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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**

### **PARTICIPATION IN THE CAPITAL INCREASES OF SHENYANG AIRCRAFT GROUP AND CHENGDU AIRCRAFT GROUP**

This announcement is made pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and Rule 13.09 of the Hong Kong Listing Rules.

#### **Proposed Capital Increases**

##### 1. Introduction

On 18 August 2015, AviChina Industry & Technology Company Limited (the “**Company**”), AVIC Capital Co., Ltd. (“**AVIC Capital**”), China Avionics Systems Co., Ltd. (“**AVIC Avionics**”), AVIC Aircraft Co., Ltd. (“**AVIC Aircraft**”), AVIC Electromechanical Systems Co., Ltd. (“**AMES**”, together with the Company, AVIC Capital, AVIC Avionics and AVIC Aircraft referred to as the “**Capital Increase Participants**”) as the capital increase participants, and AVIC Shenyang Aircraft Industrial (Group) Co., Ltd. (“**Shenyang Aircraft Group**”) and AVIC Chengdu Aircraft Industrial (Group) Co., Ltd. (“**Chengdu Aircraft Group**”) as the capital increase targets, entered into a framework agreement on capital increases (the “**Framework Agreement**”). The Capital Increase Participants and the capital increase targets are collectively referred to as the “**Parties**”. Pursuant to the Framework Agreement, the Capital Increase

Participants proposed to participate in the capital increases of Shenyang Aircraft Group and Chengdu Aircraft Group in cash (the “**Proposed Capital Increases**”).

Shenyang Aircraft Group was established on 28 June 1994, with a registered capital of RMB4,219.6642 million, mainly engaged in the design, testing, R&D and manufacturing of aircraft and parts and components of aircraft, etc. As at the date of this announcement, Shenyang Aircraft Group is held as to 94.15% and 5.85% by Aviation Industry Corporation of China (“**AVIC**”) and China Huarong Asset Management Co., Ltd, respectively.

The major financial indicators of Shenyang Aircraft Group for the preceding year (consolidated and unaudited) is as follows:

Unit: in RMB ten thousands

<b>Items</b>	<b>31 December 2014</b>
Total assets	1,552,061
Owner’s equity	560,567
<b>Items</b>	<b>2014</b>
Operating revenue	1,216,789
Gross profits	46,245

Chengdu Aircraft Group was established on 25 September 1998, with a registered capital of RMB729.154 million, mainly engaged in the design, manufacturing, processing and sales of mechanical, electrical, avionics, and aviation products and relevant parts and components, etc. As at the date of this announcement, Chengdu Aircraft Group is held as to 100% by AVIC.

The major financial indicators of Chengdu Aircraft Group for the preceding year (consolidated and unaudited) is as follows:

Unit: in RMB ten thousands

<b>Items</b>	<b>31 December 2014</b>
Total assets	1,888,076
Owner’s equity	587,167
<b>Items</b>	<b>2014</b>
Operating revenue	1,151,945
Gross profits	46,497

## 2. The Capital Increase Amounts of the Capital Increase Participants

The proposed maximum aggregate capital increase amount by each Capital Increase Participant and the proposed total capital increase amount of the Proposed Capital Increases in Shenyang Aircraft Group and Chengdu Aircraft Group are as follows:

No.	Names of Capital Increase Participants	Maximum capital increase amount (in RMB thousands)
1	The Company	1,906,225.00
2	AVIC Capital	1,906,225.00
3	AVIC Avionics	539,190.00
4	AVIC Aircraft	441,160.00
5	AMES	196,070.0
-	<b>Total</b>	<b>4,988,870.00</b>

Upon the capital increase price for each of Shenyang Aircraft Group and Chengdu Aircraft Group according to the Framework Agreement is determined, each Capital Increase Participant would determine the specific capital increase amount in each of Shenyang Aircraft Group and Chengdu Aircraft Group and within its maximum aggregate capital increase amount, and upon completion of the Proposed Capital Increases, the equity interest held by each Capital Increase Participant in each of Shenyang Aircraft Group and Chengdu Aircraft Group would be the same.

The Capital Increase Participants agreed that, if any of the Capital Increase Participants (except AVIC Capital), having gone through its decision-making procedures of its internal authorities, decides not to participate in the subscription of the Proposed Capital Increases or participate to the maximum amount as stated above in the Proposed Capital Increases, AVIC Capital has the priority to subscribe the full amount that has not been subscribed or the difference that has not been subscribed by any of the Capital Increase Participants and the capital increase amount of the Proposed Capital Increases contributed by each Capital Increase Participant would accordingly be adjusted, and under this circumstance, AVIC Capital's capital increase shall not be subject to its maximum capital increase amount as stated in the table above. If AVIC Capital fails to subscribe to the full amount that has not been subscribed or the difference that has not been subscribed by each Capital Increase Participant, or having gone through its decision-making procedures of its internal authorities, decides not to participate in the subscription of the Proposed Capital Increases or fully subscribe in the amount for the Proposed Capital Increases as stated above, the Capital Increase Participants should negotiate and decide on their capital increase amount in the Proposed Capital Increases separately.

The Parties further agreed that, if the existing shareholders of Shenyang Aircraft Group, i.e. AVIC and China Huarong Asset Management Co., Ltd, and the existing shareholder of Chengdu Aircraft Group, i.e. AVIC, participate in the Proposed Capital Increases, and

conditional upon complying with the above agreement, the Parties should enter into another formal capital increase agreement with the existing shareholders of Shenyang Aircraft Group and Chengdu Aircraft Group who participate in the Proposed Capital Increases, and determine the capital increase participants and their respective capital increase amounts in Shenyang Aircraft Group and Chengdu Aircraft Group.

### 3. The Capital Increase Prices

The capital increase prices for the Proposed Capital Increases will be determined based on the valuation results of the net assets of Shenyang Aircraft Group and Chengdu Aircraft Group as at the valuation date of 30 June 2015 prepared by an independent asset valuer approved by the Parties, which also have to be filed with the relevant state-owned assets supervision and management authority(ies). The Capital Increase Participants shall enter into a formal capital increase agreement with Shenyang Aircraft Group and Chengdu Aircraft Group based on the capital increase price as confirmed by the aforementioned valuation results and filing.

The Parties agreed that the contribution amounts and percentages in the registered capital of Shenyang Aircraft Group and Chengdu Aircraft Group, and the registered capital and capital contribution arrangement upon completion of the Proposed Capital Increases for Shenyang Aircraft Group and Chengdu Aircraft Group shall be determined by reference to the finally determined capital increase participants, the capital increase prices and capital increase amounts. Such details will be confirmed by a formal capital increase agreement to be entered into by the Parties separately.

### 4. Conditions Precedents to the Framework Agreement Becoming Effective

- (1) The Framework Agreement will be executed after being signed by the legal representatives or authorized representatives of the Parties and affixed with the respective company seals, and become effective upon completion of all the following conditions:
  - (i) the decision-making procedures of internal authorities relating to the Proposed Capital Increases having been completed by each of the Parties;
  - (ii) the respective valuation results of Shenyang Aircraft Group and Chengdu Aircraft Group as at the valuation date having been approved by and filed with the relevant state-owned assets supervision and management authority(ies).
- (2) in respect of clause(i) above, the Parties further agreed that, if any one of the Capital Increase Participants eventually fails to obtain the approval from its internal authority, this clause (i) shall not be binding on that participant, and shall not affect the force and effect of the Framework Agreement on other Capital Increase Participants.

## 5. Hong Kong Listing Rules Implications

As at the date of this announcement, as AVIC is the controlling shareholder of the Company, each of AVIC Capital, AVIC Avionics, AVIC Aircraft, AMES, Shenyang Aircraft Group and Chengdu Aircraft Group, as a subsidiary of AVIC, is therefore a connected person of the Company. Accordingly, the Proposed Capital Increases, if proceeded, will constitute a connected transaction of the Company pursuant to the provisions of Chapter 14A of the Hong Kong Listing Rules. The Company will calculate the size tests based on the final valuation results as filed and the capital increase price, and comply with relevant requirements of the Hong Kong Listing Rules.

**Investors are reminded that: the Framework Agreement is subject to, among other things, approval by the internal authorities of each of the Parties and fulfilment of other conditions and that the terms of the formal agreement for the Proposed Capital Increases are subject to further negotiations among the Parties. The shareholders of the Company and other investors should exercise caution when dealing in the securities of the Company.**

The Company will make further announcement on the Proposed Capital Increases in due course.

By Order of the board of directors

**AviChina Industry & Technology Company Limited\***

**Yan Lingxi**

Company Secretary

Beijing, 18 August 2015

*As at the date of this announcement, the Board comprises executive directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Guo Chongqing and Mr. Maurice Savart 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.*