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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF EQUITY INTERESTS OF KEEVEN INSTRUMENT
AND CHANGFENG AVIONICS**

THE ACQUISITION

On 26 June 2013, AVIC Avionics, a non-wholly owned subsidiary of the Company, entered into the Acquisition Agreement with AVIC Avionics Systems, pursuant to which, AVIC Avionics Systems has agreed to sell and AVIC Avionics has agreed to purchase, subject to conditions, the 100% equity interest in each of Keeven Instrument and Changfeng Avionics for an aggregate consideration of RMB1,417,700,361.

The consideration for the Acquisition was determined based on arm's length negotiations and with reference to, among various other factors, the valuation results of the 100% equity interest in each of Keeven Instrument and Changfeng Avionics prepared by an independent firm of qualified PRC valuers. The final consideration will be subject to the valuation results of Keeven Instrument and Changfeng Avionics as filed with and confirmed by the relevant competent PRC authorities.

As AVIC is the controlling shareholder of the Company and AVIC Avionics Systems is a subsidiary of AVIC, each of AVIC and AVIC Avionics Systems is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The entering into of the Acquisition Agreement will constitute a connected transaction of the Company. As the highest of the applicable size test percentage ratios in relation to the Acquisition is more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under the Hong Kong Listing Rules and are therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements.

An Independent Board Committee comprising all of the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transactions contemplated under the Acquisition Agreement. None of the members of the Independent Board Committee has any material interest in the Acquisition and the transactions

contemplated under the Acquisition Agreement.

An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders on the connected transactions mentioned above.

EGM

The EGM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition and the transactions contemplated under the Acquisition Agreement. The notice convening the EGM will be despatched to the Shareholders as soon as possible.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendation to the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its opinion in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement will be despatched to the Shareholders on or before 19 July 2013.

A. INTRODUCTION

Reference is made to the announcements of the Company dated 9 December 2012 and dated 14 June 2013, respectively, in relation to the proposed acquisitions by AVIC Avionics, a non wholly-owned subsidiary of the Company, of the 100% equity interest in each of Keeven Instrument and Changfeng Avionics held by AVIC Avionics Systems, a wholly-owned subsidiary of AVIC, and 100% equity interest in Oriental Instrument held by Hanzhong Aviation.

On 26 June 2013, AVIC Avionics entered into the Acquisition Agreement with AVIC Avionics Systems, pursuant to which, AVIC Avionics Systems has agreed to sell and AVIC Avionics has agreed to purchase, subject to conditions, the 100% equity interest in each of Keeven Instrument and Changfeng Avionics for an aggregate consideration of RMB1,417,700,361. The acquisition of the 100% equity interest in Oriental Instrument is still subject to further negotiations between AVIC Avionics and Hanzhong Aviation.

B. THE ACQUISITION AGREEMENT

Date

26 June 2013

Parties

Vendor: AVIC Avionics Systems

Purchaser: AVIC Avionics

Target

Subject to the conditions precedent under the Acquisition Agreement, AVIC Avionics will acquire the 100% equity interest in each of Keeven Instrument and Changfeng Avionics from AVIC Avionics Systems.

Consideration and Payment Terms

The aggregate consideration for the Acquisition of RMB1,417,700,361 has been agreed between AVIC Avionics and AVIC Avionics Systems based on arm's length negotiations after taking into account a number of factors including, but not limited to, the valuation results of Keeven Instrument and Changfeng Avionics as at the Valuation Date prepared by an independent firm of qualified PRC valuers using the cost replacement method. The final consideration will be subject to the valuation results of Keeven Instrument and Changfeng Avionics as filed with and confirmed by the relevant competent PRC authorities.

The consideration will be payable in a lump sum to AVIC Avionics Systems by cash within 20 working days upon the Acquisition Agreement becoming effective.

Conditions Precedent to the Acquisition Agreement Becoming Effective

Pursuant to the Acquisition Agreement, the Acquisition will become effective upon fulfillment of, among other things, the following conditions:

- (1) the Acquisition Agreement having been executed by the legal representatives or authorized persons of the parties;
- (2) AVIC Avionics Systems having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association;
- (3) AVIC Avionics having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association and the relevant requirements of the listing rules of the Shanghai Stock Exchange;
- (4) the Company having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of the Articles of Association and the relevant requirements of the Hong Kong Listing Rules, including but not limited to, the approvals of the Board and general meeting;
- (5) the valuation report in relation to the Acquisition having been filed with the relevant competent PRC authorities; and
- (6) the transactions contemplated under the Acquisition Agreement having been approved by AVIC.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition will contribute to expanding the production scale of AVIC Avionics, enriching the products and thereby improving the overall competitiveness of the Company so as to further improve the profitability and enhance the leading position of the Company in the industry.

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the independent financial adviser) are of the opinion that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

As AVIC is the controlling shareholder of the Company and AVIC Avionics Systems is a subsidiary of AVIC, each of AVIC and AVIC Avionics Systems is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The entering into of the Acquisition Agreement will constitute a connected transaction of the Company. As the highest of the applicable size test percentage ratios in relation to the Acquisition is more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under the Hong Kong Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements.

An Independent Board Committee comprising all of the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transactions contemplated under the Acquisition Agreement. None of the members of the Independent Board Committee has any material interest in the Acquisition and the transactions contemplated under the Acquisition Agreement.

An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders on the connected transactions mentioned above.

E. GENERAL

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. As at the date of this announcement, the Company is held as to 51.26% by AVIC, being the controlling shareholder of the Company. 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.

Information on AVIC Avionics

AVIC Avionics is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, AVIC Avionics is held as to 43.22% equity interest by the Company. AVIC Avionics is mainly engaged in the manufacture of avionics products and related accessories.

Information on AVIC Avionics Systems

AVIC Avionics Systems is a limited liability company incorporated in the PRC, which is a wholly owned subsidiary of AVIC. AVIC Avionics Systems is principally engaged in the research, manufacture, sales and services of all kinds of aircraft, airborne avionics system and equipment. The registered capital of AVIC Avionics Systems is RMB210 million.

Based on the audited financial statements of AVIC Avionics Systems for the year ended 31 December 2012, the total assets, the net assets value, the revenue, the total profits and the net profits of AVIC Avionics Systems amounted to RMB37,736.12 million, RMB19,212.33 million, RMB14,139.81 million, RMB1,765.57 million and RMB1,431.84 million, respectively.

Information on Keeven Instrument

Keeven Instrument is principally engaged in the manufacture and sales of aviation instrument, sensor and autopilot and related products. The registered capital of Keeven Instrument is RMB63.44 million.

Based on the audited financial statements of Keeven Instrument for the year ended 31 December 2012 prepared in accordance with the PRC accounting standards, the total assets and the net assets of Keeven Instrument amounted to RMB1,178,841,952.78 and RMB464,341,556.69, respectively. For the year ended 31 December 2012, the revenue, the net profit (before and after taxation and extraordinary items) of Keeven Instrument amounted to RMB419,283,339.65, RMB12,304,547.36 and RMB8,405,190.94, respectively.

Based on the audited financial statements of Keeven Instrument for the year ended 31 December 2011 prepared in accordance with the PRC accounting standards, the total assets and the net assets of Keeven Instrument amounted to RMB896,121,324.06 and RMB465,007,457.84, respectively. For the year ended 31 December 2011, the revenue, the net profit (before and after taxation and extraordinary items) of Keeven Instrument amounted to RMB356,248,577.14, RMB11,147,760.63 and RMB7,864,021.01, respectively.

Information on Changfeng Avionics

Changfeng Avionics is principally engaged in the research, manufacture, sales and services of avionics, airborne equipment and aviation products. The registered capital of Changfeng Avionics is RMB59.63 million.

Based on the audited financial statements of Changfeng Avionics for the year ended 31 December 2012 prepared in accordance with the PRC accounting standards, the total assets and the net assets of Changfeng Avionics amounted to RMB1,721,286,828.39 and RMB491,236,494.13, respectively. For the year ended 31 December 2012, the revenue, the net profit (before and after taxation and extraordinary items) of Changfeng Avionics amounted to RMB678,438,299.92, RMB143,762,342.06 and RMB105,920,819.05, respectively.

Based on the audited financial statements of Changfeng Avionics for the year ended 31 December 2011 prepared in accordance with the PRC accounting standards, the total assets and the net assets of Changfeng Avionics amounted to RMB1,829,521,340.46 and RMB439,102,795.31, respectively. For the financial year ended 31 December 2011, the revenue, the net profit (before and after taxation and extraordinary items) of Changfeng Avionics amounted to RMB755,981,236.40, RMB241,854,041.23 and RMB188,943,231.03, respectively.

F. EGM

The EGM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition and the transactions contemplated under the Acquisition Agreement. The notice convening the EGM will be despatched to the Shareholders as soon as possible.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendation to the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its opinion in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement will be despatched to the Shareholders on or before 19 July 2013.

Each of Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who hold positions in AVIC, respectively, has a material interest in the transactions contemplated under the Acquisition Agreement and thus is required to abstain from voting on the board resolutions approving the Acquisition Agreement in accordance with the Hong Kong Listing Rules.

It should be noted that as at date of this announcement, the acquisition of the 100% equity interest in Oriental Instrument is still subject to further negotiations between AVIC Avionics and Hanzhong Aviation and there is uncertainty over the aforesaid acquisition. The Company will make further announcement(s) as and when appropriate in compliance with the Hong Kong Listing Rules should there be any development on the matters pertaining to the acquisition.

DEFINITIONS

“Acquisition”	the acquisition of 100% equity interest in each of Keeven Instrument and Changfeng Avionics by AVIC Avionics from AVIC Avionics Systems for an aggregate consideration of RMB 1,417,700,361 in cash pursuant to the Acquisition Agreement
“Acquisition Agreement”	an acquisition agreement entered into between AVIC Avionics and AVIC Avionics Systems dated 26 June 2013 in relation to the Acquisition
“Articles of Association”	the articles of association of the Company
“AVIC”	China Aviation Industry Corporation (中國航空工業集團公司), a controlling shareholder of the Company holding 51.26% equity interest in the Company
“AVIC Avionics”	China AVIC Electronics Co., Ltd. (中航機載電子股份有限公司, formerly named as China AVIC Avionics Equipment Co., Ltd.), a non wholly-owned subsidiary of the Company with 43.22% equity interest held by the Company
“AVIC Avionics Systems”	AVIC Avionics Systems Co., Ltd.* (中航航空電子系統有限責任公司), a wholly-owned subsidiary of AVIC
“Board”	the board of directors of the Company
“Changfeng Avionics”	Suzhou Changfeng Avionics Co., Ltd.(蘇州長風航空電子有限公司, formerly named as AVIC Radar and Electrical Technology Co., Ltd.), a wholly-owned subsidiary of AVIC Avionics Systems
“Company”	AviChina Industry & Technology Company Limited*, a joint stock limited company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange

“Completion”	completion of the Acquisition and the transactions contemplated under the Acquisition Agreement
“Directors”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Acquisition and the transactions contemplated under the Acquisition Agreement
“Hanzhong Aviation”	Hanzhong Aviation Industry Group Co., Ltd. (漢中航空工業(集團)有限公司), a subsidiary of AVIC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis, to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Acquisition Agreement
“Independent Shareholders”	Shareholders (other than AVIC and its associates) who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the connected transactions under the Acquisition Agreement
“Keeven Instrument”	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics Systems
“Oriental Instrument”	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a wholly-owned subsidiary of Hanzhong Aviation
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	Domestic Shares and H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Valuation Date”	31 December 2012

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Beijing, 26 June 2013

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

*Mr. Sheng Mingchuan, Mr. Maurice Savart as well as independent non-executive Directors
Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.*

** For identification purposes only.*