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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)

CONNECTED TRANSACTIONS

FORMATION OF TWO JOINT VENTURE COMPANIES

To continuously improve the aviation industry chain of the Company, on 30 March 2015, the Company entered into the Capital Contribution Agreement I with AVIC Jincheng, pursuant to which the Company proposed to contribute RMB140 million in cash in the establishment of Nanjing Servo Control. Upon the establishment of Nanjing Servo Control, the Company and AVIC Jincheng will hold 46.67% and 53.33% of the equity interest in Nanjing Servo Control, respectively.

In addition, on 30 March 2015, the Company entered into the Capital Contribution Agreement II with AVIC Jincheng and AMES, pursuant to which the Company proposed to contribute RMB30 million in cash in the establishment of Nanjing Electromechanical. Upon the establishment of Nanjing Electromechanical, the Company, AVIC Jincheng and AMES will hold 10%, 56.67% and 33.33% of the equity interest in Nanjing Electromechanical, respectively.

As at the date of this announcement, AVIC is the controlling shareholder of the Company. AVIC Jincheng and AMES are subsidiaries of AVIC. Therefore, both AVIC Jincheng and AMES are connected persons of the Company, and the entry into of the Capital Contribution Agreement I and the Capital Contribution Agreement II constitutes connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the Capital Contribution Agreement I and the Capital Contribution Agreement II on an aggregate basis is more than 0.1% but less than 5%, the entry into of the Capital Contribution Agreement I and the Capital Contribution Agreement II is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

A. INTRODUCTION

On 30 March 2015, the Company entered into the Capital Contribution Agreement I with AVIC Jincheng, pursuant to which the Company proposed to contribute RMB140 million in cash in the establishment of Nanjing Servo Control. Upon the establishment of Nanjing Servo Control, the Company and AVIC Jincheng will hold 46.67% and 53.33% of the equity interest in Nanjing Servo Control, respectively.

On 30 March 2015, the Company entered into the Capital Contribution Agreement II with AVIC Jincheng and AMES, pursuant to which the Company proposes to contribute RMB30 million in cash in the establishment of Nanjing Electromechanical. Upon the establishment of Nanjing Electromechanical, the Company, AVIC Jincheng and AMES will hold 10%, 56.67% and 33.33% of the equity interest in Nanjing Electromechanical, respectively.

B. THE CAPITAL CONTRIBUTION AGREEMENT I

1. Date

30 March 2015

2. Parties

- (i) the Company; and
- (ii) AVIC Jincheng

3. The Capital Contribution

The registered capital of Nanjing Servo Control proposed to be established shall be RMB300 million, of which the Company shall contribute RMB140 million in cash, representing 46.67% of the registered capital; and AVIC Jincheng shall contribute RMB160 million by assets transfer (the final value of which is to be determined based on the assets value in the valuation report filed with the Ministry of Finance; if the assets value is less than RMB160 million, the difference shall be supplemented by AVIC Jincheng in cash), representing 53.33% of the registered capital.

4. Composition of the board of directors of Nanjing Servo Control

The board of directors of Nanjing Servo Control will consist of three members, of which, one director will be nominated by the Company, one director will be nominated by AVIC Jincheng and one will be an employee representative director. The chairman of the board of directors of Nanjing Servo Control will be nominated by AVIC Jincheng and will also be its legal representative.

5. Business Scope of Nanjing Servo Control

Nanjing Servo Control shall primarily be engaged in research and development, manufacture, assembly, testing, sales and after-sale services of servo valves and control systems, hydraulic pumps and other products. The business scope of Nanjing Servo Control will be determined based on the business scope as finally approved by and registered with the relevant industry and commerce authority.

6. Conditions precedent to be satisfied

The Capital Contribution Agreement I shall become effective upon the fulfillment of, among other things, the following conditions:

- (i) the Capital Contribution Agreement I having been duly executed and sealed by the legal representative or authorised representative each the Company and AVIC Jincheng;
- (ii) the Ministry of Finance having agreed to the capital contribution of AVIC Jincheng and the valuation results having obtained the approval of the Ministry of Finance;
- (iii) the Company having performed all necessary internal approval procedures pursuant to its Article of Association and the Hong Kong Listing Rules, including but not limited to, the approval of the Board meeting and general meeting (if required) for the capital contribution.

C. THE CAPITAL CONTRIBUTION AGREEMENT II

1. Date

30 March 2015

2. Parties

- (i) the Company;
- (ii) AVIC Jincheng; and
- (iii) AMES

3. The Capital Contribution

The registered capital of Nanjing Electromechanical proposed to be established shall be RMB300 million, of which the Company shall contribute RMB30 million in cash, representing 10% of the registered capital; AVIC Jincheng shall contribute in an aggregate amount of RMB170 million, representing 56.67% of the registered capital, to be paid partly by cash and partly by assets transfer (equivalent to approximately RMB50 million, the final value of which is to be determined based on the assets value in the valuation report filed with the Ministry of Finance with the balance to be supplemented by AVIC Jincheng in cash); and AMES shall contribute RMB100 million in cash, representing 33.33% of the registered capital.

4. Composition of the board of directors of Nanjing Electromechanical

The board of directors of Nanjing Electromechanical will consist of five members, of which, one director will be nominated by the Company, two directors will be nominated by AVIC Jincheng, one director will be nominated by AMES and one will be an employee representative director. The chairman of the board of directors of Nanjing Electromechanical will be nominated by AVIC Jincheng and will also be its legal representative.

5. Business scope of Nanjing Electromechanical

Nanjing Electromechanical shall primarily be engaged in research and development, manufacture, assembly, testing and sales of aircraft control and electromechanical control systems, environmental control systems, fuel systems and hydraulic parts and components and provision of related services for its own manufactured products; subcontracting production of parts and components of civil aircraft; and commencement of research of electromechanical and hydraulic projects of civil aircraft. The business scope of Nanjing Electromechanical will be determined based on the business scope as finally approved by and registered with the relevant industry and commerce authority.

6. Conditions precedent to be satisfied

The Capital Contribution Agreement II shall become effective upon the fulfillment of, among other things, the following conditions:

- (i) the Capital Contribution Agreement II having been duly executed and sealed by the legal representative or authorised representative of each of the Company, AVIC Jincheng and AMES;
- (ii) the Ministry of Finance having agreed to the capital contribution of AVIC Jincheng and the valuation results having obtained the approval of the Ministry of Finance;
- (iii) the Company having performed all necessary internal approval procedures pursuant to its Article of Association and the Hong Kong Listing Rules, including but not limited to, the approval of the Board meeting and general meeting (if required) for the capital contribution.

D. REASONS FOR AND BENEFITS OF THE ENTRY INTO OF THE CAPITAL CONTRIBUTION AGREEMENT I AND THE CAPITAL CONTRIBUTION AGREEMENT II

The entry into of the Capital Contribution Agreement I and the Capital Contribution Agreement II will help the Company to expand its existing electromechanical

business, which complies with the Company's strategic objectives of continually improve aviation industry chain.

The transactions under the Capital Contribution Agreement I and the Capital Contribution Agreement II are entered into upon normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Capital Contribution Agreement I and the Capital Contribution Agreement II are fair and reasonable and in the interests of the Company and its shareholders as a whole.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company. AVIC Jincheng and AMES are subsidiaries of AVIC. Therefore, both AVIC Jincheng and AMES are connected persons of the Company, and the entry into of the Capital Contribution Agreement I and the Capital Contribution Agreement II constitutes connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the Capital Contribution Agreement I and the Capital Contribution Agreement II is more than 0.1% but less than 5%, the entry into of the Capital Contribution Agreement I and the Capital Contribution Agreement II is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement

Each of Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who are the General Manager, Vice General Manager and Vice General Manager of AVIC, respectively, is deemed to have a material interest in the transactions contemplated under the Capital Contribution Agreement I and the Capital Contribution Agreement II and accordingly, they had abstained from voting on the board resolution approving the Capital Contribution Agreement I and the Capital Contribution Agreement II in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

F. 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 and development, manufacture and sales of civil aviation products.

Information on AVIC

AVIC is held and controlled by the State Council of the PRC, and is mainly engaged in the development and manufacture of aviation products and non-aviation products.

As at the date of the announcement, AVIC holds 51.26% equity interest of the Company and is the controlling shareholder of the Company.

Information on AVIC Jincheng

AVIC Jincheng is a limited liability company incorporated in the PRC and is a subsidiary of AVIC. It is mainly engaged in the research of electromechanical and hydraulic projects, and the technology development, professional training and consulting services of aircraft control and control systems, power transmission systems, emergency power systems, environmental control systems, fuel systems, starter systems and hydraulic ancillary parts.

Information on AMES

AMES was established in the PRC in 2010 and is a wholly-owned subsidiary of AVIC. AMES is mainly engaged in research, manufacture and sale of airborne avionics and equipment of aircraft and engine.

DEFINITIONS:

“AVIC”	Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company holding 51.26% equity interest in the Company as at the date of this announcement
“AVIC Jincheng”	China Aviation Industry Corporation Jincheng Nanjing Mechanics-electronics-hydraulics Research Center* (中航工業金城南京機電液壓工程研究中心), a subsidiary of AVIC
“AMES”	AVIC Electromechanical Systems Co., Ltd.* (中航機電系統有限公司), a wholly-owned subsidiary of AVIC
“Articles of Association”	the articles and association of the Company (as amended from time to time)
“Board”	the board of directors of the Company
“Capital Contribution Agreement I”	the capital contribution agreement relating to the establishment of Nanjing Servo Control entered into between the Company and AVIC Jincheng on 30 March 2015
“Capital Contribution Agreement II”	the capital contribution agreement relating to the establishment of Nanjing Electromechanical entered into among the Company, AVIC Jincheng and AMES on 30 March 2015

“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司)
“Directors”	the director(s) of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“Nanjing Electromechanical”	AVIC Nanjing Electromechanical Technology Co., Ltd. * (中航工業南京機電科技有限公司)
“Nanjing Servo Control”	AVIC Nanjing Servo Control Systems Co., Ltd. * (中航工業南京伺服控制系統有限公司)
“PRC”	the People’s republic of China
“RMB”	Renminbi, the lawful currency of the PRC

By Order of the Board
AviChina Industry & Technology Company Limited*
Yan Lingxi
Company Secretary

Beijing, 30 March 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. Sheng Mingchuan and Mr. Maurice Savart as well as independent non-executive Directors Mr. Guo Chongqing, Mr. Lau Chung Man, Louis and Mr. Liu Renhuai.

** For identification purposes only.*