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中国航空科技工业股份有限公司

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

References are made to the announcements of AviChina Industry & Technology Company Limited (the “**Company**”) dated 23 February 2011, 29 March 2011, 30 March 2011, 25 March 2013 and 25 March 2014, respectively, and the circular dated 24 February 2011 (the “**2011 Circular**”), in relation to the Restricted Share Incentive Scheme (the “**Scheme**”), the initial grant and its unlocking. Reference is also made to the announcement of the Company dated 22 July 2014, in relation to the second grant under the Scheme. Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings as those defined in the 2011 Circular.

At the EGM 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 pursuant to the Scheme Rules (the “**Scheme Participants**”). 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, and upon fulfillment of the conditions for unlocking, one-third of the Restricted Shares granted to Scheme Participants under the Scheme will be unlocked respectively in each year.

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

In accordance with the requirements of the relevant PRC authorities, the board of directors of the Company (the “**Board**”) proposes to make certain adjustments to the terms of the Scheme before implementing the second grant under the Scheme, which are set out as follows:

1. 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. The Unlocking Period shall 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 number of Restricted Shares will be unlocked respectively in each year during the Unlocking Period.
3. 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 shall remain the same and continue to take effect.

An extraordinary general meeting will be convened to approve the resolution in respect of the aforesaid adjustments to the Scheme by the Company.

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

A circular containing, among other things, the details of the adjustments to certain terms of the Scheme will be despatched to the Shareholders on or before 17 October 2014.

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

Beijing, 9 October 2014

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

**For identification purpose only.*