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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 TRANSACTION

ENTERING INTO OF THE SHARE SUBSCRIPTION AGREEMENT WITH ZEMIC

To enrich the aviation business and improve the overall profitability of the Company, on 6 June 2013, the Company entered into the Share Subscription Agreement with ZEMIC (whose A shares are listed on the Shenzhen Stock Exchange), pursuant to which, the Company has conditionally agreed to subscribe for approximately 4,579,700 A shares of ZEMIC for a total consideration of approximately RMB52.85 million. Upon completion of the subscription, the Company will directly hold approximately 2.28% equity interest in ZEMIC. The final number of shares to be subscribed and the consideration will be subject to the approval of the shareholders of ZEMIC at its general meeting after the same is approved by the competent government authorities.

As at the date of this announcement, AVIC holds 51.26% equity interest in the Company and is the controlling shareholder of the Company. Hanzhong Aviation, an indirect wholly-owned subsidiary of AVIC, holds 61.48% equity interest in ZEMIC. Pursuant to the Hong Kong Listing Rules, ZEMIC is a connected person of the Company and the entering into of the Share Subscription Agreement by the Company with ZEMIC constitutes a connected transaction of the Company under the Hong Kong Listing Rules. As the highest applicable size test percentage ratio in respect of the Share Subscription Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Share Subscription Agreement is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

A. INTRODUCTION

On 6 June 2013, the Company entered into the Share Subscription Agreement with ZEMIC (whose A shares are listed on the Shenzhen Stock Exchange), pursuant to which, the Company has conditionally agreed to subscribe for no more than 4,579,700 A shares of ZEMIC for a total consideration of approximately RMB52.85 million. Upon completion of the subscription, the Company will directly hold approximately 2.28% equity interest in ZEMIC. The final number of shares to be subscribed and the consideration will be subject to the approval of the shareholders of ZEMIC at its general meeting after the same is approved by the competent government authorities.

B. THE SHARE SUBSCRIPTION AGREEMENT

A summary of the principal terms of the Share Subscription Agreement is set out as follows:

1. Date

6 June 2013

2. Parties

- (i) the Company as the subscriber; and
- (ii) ZEMIC as the issuer.

3. Consideration

Approximately RMB52.85 million by cash

4. Price

Pursuant to the Share Subscription Agreement, the subscription price of the new A shares to be placed by ZEMIC is RMB11.54 per share, being the average trading price of ZEMIC A shares quoted on the Shenzhen Stock Exchange for the 20 trading days immediately preceding the Price Determination Date after considering the profit distribution plan of ZEMIC for the year 2012. If any ex-dividend or ex-entitlement event occurs during the period between the Price Determination Date and the shares

issuing date, the subscription price and the number of A shares to be subscribed for by the Company shall be adjusted accordingly. The subscription price and the number of shares to be subscribed will be subject to the approval of the shareholders of ZEMIC at its general meeting after the same is approved by the competent government authorities.

5. Lock-up period

Pursuant to the Share Subscription Agreement, the A shares to be subscribed for by the Company and other subscribers shall be subject to a lock-up period of 36 months commencing from the date upon which completion of the ZEMIC Placing takes place.

6. Conditions precedent to the Share Subscription Agreement becoming effective

The Share Subscription Agreement shall become effective upon the fulfillment of, among other things, the following conditions:

- (i) the Share Subscription Agreement having been duly executed by the authorised representatives or legal representatives of the parties;
- (ii) the ZEMIC Placing having been approved by the board meeting and the general meeting of ZEMIC;
- (iii) the agreement(s) between ZEMIC and the other relevant subscribers in relation to the proposed acquisition of the entire equity interest in Hanzhong 101 Aviation Electronic Equipment Co., Ltd. with new A shares issued by ZEMIC having become effective;
- (iv) 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) on the share subscription of the Company;
- (v) the transaction contemplated under the ZEMIC Placing having been approved by SASAC; and
- (vi) the transaction contemplated under the ZEMIC Placing having been approved by the CSRC.

C. REASONS FOR AND BENEFITS OF THE PROPOSED SHARE SUBSCRIPTION BY THE COMPANY

Considering the good prospect of the aviation electronic measuring business, the Company is of the view that the subscription of new A shares to be placed by ZEMIC will enrich the aviation business of the Company and improve the overall profitability of the Company.

The transaction under the Share Subscription Agreement is determined on normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Share Subscription Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the transaction contemplated under the Share Subscription Agreement and thus no Director was required to abstain from voting on the relevant resolution at the relevant Board meeting.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC holds 51.26% equity interest in the Company and is the controlling shareholder of the Company. Hanzhong Aviation, an indirect wholly-owned subsidiary of AVIC, holds 61.48% equity interest in ZEMIC. Pursuant to the Hong Kong Listing Rules, ZEMIC is a connected person of the Company and the entering into of the Share Subscription Agreement by the Company with ZEMIC constitutes a connected transaction of the Company under the Hong Kong Listing Rules. As the highest applicable size test percentage ratio in respect of the Share Subscription Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Share Subscription Agreement is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

E. 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 aviation products.

Information on ZEMIC

ZEMIC is a stock limited company listed on the Shenzhen Stock Exchange with a registered capital of RMB120 million. It is principally engaged in the research, manufacture and sales of sensor and measuring controlling instruments such as strain gages, strain gage based sensors, testing and controlling system for aviation airborne and ground equipment and related application system. ZEMIC is held as to 61.48% and 8.51% by Hanzhong Aviation and Hongdu Aviation, a subsidiary of the Company, respectively as at the date of this announcement.

Based on the audited financial statements of ZEMIC prepared in accordance with the PRC accounting standards, as at 31 December 2012, the total assets and the net assets value of ZEMIC amounted to RMB1,047,122,342.00 and RMB844,912,982.15, respectively. For the year ended 31 December 2012, the net profits (before and after tax and extraordinary items) of ZEMIC amounted to RMB53,690,580.60 and RMB49,497,087.77 respectively. For the year ended 31 December 2011, the net profits (before and after tax and extraordinary items) of ZEMIC amounted to RMB75,123,231.59 and RMB66,184,687.88 respectively.

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 interests of the Company and is the controlling shareholder of the Company.

Information on Hanzhong Aviation

Hanzhong Aviation is a wholly-owned subsidiary of China Aviation Industry General Aircraft Co., Ltd., which is one of the subsidiaries of AVIC and is mainly engaged in the development, manufacture and sales of aircraft, landing gear and aviation mechanical products.

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
“Board”	the board of directors of the Company
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the director(s) of the Company
“Hanzhong Aviation”	Hanzhong Aviation Industry (Group) Co., Ltd. (漢中航空工業(集團)有限公司), an indirect wholly-owned subsidiary of AVIC, which holds 61.48% equity interest of ZEMIC as at the date of this announcement
“Hongdu Aviation”	Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, is a subsidiary of the Company with 43.63% of its equity interest

being held by the Company

“Hong Kong Listing Rules” the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)

“Hong Kong Stock Exchange” The Stock Exchange of Hong Kong Limited

“PRC” the People’s Republic of China

“Price Determination Date” 4 March 2013

“RMB” Renminbi, the lawful currency of the PRC

“SASAC” State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

“Share Subscription Agreement” a conditional share subscription agreement entered into between the Company and ZEMIC on 6 June 2013, pursuant to which, the Company has conditionally agreed to subscribe for approximately 4,579,700 A shares of the ZEMIC for a total consideration of approximately RMB52.85 million

ZEMIC Zhonghang Electronic Measuring Instruments Co., Ltd. (中航電測儀器股份有限公司), a company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange

ZEMIC Placing the proposed placing of no more than 45,060,700 new A shares by ZEMIC for the purpose of acquiring the entire equity interest in Hanzhong 101 Aviation Electronic Equipment Co., Ltd. and raising funds, details of which can be referred to in the announcement of ZEMIC made on the Shenzhen Stock Exchange on 13 June 2013

By Order of the board of directors

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Beijing, 7 June 2013

As at the date of this announcement, the board of directors 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. Li Xianzong and Mr. Lau Chung Man, Louis.

** For identification purposes only.*