supervisory activities and bring harms to the Company, they shall assume compensation liability.

Article 7 The Chairman of the Supervisory Committee (the "**Chairman**") shall perform the following authorities:

1.to convene or chair the meeting of Supervisory Committee, and check the implementation of resolutions of the Supervisory Committee;

2.to report to the Shareholders' General Meeting representing the Supervisory Committee; and

3.to represent the Company in suing with any Director or Manager if the Director or Manager has a suit with the Company. If the Chairman cannot perform his authority, he shall appoint another Supervisor to perform authority in lieu of him.

Article 8 The Supervisory Committee shall conduct financial inspections at least once a year, and can require the Company to report the operation status and financial condition periodically when necessary; with permission from the Company, the

Supervisors could visit the Company or its subsidiaries for investigation and interviewing, to get an overall understanding of the Company's operation status; they could also appoint a law firm, accounting firm or the auditing department of the Company to provide assistance.

Article 9 Supervisors shall review at least once a year whether the internal control system of the Company and its subsidiaries is effective, and report to the Company's shareholders in the annual report for the year which shall cover all important monitoring aspects, including finance monitoring, operation monitoring, compliance monitoring and risk management function.

Article 10 If the Directors, Managers or other senior management act in violation of laws or neglect their duties, the Supervisory Committee has the right to propose to Shareholders' General Meeting to change Directors or to dismiss the Managers or other senior management with approval of half or more of the Supervisors.

Article 11 The supervisory records and results of financial inspection or specific inspection carried out by the Supervisory Committee on Directors, Managers and other senior management shall be important evidence for appraising the performance of Directors, Managers and other senior management.

Article 12 At the time of reporting to the Board and shareholders' general meeting, the Supervisory Committee, could report directly to securities regulatory institutions and other relevant authorities concurrently.

Article 13 Expenses incurred in the Supervisory Committee's supervisory activities and attending external conference, training, appointing professionals such as lawyers, chartered accountants and practicing auditors shall be borne by the Company.

Article 14 Under the following circumstances, if the Company fails to convene an extraordinary general meeting in time, the Supervisory Committee could require the Board to convene extraordinary general meeting by resolution:

1. the number of Directors is less than two-thirds of the number specified in law or the Articles of Association;
2. the unrecovered losses of the Company amount to one-third of the total share capital.

Chapter 3 Rules Governing Meetings for the Supervisory Committee

Article 15 The meetings of Supervisory Committee can be classified as the regular meetings or extraordinary meetings; the regular meeting convenes twice a

year and the extraordinary meeting shall be convened by Chairman as appropriate.

Article 16 The regular meetings includes: annual results meeting of the Supervisory Committee, interim results meeting of the Supervisory Committee, among which:

1. the annual results meeting of Supervisory Committee shall be convened within 120 days after the fiscal year ends, to consider the annual report of the Company and deal with other relevant matters;

2. the interim results meeting of Supervisory Committee shall be convened within 60 days after 6 months of a fiscal year ends, to consider the interim report of the Company and deal with other relevant matters.

Article 17 Supervisors are entitled to propose the convening of extraordinary meeting with appropriate reason and purpose and the Supervisory Committee decides whether to convene the meeting or not. An extraordinary meeting proposed by one thirds or more of the Supervisors must be held. If the meeting could not be convened as scheduled, reasons thereof must be announced.

Article 18 Notice of the meeting shall be sent to all the Supervisors by the following means:

By email or fax ten days before the meeting is convened.

The meeting notice shall include the date, place and duration of the meeting, reasons and topics of the meeting, and the date of sending out the notice.

Article 19 Meetings of Supervisory Committee shall be held only if more than two thirds of the Supervisors are present.

The Supervisors shall attend the meetings of Supervisory Committee in person. If a Supervisor is unable to attend a meeting for any reason, he or she may entrust in writing another Supervisor to attend the meeting on his behalf. The instrument of entrustment shall specify the name of the proxy, items of proxy, scope of authorization and duration, and be signed or stamped by the Supervisor who can not attend the meeting. The proxy shall perform authority within the authorization scope.

Article 20 If the Supervisor neither presents at the meeting in person nor entrusts a proxy to attend the meeting, he is regarded as failing to perform his duties as a Supervisor. If the Supervisor does not attend the meetings in person for two consecutive times, he should be removed and replaced according to the Articles of Association.

Article 21 If the Supervisors regard necessary, they can require Directors, Managers, other senior management of the Company, internal and external auditors to attend the Supervisory meetings for explaining issues concerned. Persons invited to attend the meetings shall make presence.

Article 22 The resolutions of the Supervisory Committee shall be voted by registered ballot by Supervisors presenting at the meeting.

The Supervisory Committee applies each resolution for each vote. Each Supervisor shall have one vote. Where there is an equality of votes cast both for and against a resolution, the Chairman shall have an additional casting vote.

Article 23 The meetings of Supervisory Committee shall be recorded. When a meeting concludes, Supervisors presenting at the meeting and the recorder should sign on the minutes of the meeting. The resolutions and minutes of the meeting shall be kept as company archives by the Board secretary.

Article 24 Supervisors shall be accountable on resolutions of the Supervisory Committee. If resolutions of the Supervisory Committee bring severe loss to the Company by violating laws, regulations or the Articles of Association, Supervisors involved in the resolution shall be responsible for compensating the Company. However, if it is proved that the Supervisor has showed dissent when voting on the resolution and been recorded in the minutes, that Supervisor shall be exempted from liability.

Article 25 Supervisors and Supervisory Committee are not responsible for resolutions of the Board meeting. However, if the Supervisory Committee considers resolutions of the Board meeting violate laws, regulations, and the Articles of Association or harm the interests of the Company, the Supervisory Committee could write down its consideration into resolutions, and propose to the Board meeting to reconsider it.

Article 26 The resolutions of Supervisory Committee shall be implemented by the Supervisors or under the monitor of the Supervisory Committee. The substantial resolution for supervisory items shall be executed by Supervisors, for example resolutions in relation to examining the company's financial condition; the suggestive resolutions for supervisory items, for example, resolutions requiring the directors or Managers to rectify their behaviors if they bring harms to the Company's interests, shall be implemented under the supervision of the Supervisors.

Article 27 The Supervisory Committee shall establish the recording system for resolutions' implementation status. Every resolution shall be implemented by or under supervision of the Supervisors. The assigned Supervisor(s) shall record the implementation status, and report the implementation results to the Supervisory

Committee.

Chapter 4 Supplementary Rules

Article 28 These terms of reference shall be effective upon the approval by the Supervisory Committee.

Article 29 The rights to interpret and amend these terms of reference belong to the Supervisory Committee.

Article 30 For matters not covered in these terms of reference or where these terms of reference are in conflict with laws and administrative statutes promulgated from time to time, other regulatory documents, the Articles of Association and the provisions and requirements of the relevant regulatory authority, the provisions of the laws, administrative statutes, other regulatory documents, the Articles of Association and the provisions and requirements of the relevant regulatory authority shall prevail.

Article 31 These terms of reference are for guidance only and for the purposes of clarifying matters not covered by the Article of Association and to improve the efficiency of the Supervisory Committee. None of the provisions and terms contained in these terms of reference shall affect the provisions of the Articles of Association and the rights of the shareholders (whether that be legal rights or rights under the Articles of Association or any other rights).