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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)

(StockCode:2357)

ANNOUNCEMENT

PROPOSED ADOPTION OF THE RESTRICTED SHARE INCENTIVE SCHEME OF JONHON OPTRONIC

China Aviation Optical-Electrical Technology Co., Ltd.(中航光電科技股份有限公司) ("**JONHON Optron**ic"), a subsidiary of AviChina Industry & Technology Company Limited (the "**Company**"), proposed to adopt a restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") and to grant the first batch of the restricted shares thereunder to certain participants (the "**Proposed Initial Grant**").

On 27 October 2016, the board of directors of the Company (the "**Board**") approved the proposed adoption of the Restricted Share Incentive Scheme and the Proposed Initial Grant.

Pursuant to the Restricted Share Incentive Scheme, JONHON Optron ic will issue its A shares as awarded shares to the selected employees of JONHON Optron ic and its subsidiaries, subject to the satisfaction of certain grant conditions. The Restricted Share Incentive Scheme will be effective for a term of ten(10) years commencing from the date on which the shareholders of JONHON Optron ic approve this scheme. The maximum number of the restricted shares to be awarded under the Restricted Share Incentive Scheme, together with any shares awarded under other share incentive schemes of JONHON Optron ic (if any), shall not exceed 10% of the total issued share capital of JONHON Optron ic changing from time to time.

Pursuant to the Proposed Initial Grant, JONHON Optron ic will grant a total of 6,025,000 restricted shares to 265 selected participants, representing approximately 1% of the issued share capital of JONHON Optron ic as at the date of this announcement. The grant price under the Proposed Initial Grant is RMB28.19 per restricted share.

As at the date of this announcement, the proposed adoption of the Restricted Share Incentive Scheme and the Proposed Initial Grant thereunder are subject to the obtaining of necessary approvals, including but not limited to the approval by the shareholders at the general meeting of JONHON Optron ic and the approval of relevant regulatory authorities.

The Restricted Share Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is a discretionary scheme of JONHON Optronic.

Upon implementation of the Proposed Initial Grant, the equity interest in JONHON Optronic held by the Company will be diluted from 41.57% to 41.16%. Therefore, the Proposed Initial Grant will constitute a deemed disposal of the Company under Chapter 14 of the Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Proposed Initial Grant is less than 5%, the Proposed Initial Grant is exempt from the announcement and shareholders' approval requirements under the Listing Rules.

The Proposed Initial Grant also involves the grant of 115,000 restricted shares to Mr. Guo Zeyi, the chairman and the general manager of JONHON Optronic. Mr. Guo Zeyi is a connected person of the Company at the subsidiary level. Therefore, such grant will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable size test percentage ratios in respect of such grant is less than 1%, the grant of restricted shares by JONHON Optronic to Mr. Guo Zeyi is exempt from the announcement and independent shareholders' approval requirements under the Listing Rules.

The Company will comply with the applicable requirements of the Listing Rules for any further arrangement in relation to the Restricted Share Incentive Scheme in due course.

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

Beijing, 27 October 2016

As at the date of this announcement, the Board comprises executive Director Mr. Lin Zuoming, non-executive Directors Mr. Tan Ruisong, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. He Zhiping and Mr. Kiran Rao as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.

**For identification purposes only.*