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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)

**PLACING OF H SHARES
AND RESUMPTION OF TRADING**

Placing Agent



BOC INTERNATIONAL

On 24 February 2012, the Company entered into the Placing Agreement with the Placing Agent in relation to the Placing, on a fully underwritten basis, of an aggregate of 342,000,000 H Shares at the Placing Price of HK\$3.55 per Placing Share.

The Placing Shares represent 16.98% and 6.66%, respectively, of the existing total issued H shares and the total issued share capital of the Company as at the date of this announcement and represent 14.51% and 6.25%, respectively, of the total issued H shares and the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Shares will be sold to not less than 6 but not more than 10 independent professional, institutional, and/or other investors on a fully underwritten basis, subject to termination in certain events, as set out below under the heading "Conditions of the Placing".

The net proceeds of the Placing of the Placing Shares will be approximately HK\$1,178 million. The Company intends to use the net proceeds from the Placing Shares for the funding of acquisitions of aviation equity or assets in accordance with the Company's development strategy and for general corporate purposes.

The Placing Shares will be issued under the General Mandate.

Since completion of the Placing is subject to a number of conditions mentioned herein, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

At the request of the Company, trading in the H Shares on the Stock Exchange has been suspended from 9:00 a.m. on 24 February 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 27 February 2012.

THE PLACING AGREEMENT

Date: 24 February 2012

Parties: (i) The Company
(ii) The Placing Agent

PLACING

Pursuant to the Placing Agreement, the Placing Agent agreed as the agent for the Company to procure, on a fully underwritten basis, professional, institutional and/or other investors to subscribe for and purchase an aggregate of 342,000,000 Placing Shares.

INDEPENDENCE OF THE PLACING AGENT

The Placing Agent is not a connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with any connected person (as defined in the Listing Rules) of the Company.

PLACEES

The Placing Agent will place the Placing Shares to not less than 6 but not more than 10 Placees who are professional, institutional and/or other investors who are not connected persons (as defined in the Listing Rules) of the Company. European Aeronautic Defence and Space Company – EADS N.V., an existing Shareholder and a strategic investor of the Company, has indicated its interest to subscribe for a portion of the Placing Shares in the Placing and to have its shareholding in the Company at above 5% upon completion of the Placing. All Placees, including European Aeronautic Defence and Space Company-EADS N.V., if it subscribes in the Placing and their respective ultimate beneficial owners will be independent third parties of the Company. It is expected that none of the Placees will become a substantial shareholder (as defined under the Listing Rules) immediately after the Placing.

NUMBER OF PLACING SHARES

The Placing Shares represent 16.98% and 6.66%, respectively, of the existing total issued H shares and the total issued share capital of the Company as at the date of this announcement and represent 14.51% and 6.25%, respectively, of the total issued H shares and the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The aggregate nominal value of the Placing Shares will be RMB342,000,000 (equivalent to approximately HK\$420,762,600, at the exchange rate of RMB1= HK\$1.2303, being the exchange rate prevailing on 23 February 2012).

PLACING PRICE

The Placing Price of HK\$3.55 per Placing Share represents:

- (i) a discount of approximately 12.56% to the closing price of HK\$4.06 per H Share as quoted on the Stock Exchange on 23 February 2012, being the last trading day prior to the entering into of the Placing Agreement;
- (ii) a discount of approximately 14.04% to the average closing price of HK\$4.13 per H Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 February 2012; and
- (iii) a discount of approximately 14.66% to the average closing price of HK\$4.16 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including 23 February 2012.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent which has taken into account recent market price of the H Shares and the current market conditions. The Directors consider the Placing Price fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

CONDITIONS OF THE PLACING

Completion of the Placing is conditional upon, inter alia, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares and the Placing Agreement not having been terminated by the Placing Agent in accordance with the terms thereof, such as on the grounds of material breach of the representations, warranties and undertakings of the Company given in the Placing Agreement or the occurrence of certain force majeure events.

If any of such conditions shall not have been fulfilled or waived by the Placing Agent by 5:00p.m. on 9 March 2012 (being the tenth Business Day after the date of the Placing Agreement), or such other date as the Company and the Placing Agent may agree, the Placing Agreement and the obligations of the Company and the Placing Agent thereunder shall cease and terminate at that time and no party shall be under any liability to any other party for commissions, costs, damages, charges, compensation or otherwise under the Placing Agreement, except in relation to, inter alia, obligations, agreements and liabilities arising prior to such termination.

COMPLETION OF THE PLACING

The Placing is expected to be completed on the Placing Completion Date.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of the Placing Agreement and immediately after completion of the Placing on the Placing Completion Date:

Holder of Domestic Shares or H Shares	As at the date of the Placing Agreement		After completion of the Placing on the Placing Completion Date	
	No. of shares	Percentage of issued share capital (%)	No. of shares	Percentage of issued share capital (%)
Holders of Domestic Shares	3,117,995,265	60.75	3,117,995,265	56.96
Holders of H Shares	2,014,433,902	39.25	2,356,433,902	43.04
Total	5,132,429,167	100.00	5,474,429,167	100.00

LOCK UP UNDERTAKINGS

The Company has undertaken to the Placing Agent that, except for (i) the Placing Shares to be allotted and issued pursuant to the Placing Agreement, (ii) any H Shares to be issued pursuant to any share option scheme that has been validly approved by the Shareholders at any general meeting, (iii) any H Shares or other securities or rights to be issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its articles of association or on the exercise of rights existing at the date of the Placing Agreement, and (iv) any H Shares to be issued solely as a result of any conversion of Domestic Shares to H Shares, for a period of three months from the Placing Completion Date, the Company will not (without first obtaining the prior written consent of the Placing Agent), (1) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any H Shares or interests therein; or (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (1) above; or (3) announce any intention to enter into or effect any such transaction described in (1) or (2) above.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be issued and allotted by the Company pursuant to the General Mandate. Pursuant to the General Mandate, the Directors are authorized to allot and issue, among other things, up to 402,886,780 new H Shares. As at the date of this announcement, the Company has not issued any H Shares pursuant to the General Mandate. The issue of the Placing Shares was approved by the CSRC on 10 January 2012.

REGULATORY AND CORPORATE APPROVALS

The Company has obtained all necessary PRC regulatory approvals for the Placing, being the approvals from the CSRC and SASAC, as well as the General Mandate and Board approval.

UNITED STATES SELLING RESTRICTIONS

The Placing Shares have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined under Regulation S of the Securities Act) unless the Placing Shares are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. This Placing will be conducted pursuant to Regulation S of the Securities Act.

RANKING OF THE PLACING SHARES

The Placing Shares will rank pari passu in all respects with the existing H Shares in issue as at the Placing Completion Date, including the right to receive all dividends and distributions declared or made after the Placing Completion Date.

REASONS FOR THE PLACING

The Directors consider that the placing of the Placing Shares represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider that the placing of the Placing Shares is in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) of approximately HK\$1,178 million from the placing of the Placing Shares is intended to be used for the funding of acquisitions of aviation equity or assets in accordance with the Company's development strategy and for general corporate purposes. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per Placing Share upon completion of the Placing will be approximately HK\$3.44.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

There has not been any capital raising activity of the Company in the 12 months preceding the date of this announcement, except that the Company issued 183,404,667 Domestic Shares as 75% of the total consideration (being RMB579,558,750) for the acquisition of the entire equity interest in Tianjin Aviation from AVIC Electromechanical Systems Company Limited * (中航機電系統有限公司), a wholly-owned subsidiary of AVIC. Such Domestic Shares were issued under the general mandate passed at the annual general meeting of the Company held on 19 May 2010. The announcement relating to the acquisition was made on 25 January 2011. The issue of such Domestic Shares was completed on 18 January 2012.

APPLICATION FOR LISTING

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares on the Stock Exchange has been suspended from 9:00 a.m. on 24 February 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 27 February 2012.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below shall have the following meanings:

“AVIC”	Aviation Industry Corporation of China (中國航空工業集團公司), the controlling shareholder of the Company holding 54.67% equity interest in the Company at the date of this announcement
“Board”	the board of directors of the Company
“Business Day”	any day (excluding Saturday, Sunday and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司)
“CSRC”	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for in Renminbi by PRC nationals and/or PRC incorporated entities
“General Mandate”	the general and unconditional mandate granted by the Shareholders to the Directors of the Company at the annual general meeting of the Company held on 27 May 2011 to issue, allot or otherwise deal with additional Shares (whether Domestic Shares and/or H Shares) representing up to the limit of 20% of the aggregate nominal value of the Domestic Shares and/or H Shares in issue as at 27 May 2011
“H Share(s)”	overseas listed foreign invested shares with a nominal value of RMB1 each in the ordinary share capital of the Company, which are traded on the Stock Exchange in Hong Kong dollars

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for or purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placement of Placing Shares pursuant to the Placing Agreement
“Placing Agent”	BOCI Asia Limited
“Placing Agreement”	the placing agreement dated 24 February 2012 between the Company and the Placing Agent in respect of the Placing
“Placing Completion Date”	the third Business Day after the day on which all the conditions set out in the Placing Agreement shall have been fulfilled or waived by the Placing Agent, but in any event no later than 9 March 2012 (being the tenth Business Day after the date of the Placing Agreement), or such other date as the Company and the Placing Agent may agree in writing
“Placing Price”	the price payable for the Placing Shares at HK\$3.55 per H Share
“Placing Shares”	342,000,000H Shares to be allotted and issued by the Company pursuant to the General Mandate
“PRC”	the People’s Republic of China
“SASAC”	Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
“Securities Act”	the United States Securities Act of 1933, as amended
“Share(s)”	collectively or individually, H Share(s) and Domestic Share(s)
“Shareholder(s)”	holders of the Shares

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Tianjin Aviation”

Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司), a wholly-owned subsidiary of AVIC Electromechanical Systems Company Limited*

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Hong Kong, 26 February 2012

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.*