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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

CONNECTED TRANSACTION:

DISPOSAL OF 51% EQUITY INTERESTS IN JIUJIANG AUTO

The Board announces that on 27 March 2012, Changhe Aviation, a wholly-owned subsidiary of the Company, entered into the Shares Transfer Agreement with CAIG, pursuant to which Changhe Aviation has agreed to transfer, subject to certain conditions, 51% of the equity interest it holds in JiuJiang Auto to CAIG, for a consideration of approximately RMB 65,970,000. The consideration will be satisfied by CAIG by way of cash. Upon completion of the Share Transfer, Jiujiang Auto will cease to be a subsidiary of the Company.

As at the date of the announcement, Changhe Aviation is a wholly-owned subsidiary of the Company, and CAIG is a wholly-owned subsidiary of AVIC. As AVIC is the controlling shareholder of the Company holding, directly and indirectly, 54.61% equity interest in the Company, AVIC and CAIG are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Share Transfer between Changhe Aviation and CAIG constitutes a connected transaction of the Company. As the highest applicable size test percentage ratio in relation to the Share Transfer exceeds 0.1% but is less than 5%, the Share Transfer is subject to announcement and reporting requirements but exempt from the Company's independent shareholders' approval requirements.

A. INTRODUCTION

The Board announces that on 27 March 2012, Changhe Aviation, a wholly-owned subsidiary of the Company, entered into the Shares Transfer Agreement with CAIG, pursuant to which, Changhe Aviation has agreed to transfer, subject to certain conditions, 51% of the equity interest it holds in Jiujiang Auto to CAIG, for a consideration of approximately RMB 65,970,000.

B. SHARE TRANSFER AGREEMENT

1. Date

27 March 2012

2. Parties

Transferor: Changhe Aviation

Transferee: CAIG

3. Target

The 51% equity interest in Jiujiang Auto held by Changhe Aviation.

4. Consideration and terms of payment

The consideration for the Share Transfer, being approximately RMB 65,970,000, was agreed upon arm's length negotiation between Changhe Aviation and CAIG after taking into account various factors including, but not limited to, the net asset value of Jiujiang Auto valued as at the Valuation Date based on the "cost method". The consideration shall be satisfied by the CAIG by way of cash in one-off payment.

The final consideration for the Share Transfer is subject to adjustment (if any) based on the valuation results of Jiujiang Auto to be confirmed by the applicable state-owned assets supervision and administration authorities or its authorized institutes. The Company will publish a further announcement if there is any material change to the final consideration.

5. Conditions precedent

Pursuant to the Share Transfer Agreement, the Share Transfer will become effective upon fulfillment of, among other things, the following conditions:

- (1) the Share Transfer having been approved by AVIC; and
- (2) both parties to the Share Transfer Agreement having completed all necessary corporate approval procedures in accordance with the relevant requirements under their respective articles of association.

C. INFORMATION RELATING TO JIUJIANG AUTO

As at the date of this announcement, Changhe Aviation, a wholly-owned subsidiary of the Company, held the entire equity interest of Jiujiang Auto. The registered capital of Jiujiang Auto is RMB 161,250,000. Jiujiang Auto is mainly engaged in the development, manufacturing, sales and after-sale services of the components of mini-sized automobile and the development, consultation and service in relation to the automobile-related projects.

Based on the financial statements of Jiujiang Auto as at 31 December 2011, the carrying value of the total assets and net assets of Jiujiang Auto amounted to approximately RMB 165,660,000 and RMB 122,850,000 respectively. Pursuant to the valuation report issued by Zhongtonghua Appraisal Company, an independent valuer, the net assets of Jiujiang Auto valued based on the “cost method” as at the Valuation Date amounted to RMB 129,350,000. For the two financial years ended 31 December 2011, the revenue and net profits (before and after tax) of Jiujiang Auto are set out below:

			<i>in RMB '000</i>
	Revenue	Net profits before taxation and extraordinary items	Net profits after taxation and extraordinary items
2010	6,650	-950(loss)	-950(loss)
2011	6,650	-1,860(loss)	-1,830(loss)

D. Consequence of the Share Transfer and impacts on financial status

Upon completion of the Share Transfer, Jiujiang Auto will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the accounts of the Group.

As at the Valuation Date, it is expected that there will be a gain amounted to approximately RMB3,320,000 derived from the Share Transfer, which represents the difference between the consideration and the net assets value of the 51% equity interest in Jiujiang Auto, as set out in its financial statements. The final amount is to be determined upon completion of the Share Transfer. Upon completion of the Share Transfer, the sale proceeds will be used as working capital of the Company.

E. REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

According to the development strategy of forging the Company into a flagship manufacturer of civil aviation products with a complete value chain in China aviation industry, the disposal of Jiujiang Auto, which is engaged mainly in the automobile related business, is in line with the Company's development strategy and is expected to benefit the Company so that it could focus on the development of its aviation business.

The Directors (including all independent non-executive Directors) are of the opinion that the terms of the Share Transfer Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Share Transfer Agreement or has to abstain from voting on the Board resolution approving the transaction.

F. HONG KONG LISTING RULES IMPLICATIONS

As at the date of the announcement, CAIG is a wholly-owned subsidiary of AVIC and Changhe Aviation is a wholly-owned subsidiary of the Company. As AVIC is the

controlling shareholder of the Company holding, directly and indirectly, 54.61% equity interest in the Company, AVIC and CAIG are the connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Share Transfer between Changhe Aviation and CAIG constitutes a connected transaction of the Company. As the highest applicable size test percentage ratio in relation to the Share Transfer exceed 0.1% but is less than 5%, the Share Transfer is subject to announcement and reporting requirements but exempt from the Company's independent shareholders' approval requirements.

G. GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, which is, as at the date of this announcement, held, directly and indirectly, as to 54.61% by AVIC, being the controlling shareholder of the Company.

Information on AVIC

AVIC is held and controlled by the State Council of the PRC, and is mainly engaged in the development and manufacturing of aviation products and non-aviation products.

Information on Changhe Aviation

Changhe Aviation is a limited liability company established in the PRC in 2002 and is a wholly-owned subsidiary of the Company. Changhe Aviation is mainly engaged in the manufacturing and sales of helicopters.

Information on CAIG

CAIG is a limited liability company established in the PRC, and is a wholly-owned subsidiary of the Company. CAIG is mainly engaged in manufacture and sales of non-civil helicopters and related aviation components.

DEFINITIONS:

“AVIC”	Aviation Industry Corporation of China (中國航空工業集團公司), the controlling shareholder of the Company holding, directly and indirectly, 54.61% equity interest in the Company as at the date of this announcement
“Board”	the board of Directors of the Company
“Changhe Aviation”	Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司), a wholly-owned subsidiary of the Company
“CAIG”	Changhe Aircraft Industries Group Co., Ltd. (昌河飛機工業集團有限公司), a wholly-owned subsidiary of AVIC
“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
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jiujiang Auto”	Jiujiang Changhe Automobile Co., Ltd. (九江昌河汽車有限責任公司), a wholly-owned subsidiary of Changhe Aviation as at the date of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer”	the transfer (subject to certain conditions) of the 51% equity interest in Jiujiang Auto held by Changhe Aviation to CAIG as agreed under the Share Transfer Agreement
“Share Transfer	the share transfer agreement entered into between Changhe

Agreement” Aviation and CAIG on 27 March 2012

“Valuation Date” 31 December 2011

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Hong Kong, 27 March 2012

As at the date of this announcement, the board of directors of the Company 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.

** For identification purposes only.*