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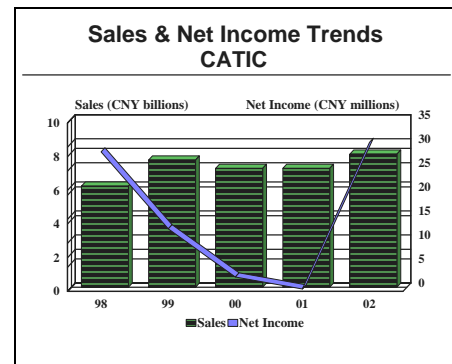
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AVIC International

Outlook

- The China Aero-Technology Import & Export Corporation (CATIC) was restructured into AVIC International Holding Corp
- Previously, CATIC operated as a unit for the Aviation Industry Corporation of China (AVIC)
- The unit acts as the key agent for the import/export of China's aviation industry



Headquarters

AVIC International Holding Corp
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In the past, the People's Republic of China depended on the former Soviet Union for its military needs. However, after the 1960 split between the two communist giants, Beijing was forced to diversify its source of military supplies. The country was pushed to greater self-reliance, which resulted in development of various indigenous military products. To satisfy the PLA's military hardware needs, the Chinese embarked on a massive plan to establish their military industrial base – often copying and then improving foreign designs to meet the unique demands of their armed forces. Presently, Chinese military products, although not very sophisticated, are proving to be very attractive to developing nations because they are cheap and easy to maintain.

The China Aero-Technology Import & Export Corporation (CATIC) was established in 1979. Its main businesses include import and export of aviation products and technology, as well as mechanical and electrical equipment and materials. In addition, in true conglomerate style, CATIC also engages in a variety of other businesses, ranging from industry to real estate, project engineering and contracting, financing, lease holding, merchandise trade, and even hotels.

In July 1999, ownership of CATIC was equally divided when China split its monolithic Aviation Industries of China into AVIC I and AVIC II. Now that the two have been recombined into Aviation Industry Corporation of China (AVIC), CATIC functions as a subsidiary.

In 2008, CATIC was restructured along with China Aviation Industry Supply and Marketing Corporation and Beijing Raise Science Co, Ltd into AVIC International Holding Corp.

AVIC International

Structure and Personnel

Wu Guangquan

President

Jiang Wei

Executive Vice President

Cao Jiang

Vice President, Logistics

Liu Lun

Vice President, Trading

Zhang Guangjian

Vice President, Aviation

Yu Yimin

Vice President, Subcontracting

Yue Jianjun

Vice President, International Cooperation & Import

Product Area

In aerospace markets, AVIC International acts as the key agent for the import/export arm of China's aviation industry. AVIC International is believed to be organized as follows:

1. World Aviation
 - 1.1 Civil Airplane Export and Service
 - 1.2 International Cooperation
 - 1.3 Subcontract Production
 - 1.4 AVIC International Supply Company
2. Trade & Logistics
3. Real Estate & Service
4. Industrial Investment

World Aviation is related to commercial aero planes sales, international collaboration, subcontract production, global procurement, tendering and bidding,

and electronic commerce. Current programs in which the company is involved include the MA60, Y-12, Y8, ARJ21, and LE500 fixed-wing aircraft. In addition, the company also works on the H425 and Z11 helicopters.

Trade & Logistics handles transportation and shipping, energy resources, complete equipment, high-tech product, retail sales, and logistics systems.

Real Estate & Service refers to commercial real estate, residential real estate, industrial real estate, international projects, hotel chain operations, and property services.

Industrial Investment is responsible for industrial electronic manufacturing operations, consumer electronics, and mineral resource exploitation like potassium, phosphorus, and coal.

Facilities

Major facilities are located at the following addresses:

AVIC International Beijing Co, Ltd, 8 CATIC Plaza, 18 Beichen Dong St, Chaoyang District, 100101 Beijing, People's Republic of China. Set up in 1992, CATIC Beijing has become one of the major trading channels of the Chinese aviation industry.

Web site: <http://www.caticbj.com.cn>

AVIC International Shenzhen Co, Ltd, CATIC Zone, Shennan Rd Central 518041, Shenzhen, People's Republic of China. This subsidiary focuses on the development and diversification of China's domestic aviation industries. Specifically, CATIC Shenzhen is tasked with expanding international cooperation and setting up global trade networks.

Web site: <http://www.caticsz.com.cn>

AVIC International Shanghai Co, Ltd, 27-28/F, CATIC Tower, No. 212 Jiang Ning Rd, Jing-An District,

200041 Shanghai, People's Republic of China. CATIC Shanghai plays a key role in shipping and forwarding all of the aerospace products and equipment of Aviation Industry of China I and II through the Shanghai port.

Web site: <http://www.caticsh.com.cn>

AVIC International Xiamen Co, Ltd, 9th Floor, Hongxiang Bldg, No. 258 South Hubin Rd, 361004 South Xiamen, People's Republic of China. This unit focuses on shipbuilding and construction of offshore projects.

Web site: <http://www.caticxm.com>

China Helicopter. Telephone: + 86 10 8480 8659. This operation handles the marketing activity for AVIC's helicopter programs.

Web site: <http://www.chinahelicopter.com.cn>

Corporate Overview

AVIC International is China's primary export agent for aerospace systems and related components.

New Products and Services

ARJ21-700 Overseas Sales. In November 2010, AVIC International signed a deal with the Commercial Aircraft Corporation of China to sell 100 ARJ21-700 aircraft in overseas markets. They will work together to sell China's independently developed regional jet on the international market.

Plant Expansion/Organization Update

AVIC International Formed. Following the remerger of AVIC I and II, CATIC, China Aviation Industry Supply and Marketing Corporation, and Beijing Raise Science Co, Ltd were reorganized and merged into the new AVIC International. The operation acts as the key agent for the import/export arm of China's aviation industry.

AVIC Aircraft Corporation Formed. In early 2009, AVIC reportedly merged several businesses into AVIC Aircraft Corporation. The unit is composed of Xi'an Aircraft, Shaanxi Aircraft, AVIC Aircraft Design Research Institute, AVIC's landing gear unit, and other subsidiaries. The new corporation will focus on large military transports as well as subcomponent production for China's commercial aircraft programs.

AVIC Restructuring Plans. Following the merger of AVIC I and II, the new firm is set to embark on an ambitious restructuring. Under the plan, AVIC will be restructured along the lines of Airbus, with regional entities dissolved and replaced with a specialized framework of manufacturers. Under this new structure, each unit would specialize in specific parts of the airframe, such as wing, fuselage, or nose.

AVIC I and II Merged. In November 2008, China completed the merger of its two state aircraft makers, AVIC I and AVIC II, into a new entity, China Aviation Industry Corp (CAIC). The new company controls 10 aerospace- and defense-oriented business units composed of 21 firms.

According to a news report in the *Shanghai Securities Journal*, CAIC hopes to achieve 22.3 percent average annual sales growth, rising to CNY1 trillion (\$146.5 billion), by 2017 from roughly CNY150 billion currently. The new firm is hoping for a listing of the entire group's assets within five years.

In addition, CAIC holds a stake in Commercial Aircraft Corporation of China, which was established earlier in the year to build commercial jets and develop China's first indigenously produced aircraft, the ARJ21 regional jet.

Commercial Aircraft Corporation Formed. In May 2008, Commercial Aircraft Corporation of China (aka China Commercial Aircraft) was established for the design and production of large passenger jets. Shareholders include the Chinese central government, the municipal government of Shanghai, and AVIC I and AVIC II.

AVIC I Commercial Spinoff. In August 2007, AVIC I separated the civilian and military work of its subsidiaries Shenyang Aircraft and Chengdu Aircraft. Two new units were created – Shenyang Commercial Aircraft and Chengdu Commercial Aircraft – both of which now house the respective civil aviation assets of their parents and are led by independent management. Plans for such a separation began in November 2000, when AVIC I announced it would spin off its military aircraft business into a separate operation. At the time, the company said that it was planning to eventually list some of its commercial companies on stock markets, while the government would retain control of the military company.

Mergers/Acquisitions/Divestitures

No information on mergers, acquisitions, or divestitures have been reported concerning AVIC International in the past two years.

Teaming/Competition/Joint Ventures

U.S. Aerospace. In September 2010, U.S. Aerospace and AVIC International forged an agreement for collaborating on the manufacture, import, and export of aircraft components and equipment. Under the plan, U.S. Aerospace will provide AVIC with potential projects on which the parties can jointly bid, or specifications for aircraft parts and components to be manufactured by AVIC. AVIC is responsible for providing personnel, materials, and facilities to handle the work. In exchange, it is investing in the publicly owned U.S. Aerospace, including a potential stock purchase. U.S. Aerospace anticipates that the parties will bid on at least \$100 million in potential orders in the first year.

AVIC International

Financial Results/Corporate Statistics

The People's Republic of China does not require its companies to provide detailed financial information. However, initiatives in China aimed at becoming more attractive to world investors have led to publication of some financial results. Detailed below are the most recent available results for the former CATIC. U.S. dollar figures, in millions, translated as of December 31, 2002, at the rate of USD1 = CNY8.2867. It appears that this effort was short-lived, as results since 2002 have not been made available.

Y/E December 31 (CNY millions)	1998	1999	2000	2001	2002	2002 USD
Net sales	6,004	7,556	7,060	7,064	7,910	955
Net income	29	13	3	0.5	31	4
Pretax profit	139	147	107	87	109	13

Source: 2003 CATIC Web site.

Strategic Outlook

As China seeks to become a world class aviation producer, AVIC International is the country's ambassador. While AVIC International doesn't produce any aircraft per se, it is responsible for marketing and some support of these platforms in international markets.

The former CATIC's military programs appeared to have been shuffled off to an as yet to be identified subsidiary of AVIC.

Program Activity

Business Interests. AVIC International is involved primarily in handling the export and import of aircraft, components, and related technology in China. The company acts as a primary agent for the following products:

- Commercial Aircraft
- Aircraft Components

Aircraft Programs

In terms of civil aircraft, the company is responsible for Y-12 multipurpose aircraft, Y-7 medium-size passenger aircraft, Y5B aircraft, and the Y-8 cargo transporter.

In addition, the Chinese aviation industry, through AVIC International, acts as a subcontractor for aero-engines, airborne equipment, and related components for the USA, Britain, France, Germany, Italy, Canada, Sweden, Japan, and Singapore, and dozens of foreign companies. The subcontracts involve vertical fins, the horizontal stabilizer, and the rear fuselage for the Boeing 737-300, 737-700, and 757, as well as various aircraft doors, turbine discs, blades, bores, rings, combustion chambers, atmospheric instruments, meteorological radar, general air instruments, pumps, and valves.

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