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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)

INSIDE INFORMATION ANNOUNCEMENT

PROPOSED ACQUISITION OF AVIC RENEWABLE ENERGY BY AVIC PLANNING

This announcement is made by AviChina Industry & Technology Company Limited* (the “**Company**”) under the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)) and rule 13.09 of the Hong Kong Listing Rules.

1. Introduction

In order to improve its industry chain of new energy businesses and enhance its market competitiveness, China Aviation Planning and Design Institute Co., Ltd.* (“**AVIC Planning**”), a wholly-owned subsidiary of the Company, proposed to acquire 69.30% of the equity interest in AVIC Renewable Energy Investment Co., Ltd.* (“**AVIC Renewable Energy**”) held by AVIC Heavy Machinery Co., Ltd.* (“**AVIC Heavy Machinery**”) (the “**Proposed Acquisition**”). AVIC Heavy Machinery is a subsidiary of Aviation Industry Corporation of China* (“**AVIC**”), and its shares are listed on the Shanghai Stock Exchange (stock code: 600765).

AVIC Renewable Energy was established on 26 January 1989 with the registered capital of RMB329,687,591.21. It is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses. As at the date of this announcement, AVIC Renewable Energy is held as to 69.30% and 30.70% by AVIC Heavy Machinery and AVIC, respectively.

The main financial indicators (audited) of AVIC Renewable Energy for the two financial years from 2015 to 2016 and January to September 2017 are as follows:

Financial indicators <i>(Unit: RMB100 million)</i>	2015	2016	January to September 2017
Operating revenue	1.02	2.18	1.59
Gross profit	-0.38	0.47	-0.68
Net profit attributable to equity shareholders of the parent company	-0.40	0.59	-0.7
Net assets	5.69	6.26	6.10
Total assets	20.3	21.19	23.67

2. Acquisition Price

The acquisition price of the Proposed Acquisition will be determined based on the appraised value of the net assets of AVIC Renewable Energy on 30 September 2017 (as the valuation base date) as evaluated and confirmed by the independent assets appraisal agency recognized by the parties and filed with the relevant State-owned assets management department. So far, the relevant audit evaluation works have been basically completed. As at 30 September 2017 (being the Valuation Base Date), the valuation of the net assets of AVIC Renewable Energy is RMB596,803,600, and the valuation of the 69.30% equity interest of AVIC Renewable Energy held by AVIC Heavy Machinery is RMB413,584,900. The above valuations are subject to filing with the relevant State-owned assets management department. AVIC Planning will determine the acquisition price of the Proposed Acquisition with reference to the valuation price confirmed by the above valuation and filing results and will enter into an acquisition agreement with AVIC Heavy Machinery.

3. Conditions Precedent of the Proposed Acquisition

- (1) AVIC Planning and AVIC Heavy Machinery having entered into the agreement for the Proposed Acquisition;
- (2) AVIC Planning and AVIC Heavy Machinery having completed all the decision-making procedures of the internal authorities for the Proposed Acquisition;
- (3) the valuation result of AVIC Renewable Energy on the valuation base date having been reviewed by and filed with the State-owned assets management department; and
- (4) The board of directors of the Company (the “**Board**”) having approved the Proposed Acquisition.

4. Reasons for and Benefits of the Proposed Acquisition

AVIC Planning is mainly engaged in businesses in the whole industry chain and the whole value chain of engineering area, and the new energy industry is closely related to the engineering business. The Proposed Acquisition is beneficial to the integration of the businesses in new energy industry, will enhance the complementary relationship between the parties in businesses and employees in the whole industry chain, will create a whole industry chain in new energy industry for AVIC Planning and will further expand and develop the advanced engineering techniques in aerospace engineering held by AVIC Planning into civil area.

5. Hong Kong Listing Rules Implications

As at the date of this announcement, AVIC Planning is a wholly-owned subsidiary of the Company. AVIC is the controlling shareholder of the Company, and each of AVIC Heavy Machinery and AVIC Renewable Industry is a subsidiary of AVIC, and therefore are all connected persons of the Company. Accordingly, pursuant to the provisions of Chapter 14A of the Hong Kong Listing Rules, the Proposed Acquisition, if proceeded, will constitute a connected transaction of the Company. The Company will comply with relevant requirements of the Hong Kong Listing Rules in due course (if any).

Investors are reminded that: The Proposed Acquisition is still under negotiation and is conditional upon (among others) the approvals from the internal authorities of the parties concerned and other conditions precedent. The formal agreement of the Proposed Acquisition has not been entered into yet and the terms of the agreement are to be negotiated by the parties concerned. Shareholders of the Company and potential investors are advised to exercise caution when dealing with the securities of the Company.

Further announcement will be made by the Company in due course pursuant to the relevant requirements of the Hong Kong Listing Rules.

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

Beijing, 13 December 2017

As at the date of this notice, the Board comprises executive director Mr. Lin Zuoming, non-executive directors Mr. Tan Ruisong, Mr. Wu Xiandong, Mr. Li Yao, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Chi Wai.

** For identification purpose only*