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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)

SUPPLEMENTAL AGREEMENT TO THE SUBSCRIPTION AGREEMENT AND RESUMPTION OF TRADING

Reference is made to the Announcement of the Company in relation to the Subscription Agreement. On 5 July 2010, the parties to the Subscription Agreement entered into the Supplemental Agreement to amend certain provisions of the Subscription Agreement.

At the request of the Company, trading in the H shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 July 2010 pending the release of this announcement. Application has been made for the resumption of trading in the H shares of the Company on the Stock Exchange from 9:30 a.m. on 7 July 2010.

Reference is made to the announcement of the Company dated 2 June 2010 in relation to (i) the Proposed Placing; (ii) the Company Subscription with Equity Interests in AVIC Kaitian and AVIC Lanfei; (iii) AVIC Subscription with AVIC Equity Interest; (iv) AVIC Avionics Systems Subscription with AVIC Avionics Systems Equity Interests; (v) Hanzhong Aviation Subscription with Hanzhong Aviation Equity Interests; and (vi) the deemed disposal of interest in AVIC Avionics by the Company (the “**Announcement**”). Capitalized terms used herein shall have the same meanings as defined in the Announcement unless defined otherwise.

SUPPLEMENTAL AGREEMENT

Further to the Announcement, on 5 July 2010, the board of directors of AVIC Avionics resolved, among other things, to approve the proposed adjustments to: (i) the

minimum Subscription Price; (ii) the valuation results in respect of the Equity Interests in AVIC Kaitian and AVIC Lanfei, AVIC Equity Interest, AVIC Avionics Systems Equity Interests and Hanzhong Aviation Equity Interests to be transferred to AVIC Avionics pursuant to the Subscription Agreement (the “**Valuation Results**”) and (iii) the number of shares to be issued by AVIC Avionics under the Proposed Placing (the “**Adjustments**”). Accordingly, on 5 July 2010, AVIC Avionics, AVIC, the Company, AVIC Avionics Systems and Hanzhong Aviation entered into a supplemental agreement to amend certain provisions of the Subscription Agreement to reflect the Adjustments (the “**Supplemental Agreement**”).

Adjustment to the minimum Subscription Price

According to the Supplemental Agreement, the parties have agreed, among other things, to adjust the minimum Subscription Price from RMB7.58 per new AVIC Avionics Share, which was determined based on the average trading price of AVIC Avionics Shares on the Shanghai Stock Exchange in the 20 trading days preceding the Initial Price Determination Date, to RMB7.59 per new AVIC Avionics Share, which was determined based on RMB7.58 per new AVIC Avionics Share (being the average trading price of AVIC Avionics Shares on the Shanghai Stock Exchange in the 20 trading days preceding the Initial Price Determination Date), having taken into account the principle of the highest of: (i) RMB7.58 per new AVIC Avionics Share or (ii) the price in premium determined with reference to the increase of the Shanghai Stock Exchange composite index during the period when trading of the shares of AVIC Avionics was suspended (i.e., $RMB7.58 \times (\text{the closing price of the Shanghai Stock Exchange composite index on 2 July 2010} \div \text{the closing price of the Shanghai Stock Exchange composite index on 9 April 2010})$).

Adjustments to the Valuation Results

In addition, the parties have agreed to adopt the adjustments to the Valuation Results as proposed by the independent qualified PRC valuer, details of which are set out as follows:

Equity interests to be transferred to AVIC Avionics	Approximate original Valuation Results (RMB)	Approximate adjusted Valuation Results (RMB)
Equity Interests in AVIC Kaitian and AVIC Lanfei	974 million	938 million
AVIC Equity Interest	11 million	10 million
AVIC Avionics Systems Equity Interests	1,249 million	1,159 million
Hanzhong Aviation Equity Interests	440 million	445 million

Total

2,674million

2,552 million

As disclosed in the Announcement, the final Valuation Results are subject to adjustments (where necessary) based on the figures finally confirmed by SASAC or its authorized representatives.

Adjustments to the number of shares to be issued by AVIC Avionics

As a result of the adjustments to the Subscription Price and the Valuation Results, the total number of new AVIC Avionics Shares to be issued by AVIC Avionics under the Proposed Placing will be not more than approximately 336 million (353 million previously) and the number of new AVIC Avionics Shares to be issued by AVIC Avionics to the Company, AVIC, AVIC Avionics Systems and Hanzhong Aviation pursuant to the Subscription Agreement, as amended by the Supplemental Agreement, will be approximately 123,602,782, 1,347,093, 152,749,808 and 58,584,284, respectively. According to the Supplemental Agreement, the parties have agreed that the final number of shares to be issued by AVIC Avionics under the Proposed Placing will be confirmed based on the final Subscription Price and the final Valuation Results and according to the following formula: Final number of shares to be issued by AVIC Avionics under the Proposed Placing = Aggregate amount of final Valuation Results ÷ final Subscription Price.

If the final number of shares to be issued by AVIC Avionics derived from the aforesaid formula is not a whole number, the parties have agreed to adjust the number downward to a whole number and any fractional shares will be settled by AVIC Avionics in cash.

The classification of the transactions contemplated under the Subscription Agreement, as amended by the Supplemental Agreement, will remain unchanged as a result of the Adjustments.

The shareholding of the Company and AVIC in AVIC Avionics upon Completion will be slightly different before and after taking into account the Adjustments. The table below sets out the relevant changes (on the assumption that the final Subscription Price per new AVIC Avionics Share is RMB7.59):

Shareholding in AVIC Avionics	Number of AVIC Avionics Shares upon Completion before taking into account the Adjustments	Approximate % of the total issued share capital upon Completion	Number of AVIC Avionics Shares upon Completion after taking into account the Adjustments	Approximate % of the total issued share capital upon Completion
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Shareholding of the Company	370,538,669	44.25	365,590,739	44.54
Shareholding of AVIC	76,039,375	9.08	75,972,267	9.25

EFFECTS OF THE SUBSCRIPTION AFTER THE ADJUSTMENTS

The table below sets out the shareholding structure of AVIC Avionics before and upon Completion after taking into account the Adjustments (on the assumption that the final Subscription Price per new AVIC Avionics Share is RMB7.59):

Shareholder of AVIC Avionics	Number of AVIC Avionics Shares before Completion	Approximate % of the total issued share capital before Completion	Approximate Number of AVIC Avionics Shares upon Completion (after taking into account the Adjustments)	Approximate % of the total issued share capital upon Completion
The Company	241,987,957	49.93	365,590,739	44.54
AVIC	74,625,174	15.40	75,972,267	9.25
AVIC Avionics Systems	0	0	152,749,808	18.61
Hanzhong Aviation	0	0	58,584,284	7.14
China Aviation Industry Supply and Marketing Corporation	571,204	0.12%	571,204	0.07
China Civil Aircraft Development Corporation	185,629	0.04%	185,629	0.02
Sub-total:	317,369,964	65.49	653,653,931	79.63

Public shareholders	167,255,210	34.51	167,255,210	20.37
Total	484,625,174	100	820,909,141	100
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The transactions contemplated under the Subscription Agreement, as amended by the Supplemental Agreement, remain subject to the approval of the Independent Shareholders as well as the shareholders of AVIC Avionics at general meetings. Upon obtaining the relevant shareholders' approvals, the transactions contemplated under the Subscription Agreement, as amended by the Supplemental Agreement, need to be further reviewed and approved by the relevant PRC authorities such as SASAC and CSRC.

Further details of the Proposed Placing including the Adjustments will be disclosed in the Circular to be despatched to the Shareholders on or before 9 July 2010.

RESUMPTION OF TRADING

At the request of the Company, trading in the H shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 July 2010 pending the release of this announcement. Application has been made for the resumption of trading in the H shares of the Company on the Stock Exchange from 9:30 a.m. on 7 July 2010.

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.

* For identification purpose only.