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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all your shares in AviChina Industry & Technology Company Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**PROPOSED ADJUSTMENTS TO CERTAIN TERMS OF THE RESTRICTED  
SHARE INCENTIVE SCHEME;  
PROPOSED AUTHORIZATION TO THE BOARD TO MAKE ANNUAL  
DONATIONS WITHIN AN APPROVED LIMIT;  
AND  
NOTICE OF EGM**

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A notice convening the EGM to be held on Thursday, 20 November 2014 at 9:30 a.m. (or the time immediately after the conclusion of the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Thursday, 20 November 2014) at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, PRC is set out on pages 16 to 18 of this circular.

A reply slip and a form of proxy for use at the EGM are enclosed hereto and are also published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 30 October 2014. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for the holding of EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

17 October 2014

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>Contents</b> .....	i
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix – Original Letter from the Board</b> .....	8
<b>Notice of EGM</b> .....	16

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions and terms shall have the following meanings and certain capitalized terms used but not defined herein shall have the same meanings as set out in the section headed "Definitions" of the 2011 Circular:*

"Adoption Date"	the date on which the Scheme was approved and adopted by a special resolution at the extraordinary general meeting held on 29 March 2011
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China
"Company"	AviChina Industry & Technology Company Limited*, a joint stock limited liability company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange
"Director(s)"	the directors of the Company
"Domestic Shares"	domestic share(s) of nominal value of RMB1.00 each in the ordinary share capital of the Company which are subscribed for in RMB
"EGM"	the second extraordinary general meeting of the Company to be convened on Thursday, 20 November 2014 at 9:30 a.m. (or the time immediately after the conclusion of the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Thursday, 20 November 2014) to approve (i) the proposed adjustments to certain terms of the Scheme; and (ii) the proposed authorization to the Board to make annual donations within an approved limit
"Excluded Employee(s)"	independent Directors and supervisors of the Company or Shareholders holding more than 5% equity interest in the capital of the Company, actual controller of the Company and their respective close relatives
"Exercise Price"	the price per H Share at which a Scheme Participant shall pay at his/her own cost for acquiring the Restricted Shares granted to the Scheme Participant for purchase under the Scheme
"Grant Date"	the date, which must be a trading day, on which the Restricted Shares are formally granted to the Scheme Participants by the Board pursuant to the Scheme
"Grant Price"	the price per H Share for the grant of the Restricted Shares awarded under the Scheme

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) of nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollar
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Initial Grant”	the initial grant of the Restricted Shares under the Scheme to the Scheme Participants on 30 March 2011
“Latest Practicable Date”	21 February 2011, being the latest practicable date prior to the printing of the 2011 Circular for ascertaining certain information contained therein
“Lock-up Period”	the period during which transfer of the Restricted Shares granted to the Scheme Participants for purchase under the Scheme is prohibited
“Original Letter from the Board”	the letter from the Board dated 24 February 2011 contained in the 2011 Circular in relation to the adoption of the Scheme
“Restricted Shares”	the H Shares to be granted under the Scheme and has the meanings ascribed to such term in the Scheme
“RMB”	Renminbi, the lawful currency of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Scheme”	the restricted share incentive scheme adopted by the Company at the extraordinary general meeting held on 29 March 2011, whereby awards of H Shares may be made to the Scheme Participants (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Scheme Participants”	certain executive and non-executive Directors, senior management, mid-level management of the Group and other key employees of the Group who are eligible for participation in the Scheme under the Scheme Rules
“Scheme Rules”	the rules governing the operation of the Scheme

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
“Share(s)”	Domestic Shares and H Shares
“Shareholders”	the holders of Shares
“Trust Deed”	the trust deed to be made between the Company (as the settler) and the Trustee for the purposes of the Scheme
“Trustee”	the trustee to be appointed by the Board for the administration of the Scheme, which will hold the Restricted Shares for the benefit of the Scheme Participants, subject to the terms and conditions of the Trust Deed
“Unlocking Period”	the period during which the Restricted Shares granted to the Scheme Participants under the Scheme may be conditionally transferred

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Lin Zuoming  
Mr. Tan Ruisong

*Non-executive Directors:*

Mr. Gu Huizhong  
Mr. Gao Jianshe  
Mr. Sheng Mingchuan  
Mr. Maurice Savart

*Independent non-executive Directors:*

Mr. Guo Chongqing  
Mr. Lau Chung Man, Louis  
Mr. Liu Renhuai

*Registered Office:*

8th Floor, Tower 2  
No. 5A Rongchang East Street  
Beijing Economic-Technological  
Development Area  
Beijing, PRC

*Principal place of business in Hong Kong:*

Unit B, 15/F, United Centre  
Queensway 95  
Hong Kong

17 October 2014

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADJUSTMENTS TO CERTAIN TERMS OF THE RESTRICTED  
SHARE INCENTIVE SCHEME;  
PROPOSED AUTHORIZATION TO THE BOARD TO MAKE ANNUAL  
DONATIONS WITHIN AN APPROVED LIMIT;  
AND  
NOTICE OF EGM**

References are made to the announcements of the Company dated 23 February 2011, 29 March 2011, 30 March 2011, 25 March 2013 and 25 March 2014, and the circular dated 24 February 2011 (the “**2011 Circular**”), in relation to the Scheme, the Initial Grant and unlocking. Reference is also made to the announcement of the Company dated 22 July 2014, in relation to the second grant under the Scheme.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide more detailed information about (i) the proposed adjustments to certain terms of the Scheme, and (ii) the proposed authorization to the Board to make annual donations within an approved limit, and the special and ordinary resolutions to be proposed at the EGM to approve the aforementioned matters respectively, together with a notice of the EGM.

### **I. PROPOSED ADJUSTMENTS TO CERTAIN TERMS OF THE RESTRICTED SHARE INCENTIVE SCHEME**

#### **1. Introduction**

At the extraordinary general meeting of the Company convened on 29 March 2011, the Scheme with a validity period of 10 years was adopted by the Company. The Scheme Participants include certain executive and non-executive Directors, senior management, mid-level management of the Group, and other key employees of the Group who are eligible for participation in the Scheme under the Scheme. Pursuant to the Scheme, 50% of the Grant Price of the Restricted Shares shall be funded by the Company, and the remaining 50% shall be funded by the individual Scheme Participant at his/her own cost. The Lock-up Period of the Restricted Shares is two years commencing from the Grant Date. The Unlocking Period is a period of three years commencing from the expiry of the Lock-up Period. Upon fulfillment of the conditions for unlocking, one-third of the Restricted Shares granted to Scheme Participants will be unlocked respectively in each year. The Original Letter from the Board with details of the Scheme is appended to this circular for ease of reference.

Pursuant to the Scheme, the Company implemented the Initial Grant of the Restricted Shares on 30 March 2011, among which, two thirds of the Initial Grant were unlocked on 2 April 2013 and 31 March 2014, respectively.

In accordance with the requirements of the relevant PRC authorities, the Board proposes to make certain adjustments to the terms of the Scheme before implementing the second grant of the Restricted Shares under the Scheme.

#### **2. Certain Adjustments to the Terms of the Scheme**

##### **(1) *Exercise Price***

The proportion of the amount to be funded by the Scheme Participants is proposed to be changed from 50% of the Grant Price to no less than 50% of the Grant Price, and the balance will be funded by the Company.

##### **(2) *Unlocking Period***

The Unlocking Period is proposed to be changed from three years commencing from the expiry of the Lock-up Period, to no less than three years commencing from the expiry of the Lock-up Period, and a same amount of the Restricted Shares will be unlocked respectively in each year during the Unlocking Period.

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## LETTER FROM THE BOARD

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(3) *Authorization to the Board to determine the funding proportion by Scheme Participants and Unlocking Period*

It is proposed that the Board be authorized to determine the actual proportion of the amount to be funded by the Scheme Participants within the limits of the revised proportion for purchasing the Restricted Shares and its Unlocking Period when granting the Restricted Shares.

Except for the above proposed adjustments, other terms and conditions of the Scheme as listed in the 2011 Circular shall remain the same and continue to take effect.

The Scheme does not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules.

### **II. PROPOSED AUTHORIZATION TO THE BOARD TO MAKE ANNUAL DONATIONS WITHIN AN APPROVED LIMIT**

As a state-controlled enterprise, the Company is obliged to diligently fulfil its social responsibilities by making necessary contributions to social welfare services through means such as proactively participating in the relief of national disasters and helping people living in poverty and vulnerable circumstances etc. Accordingly, in order to protect the interests of Shareholders, uphold the principle of making donations within its financial capabilities and properly fulfil its social responsibilities and in accordance with the relevant PRC rules, the Company intends to propose at the EGM the authorization of the Board, which will be further delegated to the management by the Board, to make aggregate donations not exceeding RMB5 million per financial year.

The donations of the Company encompass: relief donations supporting for disaster areas, targeted poverty alleviation areas, targeted assisted areas or disadvantaged people facing difficulties; donations in public good, such as donations focusing on science, education, culture, sports, healthcare, environmental protection, energy conservation and emission reduction etc.; and other donations contributing to public welfare. Such donations will take the forms of direct donations by the Company or unified donations made through AVIC in accordance with the relevant PRC rules.

### **III. EGM**

The notice of the EGM to be held on Thursday, 20 November 2014 at 9:30 a.m. (or the time immediately after the conclusion of the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Thursday, 20 November 2014) at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, PRC is set out on pages 16 to 18 of this circular, at which, among other matters, (i) a special resolution will be proposed to approve the proposed adjustments to certain terms of the Scheme, and (ii) an ordinary resolution will be proposed to approve the proposed authorization to the Board to make annual donations within an approved limit.

A reply slip and a form of proxy for use at the EGM are enclosed hereto and are also published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon on or before Thursday, 30 October 2014. Shareholders who intend to appoint a proxy to attend the EGM shall



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## LETTER FROM THE BOARD

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complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 24 hours before the time fixed for the holding of EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you wish.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in accordance with the Hong Kong Listing Rules following the EGM.

#### **IV. RECOMMENDATION**

The Directors consider that (i) the proposed adjustments to certain terms of the Scheme, and (ii) the proposed authorization to the Board to make annual donations within an approved limit, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

By order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Lin Zuoming**  
*Chairman*

\* *For identification purpose only*



**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)**

*Executive Directors:*

Mr. Lin Zuoming  
Mr. Tan Ruisong  
Mr. Wu Xiandong

*Non-executive Directors:*

Mr. Gu Huizhong  
Mr. Xu Zhanbin  
Mr. Geng Ruguang  
Mr. Zhang Xinguo  
Mr. Gao Jianshe  
Mr. Li Fangyong  
Mr. Chen Yuanxian  
Mr. Wang Yong  
Mr. Maurice Savart

*Independent non-executive Directors:*

Mr. Guo Chongqing  
Mr. Li Xianzong  
Mr. Lau Chung Man, Louis

*Registered Office:*

8th Floor, Tower 2  
No. 5A Rongchang East Street  
Beijing Economic-Technological  
Development Area  
Beijing, PRC

*Principal place of business in Hong Kong:*

Unit B, 15/F, United Centre  
Queensway 95  
Hong Kong

24 February 2011

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE RESTRICTED  
SHARE INCENTIVE SCHEME  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to (1) the announcement of the Company dated 21 January 2011 in relation to SASAC approval for the Scheme; and (2) the announcement of the Company dated 23 February 2011 regarding the proposed adoption of the Scheme.

\* For identification purpose only

The purpose of this circular is to provide more detailed information about the Scheme and the special resolution to be proposed at the EGM to approve, among other things, (i) the proposed adoption of the Scheme; and (ii) the authorization to the Board to implement the Scheme as well as to approve grants of Restricted Shares under the Scheme to the Scheme Participants from time to time (including but not limited to the Initial Grant), together with a notice of the EGM. As at the Latest Practicable Date, the approval in principle of the Scheme has been issued by SASAC.

## **1. SUMMARY OF THE SCHEME**

### **(1) Purpose**

The purpose of the Scheme is to deepen the reform on the Company's remuneration system, to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management and key employee. It aims to balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. The Scheme also will serve to retain and attract valuable management and key business employees to foster the long development of the Company.

### **(2) Scope of Scheme Participants**

The scope of Scheme Participants for the Scheme shall include executive and non-executive Directors, senior management and mid-level management of Group and other key employees who, in the opinion of the Board, contribute directly to the overall business performance and sustainable development of the Group. The Scheme Participants shall exclude the Excluded Employees, which include the independent Directors and supervisors of the Company, Shareholders holding more than 5% equity interest in the capital of the Company, actual controller of the Company and their respective close relatives.

### **(3) Restricted Shares**

Pursuant to the Scheme Rules, the Board shall select the Scheme Participants and determine the number of Restricted Shares to be awarded. The Board shall entrust a qualified agent to act as the Trustee under the Scheme, which shall purchase from the market such number of H Shares awarded as specified by the Board. Upon grant of the Restricted Shares to an individual Scheme Participant, 50% of the Grant Price shall be funded by the Company and the remaining 50% of the Grant Price (i.e. the Exercise Price) should be funded by the Scheme Participant at his/her own cost.

### **(4) Duration and Termination**

The Scheme will be effective for a term of 10 years commencing from the Adoption Date, unless early termination is proposed by the Board and approved by the Shareholders. Early termination of the Scheme prior to its expiry date shall not affect any subsisting rights of the Scheme Participants under the Scheme.

**(5) Quantity And Interval Of Grant****(a) Maximum Grant**

The maximum number of Restricted Shares to be awarded by the Board throughout the duration of the Scheme, together with Shares awarded under other share incentive scheme of the Company (if any), shall not exceed 10% of the total issued share capital of the Company from time to time.

*Maximum Limit of the Initial Grant*

Subject to the aforesaid limit, the aggregate maximum number of Restricted Shares to be awarded under an initial grant of the Scheme shall not exceed 1% of the issued share capital of the Company on the date of initial grant.

*Maximum Grant to a Scheme Participant*

The number of Restricted Shares to be awarded to a Scheme Participant will be subject to the criteria specified in the Scheme Rules. Unless prior approval from Shareholders is obtained, the maximum number of Restricted Shares awarded and to be awarded to any Scheme Participant shall not exceed 1% of the total issued share capital of the Company in any 12 month period during the term of the Scheme.

**(b) Interval of Grant**

In principle, the Company shall grant Restricted Shares once every two-years.

**(6) Conditions For Grant, Grant Price And Exercise Price****(a) Conditions for Grant**

The Company may grant Restricted Shares to the Scheme Participants for purchase under the Scheme conditional upon fulfillment of the following conditions by the Company and the Scheme Participants:

- (i) none of the following specified events has occurred in relation to the Company, such events include the issue of a negative opinion or inability to provide an opinion by the auditors of the Company on the audited reports of the Company; any material dispute on the Company's performance or financial reports by the State-owned assets investor or the supervisory committee; imposition of penalty by the securities or other regulatory authorities as a result of a material breach;
- (ii) fulfillment of the specified performance standards of the Company for the financial year preceding the grant (prepared under the International Financial Reporting Standards);

- (iii) the achievement of passing grade (or better) on the performance appraisals of the relevant Scheme Participant for the year immediately prior to the grant; and
- (iv) none of certain specified events/matters involving the Scheme Participant, which mainly relate to his/her qualification as a Scheme Participant, has occurred.

**(b) Grant Price**

The Grant Price of the Restricted Shares to be granted for purchase by the Scheme Participants is determined by the Board and shall not be lower than the highest of:

- (i) the closing price of the H Shares on the Hong Kong Stock Exchange on the Grant Date;
- (ii) the average closing price of the H Shares for the five trading days as quoted on the Hong Kong Stock Exchange immediately preceding the Grant Date; and
- (iii) the nominal value of the Restricted Shares.

**(c) Exercise Price**

The Exercise Price of the Restricted Shares for purchase by a Scheme Participant under the Scheme shall equal to 50% of the Grant Price, which shall be funded by each Scheme Participant at his/her own cost.

**(7) Lock-up Period And Unlocking Period**

**(a) Lock-up Period**

The Lock-up Period shall be for a period of two (2) years commencing from the Grant Date, during which the Restricted Shares granted to the Scheme Participants under the Scheme shall be locked up and shall not be transferred.

If a Scheme Participant is a Director or a member of the senior management of the Company, 20% of the aggregate Restricted Shares granted to such person shall continue to be locked-up after expiry of the appointment or employment and shall only be unlocked depending on the performance appraisal during the term or the results of the economic duty audit of the Scheme Participant.

**(b) Unlocking Period**

The Unlocking Period shall be for a period of three years commencing from the expiry of the Lock-up Period, with three unlocking commencement dates, being the second day upon the expiry of the Lock-up Period, and its first and second anniversary date. One-third of the Restricted Shares granted to a Scheme Participant under the Scheme shall be unlocked in each year of the Unlocking Period.

(c) *Conditions for Unlocking*

Unlocking of the Restricted Shares granted to a Scheme Participant under the Scheme shall be conditional upon fulfillment of the following by the Company and the Scheme Participants:

- (i) none of the specified events set out in (6)(a)(i) above has occurred in relation to the Company;
- (ii) fulfillment of the specified performance standards of the Company for the financial year preceding the unlocking date (prepared under the International Financial Reporting Standards);
- (iii) the achievement of passing grade (or better) on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the unlocking date; and
- (iv) none of the specified events/matters involving the Scheme Participant, which mainly relate to his/her qualification as a Scheme Participant, has occurred.

(8) **Unlocking And Lapse**

(a) *Complete unlock*

All Restricted Shares granted to a Scheme Participant under the Scheme will be completely unlocked upon the occurrence of any one of the following events in relation to the Scheme Participant:

- (i) retirement upon reaching the statutory retirement age;
- (ii) death;
- (iii) loss of working capacity leading to termination of employment;
- (iv) the Scheme Participant becoming an independent Director, a supervisor of the Company or change(s) to the position of the Scheme Participant which affect his/her eligibility to participate in the Scheme.

**(b) *Partial unlock***

Upon the termination or cessation of employment of the Scheme Participant on any of the following grounds, the Restricted Shares which fall to be unlocked on the year of termination or cessation will be unlocked and all remaining Lock-up Restricted Shares will lapse:

- (i) termination of employment other than by reason of failure to achieve the individual performance indicator(s), fault or breach of laws or regulations;
- (ii) cessation of employment upon expiry of the term of the employment contract.

**(c) *Lapse***

Upon the termination of employment of the Scheme Participant on any of the following grounds, all Restricted Shares still subject to Lock-up will immediately lapse:

- (i) termination of employment by reason of failure to achieve the individual performance indicator(s), fault or breach of laws or regulations;
- (ii) resignation by the Scheme Participant out of his own initiative;
- (iii) commission of acts by the Scheme Participant which amounts to breach of laws or regulations, leakage of the Company's confidential information or misconducts which are prejudicial to the Company's interests or reputation;
- (iv) public censure or declaration of the Scheme Participant as an unfit person or the imposition of administrative penalties by securities regulatory authorities or where the Scheme Participant are prohibited from acting as a director and senior management member as stipulated in the PRC Company Law; and
- (v) transfer of the Restricted Shares or use of the Restricted Shares for guarantee or repayment of debt.

**(d) *Purchase of Restricted Shares by the Company***

All Restricted Shares granted to the Scheme Participant which have not been unlocked or are lapsed shall be purchased by the Company at the Exercise Price upon the expiry of the Unlocking Period or on the lapse date of the Restricted Shares and be held by the Trustee under the Scheme, and the relevant Scheme Participant shall give up all corresponding dividends thereof.

(e) *Merger, Split or Change in Control*

In the event of a merger, split or a change in control of the Company which affect the Restricted Shares granted under the Scheme, the number of Restricted Shares shall be adjusted in accordance with the Scheme Rules.

(9) **Adjustments**

The number of Restricted Shares granted to the Scheme Participants for purchase under the Scheme will be subject to adjustments in accordance with the adjustment mechanisms stated in the Scheme Rules following capitalization issue of Shares, bonus issues, share sub-divisions or share allotments.

**2. THE INITIAL GRANT**

Under the Initial Grant, it is proposed that, subject to approval of the Scheme at the Adoption Date, approximately an aggregate of 37,013,900 Restricted Shares will be granted to 149 Scheme Participants, representing approximately 0.748% of the existing issued share capital of the Company as at the Latest Practicable Date, among which 5,804,700 Restricted Shares will be granted to 9 Directors. As the Grant Price per Restricted Share is determined based on the current market price of H Shares and, for illustration purpose only, on the assumption that the current market price per H Share on the Grant Date is HK\$4, the total amount payable for the Initial Grant will be HK\$148,055,600, of which 50% (i.e. HK\$74,027,800) will be funded by the Company and the remaining 50% (i.e. HK\$74,027,800) will be funded by the Scheme Participants.

**3. HONG KONG LISTING RULES IMPLICATIONS**

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules and is a discretionary scheme of the Company.

Pursuant to the Scheme, individual Scheme Participant pays 50% of the Grant Price (i.e. the Exercise Price) to the Trustee for purchase of existing H Shares by the Trustee for the relevant Scheme Participants. Employees cover any employee of any member of the Group (inclusive of any Director of the Company). Accordingly, if the Board selects a Director of the Company (other than an independent non-executive Director) as a Scheme Participant, the grant of the Restricted Shares to the Director may constitute a connected transaction. However, given that:

- (1) the grant of Restricted Shares to a Director will form part of the remuneration of the relevant Director under his service contract, therefore, such grant of Restricted Shares are exempt from all the reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(6) of the Hong Kong Listing Rules; and
- (2) the payment for acquisition of the Restricted Shares under the Scheme is made directly from the relevant Director to the Trustee, not the Company, such act does not constitute a connected transaction between the Company and the relevant Director.



**4. EGM**

The notice of the EGM to be held at 9:00 a.m. on Tuesday, 29 March 2011 at AVIC Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the People's Republic of China is set out on pages 12 to 14 of this circular, at which a special resolution will be proposed to approve, among other matters, (i) the proposed adoption of the Scheme; and (ii) the authorization to the Board to implement the Scheme as well as to approve grants of Restricted Shares under the Scheme to the Scheme Participants from time to time (including but not limited to the Initial Grant).

A reply slip and a form of proxy for use at the EGM are enclosed herewith. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 24 hours before the time fixed for the holding of EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you wish.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in accordance with the Hong Kong Listing Rules following the EGM.

**RECOMMENDATION**

The Directors consider that the adoption of the Scheme are in the interests of the Company. According, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

By order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Lin Zuoming**  
*Chairman*

\* For identification purpose only

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## NOTICE OF EGM

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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)

## NOTICE OF EGM

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of AviChina Industry & Technology Company Limited (the “Company”) will be held on Thursday, 20 November 2014 at 9:30 a.m. (or the time immediately after the conclusion of the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Thursday, 20 November 2014) at Avic Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, PRC to consider and approve the following resolutions. Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 17 October 2014 (the “Circular”):

### SPECIAL RESOLUTION

1. “**THAT** the adjustments to certain terms of the Scheme by the Company be and is hereby approved and any Director or authorized representative of the Board be and is hereby authorized to execute any documents and instruments as may be necessary or incidental to the adjustments to certain terms of the Scheme and to do all such acts and things as they consider necessary or expedient or desirable in connection with the implementation of the adjustments to certain terms of the Scheme.”

### ORDINARY RESOLUTION

2. “**THAT** the Board be authorized and the authorization be further delegated to the management by the Board, to make aggregate donations not exceeding RMB5 million per financial year.”

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

Beijing, 17 October 2014

\* For identification purpose only

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## NOTICE OF EGM

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*Notes:*

**(1) Closure of register of members and eligibility to attend the EGM**

Pursuant to Article 40 of the articles of association of the Company, the H Share register of the Company will be closed from Friday, 31 October 2014 to Thursday, 20 November 2014 (both days inclusive), during which period no transfer of H shares will be effected. Holders of the Company's H Shares and Domestic Shares whose names appear on the Company's Register of Members on Thursday, 20 November 2014 are entitled to attend the EGM and to vote in the EGM.

In order to qualify to attend and vote in the EGM, holders of the Company's H shares shall lodge all transfers together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H Shares Registrar, not later than 4:30 p.m. on Thursday, 30 October 2014 at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queens' Road East, Wan Chai, Hong Kong.

**(2) Registration procedures for attending the EGM**

- (a) The shareholder or its proxies shall produce his identification proof. If a corporation shareholder's legal representative or any other person authorized by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative and the valid resolution or authorization document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (b) Holders of H Shares or Domestic Shares who wish to attend the EGM must complete the reply slip to confirm the attendance, and return the same to the correspondence address designated by the Company not later than 20 days before the date of the EGM, i.e. on or before Thursday, 30 October 2014.
- (c) Shareholders may deliver the reply slip by post or facsimile to the correspondence address designated by the Company.

**(3) Proxies**

- (a) Any shareholder who is entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf at the EGM. A proxy need not be a shareholder of the Company. Any shareholder who wishes to appoint a proxy should first review the form of proxy for use in the EGM.
- (b) Any shareholder shall appoint its proxy in writing. The instrument appointing a proxy must be in writing signed under the hand of the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument shall be affixed with the seal of the body corporate or shall be signed by the directors of the board of the body corporate or by attorneys duly authorized. If the instrument is signed by an attorney of the appointer, the power of attorney authorizing the attorney to sign or other documents of authorization must be notarially certified. In order to be valid, the form of proxy, and a notarially certified copy of the power of attorney or other documents of authorization, where appropriate, must be delivered in the case of holders of Domestic Shares, to the correspondence address designated by the Company, and in the case of holders of H Shares, to Computershare Hong Kong Investor Services Limited at the address of 17M Floor, Hopewell Centre, 183 Queens' Road East, Wan Chai, Hong Kong not less than 24 hours before the time for holding the EGM and return of a form of proxy will not preclude a shareholder from attending in person and voting at the EGM if he or she so wishes.

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## NOTICE OF EGM

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- (4) **The EGM is expected to last for half a day. Shareholders attending the meeting are responsible for their own transportation and accommodation expenses.**

Designated address of the Company:

9/F., Easyhome Tower, No. 3A Dongzhimen South Avenue, Dongcheng District, Beijing, the PRC

(Postal code: 100007)

Telephone No.: 86-10-58354335/4752

Facsimile No.: 86-10-58354310

Attention: Mr. Liu Kai/Mr. Hao Weidi

- (5) **The resolutions above will be voted by poll by the Shareholders.**

*As at the date of this notice, 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. Lau Chung Man, Louis, and Mr. Liu Renhuai.*