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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)

**ANNOUNCEMENT
DISCLOSURE PURSUANT TO RULE 13.09(1) OF THE LISTING RULES**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

On 5 July 2010, (i) AVIC Lithium, (ii) Chengfei Integration, (iii) AVIC, (iv) AVIC Capital, (v) Yufeng Investment and (vi) Hongdu Aviation entered into the Letter of Intent in respect of the Proposed Capital Injection.

It should be noted that the terms of the Capital Injection Agreement have yet to be negotiated among the relevant parties. Accordingly, the Proposed Capital Injection may or may not proceed. Shareholders of the Company and other investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by AviChina Industry & Technology Company Limited* (the “**Company**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

On 5 July 2010, (i) China Aviation Lithium Battery Co., Ltd. (中航鋰電(洛陽)有限公司) (“**AVIC Lithium**”), (ii) Sichuan Chengfei Integration Technology Co., Ltd. (四川成飛集成科技股份有限公司), a company controlled by China Aviation Industry Corporation (中國航空工業集團公司) (“**AVIC**”) whose shares are listed on the Shenzhen Stock Exchange (“**Chengfei Integration**”), (iii) AVIC, a controlling shareholder of the Company holding 56.7% equity interest in the Company, (iv) AVIC Capital Holdings Co., Ltd. (中航投資控股有限公司), a subsidiary of AVIC (“**AVIC Capital**”), (v) Tianjin Yufeng Equity Investment Management Co., Ltd. (天津裕豐股權投資管理有限公司), a subsidiary of AVIC (“**Yufeng Investment**”) and (vi) Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司) (“**Hongdu Aviation**”), a non wholly-owned subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange, entered into a letter of intent (the “**Letter of Intent**”) in respect of the proposed participation in the capital injection of AVIC Lithium (the “**Proposed Capital Injection**”).

AVIC Lithium was established on 14 September 2009 with a registered capital of RMB135,000,000 and is a wholly-owned subsidiary of China Airborne Missile Academy (中國空空導彈研究院). AVIC Lithium is principally engaged in the research and development, production, sales and marketing of lithium-ion battery and related integrated product as well as the import and export business of goods and technologies.

According to the Letter of Intent, the Proposed Capital Injection will be made by Chengfei Integration, AVIC Capital, Yufeng Investment, Hongdu Aviation, AVIC and other investors to be determined (collectively referred to as the “**Investors**”) in two phases, details of which are as follows: -

Phase One

The following amounts will be paid by the Investors to AVIC Lithium within 30 days upon execution of a definitive capital injection agreement to be entered into by AVIC Lithium and the Investors (the “**Capital Injection Agreement**”):

- Approximately RMB20,000,000 to be paid in cash by Chengfei Integration;
- Approximately RMB45,000,000 to be paid in cash by AVIC Capital;
- Approximately RMB150,000,000 to be paid in cash by Yufeng Investment and/or its investment fund manager;
- Approximately RMB38,000,000 to be paid in cash by Hongdu Aviation; and
- Approximately RMB60,000,000 to RMB75,000,000 to be paid in cash by AVIC and other investors to be determined.

Phase Two

- Approximately RMB1,000,000,000 to be paid by Chengfei Integration within 30 days upon completion of its non-public issue of securities and receipt of proceeds from the non-public issue of securities.

The capital increase plan of AVIC Lithium will be confirmed with reference to a valuation report to be issued by an independent valuer, which will be filed with the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its authorized representatives.

The parties to the Letter of Intent have agreed that other investors may participate in the Proposed Capital Injection and the amounts of capital to be invested by such other investors will be determined in the Capital Injection Agreement.

The parties to the Letter of Intent have further agreed that any profit or loss of AVIC Lithium during the relevant investment period will be shared among the Investors in proportion to their respective capital contribution amounts during the relevant period.

The Letter of Intent will be effective for a period of one year after it has been duly executed by the parties and signed by their respective legal representative(s) or duly authorised person(s).

The Proposed Capital Injection is subject to the entering into of the Capital Injection Agreement by AVIC Lithium and the Investors; the terms and conditions to be set out in the Capital Injection Agreement; and the necessary approvals from the relevant regulatory authorities in the People's Republic of China. According to the Letter of Intent, the parties will enter into the Capital Injection Agreement within 20 days upon satisfaction of the following conditions precedent:

1. the board of directors of Chengfei Integration having approved the proposal for the non-public issue of securities by Chengfei Integration;
2. an independent valuer having issued a formal valuation report in respect of the Proposed Capital Injection; and
3. the parties to the Letter of Intent having duly complied with the necessary approval procedures in respect of their proposed investments.

Should the Capital Injection Agreement be entered into by AVIC Lithium and the Investors, the transaction contemplated under the Capital Injection Agreement may constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

It should be noted that the terms of the Capital Injection Agreement have yet to be negotiated among the relevant parties. Accordingly, the Proposed Capital Injection may or may not proceed. Shareholders of the Company and other investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
**AviChina Industry & Technology Company
Limited***
Yan Lingxi
Company Secretary

Hong Kong, 6 July 2010

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. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, 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.