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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)

**VOLUNTARY ANNOUNCEMENT
ISSUANCE OF CONVERTIBLE CORPORATE BONDS
BY JONHON OPTRONIC**

This announcement is made by AviChina Industry & Technology Company Limited (the "**Company**") on a voluntary basis.

On 8 November 2018, China Aviation Optical-Electrical Technology Co., Ltd. ("**JONHON Optronic**"), a non-wholly-owned subsidiary of the Company whose A shares are listed on the Shenzhen Stock Exchange ("**JONHON Optronic A Share(s)**"), completed the issuance results of its A share convertible corporate bonds ("**JONHON Optronic Convertible Bond(s)**") in a total amount of RMB1.3 billion.

I. PRINCIPAL TERMS OF JONHON OPTRONIC CONVERTIBLE BONDS

The principal terms of JONHON Optronic Convertible Bonds are summarized as below:

1. Type of Securities to be Issued

JONHON Optronic Convertible Bonds are convertible into JONHON Optronic A Shares, which shall rank *pari passu* with all other JONHON Optronic A Shares then in issue. Such convertible bonds and the corresponding A shares to be converted into will be listed on the Shenzhen Stock Exchange.

2. Issue Size

RMB1.3 billion.

3. Nominal Value and Issue Price

At par with a nominal value of RMB100 each.

4. Term of the Bonds

Six years from the date of issue.

5. Interest Rate of the Bonds

The coupon rates of JONHON Optronic Convertible Bonds for the six years are 0.20% (for Year 1), 0.50% (for Year 2), 1.00% (for Year 3), 1.50% (for Year 4), 1.80% (for Year 5) and 2.00% (for Year 6), respectively.

6. Term and Method of Interest Payment

Interest will be paid once a year and the principal amount and the interest for last year will be repaid at maturity.

7. Share Conversion Period

From the trading day immediately following the expiry of six months after the date of issue of JONHON Optronic Convertible Bonds until its maturity date.

8. Initial Conversion Price and Adjustment

The initial share conversion price of JONHON Optronic Convertible Bonds is RMB40.26 per share, subject to adjustments upon occurrence of certain events as set out in the offering document in relation to JONHON Optronic Convertible Bonds ("**JONHON Optronic Offering Document**").

9. Redemption

Within five trading days after the maturity of JONHON Optronic Convertible Bonds, JONHON Optronic will redeem all the unconverted JONHON Optronic Convertible Bonds at the price of 105% of its par value (including the interest for last year).

During the term of JONHON Optronic Convertible Bonds, JONHON Optronic has the right or the bondholders has the right to request JONHON Optronic to redeem all or part of unconverted JONHON Optronic Convertible Bonds in accordance with the situations as set out in JONHON Optronic Offering Document.

II. ISSUANCE RESULTS OF JONHON OPTRONIC CONVERTIBLE BONDS

The Company, holding 41.17% equity interest in JONHON Optronics as at the date of this announcement, exercised the pre-emptive right as an existing shareholder and subscribed for JONHON Optronics Convertible Bonds in the amount of RMB300 million (the "**Subscription by the Company**"). Meanwhile, so far as the Company is aware, none of the connected parties of the Company subscribed for JONHON Optronics Convertible Bonds.

III. REASONS FOR AND BENEFITS OF ISSUANCE OF JONHON OPTRONIC CONVERTIBLE BONDS AND SUBSCRIPTION BY THE COMPANY

The issuance of JONHON Optronics Convertible Bonds and the Subscription by the Company is beneficial to raise the funds for investment projects and the working capital of JONHON Optronics, promoting the sustained and good development of the business of JONHON Optronics.

The Directors are of the view that, the issuance of JONHON Optronics Convertible Bonds and the Subscription by the Company is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IV. GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

Information on JONHON Optronics

JONHON Optronics is a joint stock limited liability company incorporated in the PRC whose A shares are listed on the Shenzhen Stock Exchange. As at the date of this announcement, JONHON Optronics is directly owned as to approximately 41.17% by the Company. JONHON Optronics is principally engaged in the research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies.

V. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, JONHON Optronics is a subsidiary of the Company. The Subscription by the Company in nature is the provision of financial assistance within the group, which is not a transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

If JONHON Optronics Convertible Bonds are converted into JONHON Optronics A Shares, the shareholding percentage of the Company in JONHON Optronics may increase or decrease (depending on the total amount of JONHON Optronics Convertible Corporate Bonds to be subscribed and the actual exercise of the

conversion right), which constitutes an acquisition or a deemed disposal under Chapter 14 and/or Chapter 14A of the Hong Kong Listing Rules. Based on the preliminary size test calculation results, such possible acquisition or deemed disposal is exempt from the announcement and shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules. The Company will comply with the Hong Kong Listing Rules when and where applicable.

By Order of the Board
AviChina Industry & Technology Company Limited*
Xu Bin
Company Secretary

Beijing, 8 November 2018

As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong and Mr. Chen Yuanxian, non-executive Directors Mr. Li Yao, Mr. Wang Xuejun, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purposes only*