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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)

I. ENTERING INTO OF THE SUPPLEMENTARY AGREEMENTS RELATING TO THE CONTINUING CONNECTED TRANSACTIONS AND REVISION OF RELEVANT ANNUAL CAPS RESULTING FROM THE ACQUISITION OF THE 100% EQUITY INTEREST IN AVIC PLANNING; AND

II. AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND POSTPONEMENT IN DESPATCHING THE CIRCULAR

I. ENTERING INTO OF RESPECTIVE SUPPLEMENTARY AGREEMENTS TO THE EXISTING MUTUAL PROVISION OF SERVICES AGREEMENT AND THE EXISTING PRODUCTS AND SERVICES MUTUAL SUPPLY AND GUARANTEE AGREEMENT AND REVISION OF RELEVANT ANNUAL CAPS

On 26 August 2015, the Company entered into the Existing Mutual Provision of Services Agreement with AVIC and the Existing Products and Services Mutual Supply and Guarantee Agreement with AVIC Avionics and AVICOPTER respectively. For details of the above agreements, please refer to the continuing connected transactions announcement of the Company dated 26 August 2014 and the circular dated 26 September 2014.

To extend the business scope and increase continuous profitability of the Company, the Company and AVIC entered into the Equity Acquisition and Share Issuance Agreement, pursuant to which, the Company has conditionally agreed to acquire the 100% equity interest in AVIC Planning held by AVIC by issuing approximately 489,592,000 Domestic Shares to AVIC as the consideration. For details, please refer to the announcement of the Company dated 30 September 2015 relating to the acquisition of the 100% equity interest in AVIC Planning and issuance of Domestic Shares as the consideration.

In the ordinary and usual course of business, AVIC Planning Group and AVIC Group from time to time enter into transactions upon normal commercial terms, including (i) provision of engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc. by AVIC Planning Group to AVIC Group; and (ii) provision of labour services, engineering and equipment subcontracting services, etc. by AVIC Group to AVIC Planning Group. Upon completion of the Acquisition, AVIC Planning will become a wholly-owned subsidiary of the Company, and as AVIC is the controlling shareholder of the Company and therefore a connected person of the Company under the Hong Kong Listing Rules, such continuing transactions between AVIC Planning Group and AVIC Group will become the New Continuing Connected Transactions of the Company. In this regard, the Company proposes to amend the Existing Mutual Provision of Services Agreement by entering into a supplementary agreement, incorporating the New Continuing Connected Transactions into the Existing Mutual Provision of Services Agreement (as amended) for unified management, and revising the annual caps of the relevant revenue transactions for the two financial years ending 31 December 2017.

In the ordinary and usual course of business, AVIC Planning Group and the connected subsidiaries of the Company, AVIC Avionics Group and AVICOPTER Group from time to time enter into transactions upon normal commercial terms, including (i) provision of engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc. by AVIC Planning Group to AVIC Avionics Group and AVICOPTER Group respectively; and (ii) provision of engineering and equipment subcontracting services, etc. by AVIC Avionics Group and AVICOPTER Group to AVIC Planning Group respectively. Upon completion of the Acquisition, AVIC Planning will become a wholly-owned subsidiary of the Company, and as both AVIC Avionics and AVICOPTER are connected subsidiaries of the Company and therefore connected persons of the Company under the Hong Kong Listing Rules (by virtue of AVIC, as the controlling shareholder of the Company, holds more than 10% equity interest in each of AVIC Avionics and AVICOPTER), the continuing transactions between AVIC Planning Group and AVIC Avionics Group and AVICOPTER Group will become the New Intragroup Continuing Connected Transactions of the Company. Therefore, the Company proposes to amend the Existing Products and Services Mutual Supply and Guarantee Agreement by entering into a supplementary agreement, incorporating the New Intragroup Continuing Connected Transactions into the Existing Products and Services Mutual Supply and Guarantee Agreement (as amended) for unified management, and revising the annual caps of the relevant revenue transactions for the two financial years ending 31 December 2017.

As each of the highest of applicable size test percentage ratios (as defined in the Hong Kong Listing Rules) for (1) entering into the Supplementary Agreement to the Existing Mutual Provision of Services Agreement and revising the annual caps of the relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; and (2) entering into the Supplementary Agreement to the Products and Services Mutual Supply and Guarantee Agreement and revising the annual caps of the relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017, is higher than 5%, such continuing connected transactions are subject to the reporting, announcement and the independent shareholders' approval requirements.

EGM

An EGM will be convened to consider and approve: (i) (a) entering into the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) revising the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) entering into the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) revising the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017;

The notice for the EGM will be despatched to the Shareholders as soon as possible. To convene the EGM, a circular containing, among other things, the following will be despatched to the Shareholders as soon as possible on or before 30 November 2015:

- (1) details relating to (i) (a) the principal terms of the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) the principal terms of the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017;
- (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017; and

- (3) a letter of advice from the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee on (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii)(a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017.

II. EQUITY ACQUISITION AND SHARE ISSUANCE ANNOUNCEMENT

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As the shareholding structure of the Company will change upon completion of the Acquisition, the Board proposes to amend Articles 18 and 21 of the Articles of Association to reflect changes to the registered capital and the number of issued shares. The proposed amendments to the Articles of Association are subject to the Shareholders' approval by way of a special resolution at a general meeting, at which an authorization will also be sought to authorise any executive director of the Company to make corresponding revision to the amendments to the Articles of Association according to the opinions of the relevant regulatory authorities.

POSTPONEMENT IN DESPATCHING THE CIRCULAR

According to the announcement of the Company dated 30 September 2015, a circular in relation to equity acquisition and share issuance will be despatched to the Shareholders on or before 15 November 2015. As additional time is required for the Company to finalize certain information to be included in the relevant circular, the Company expects that the despatch of the circular will be postponed to a date falling on or before 30 November 2015.

I. ENTERING INTO OF THE SUPPLEMENTARY AGREEMENTS RELATING TO THE CONTINUING CONNECTED TRANSACTIONS AND REVISION OF RELEVANT ANNUAL CAPS

1. BACKGROUND

To extend the business scope and increase the continuous profitability of the Company, the Company and AVIC entered into the Equity Acquisition and Share Issuance Agreement, pursuant to which, the Company has conditionally agreed to acquire the 100% equity interest in AVIC Planning held by AVIC by issuing approximately 489,592,000 Domestic Shares to AVIC as the consideration. For details, please refer to the announcement of the Company dated 30 September 2015 in relation to the acquisition of the 100% equity interest in AVIC Planning and issuance of Domestic Shares as the consideration (the “**Equity Acquisition and Share Issuance Announcement**”).

Upon completion of the Acquisition, AVIC Planning will become a wholly-owned subsidiary of the Company and as AVIC is the controlling shareholder of the Company and therefore a connected person of the Company under the Hong Kong Listing Rules, the continuing transactions conducted between AVIC Planning Group and AVIC Group will become the New Continuing Connected Transactions of the Company.

Upon completion of the Acquisition, AVIC Planning will become a wholly-owned subsidiary of the Company and as both AVIC Avionics and AVICOPTER are connected subsidiaries and are connected persons of the Company under the Hong Kong Listing Rules (by virtue of AVIC, as the controlling shareholder of the Company, holds more than 10% equity interest in each of AVIC Avionics and AVICOPTER), the continuing transactions between AVIC Planning Group and AVIC Avionics Group and between AVIC Planning Group and AVICOPTER Group, will become the New Intragroup Continuing Connected Transactions of the Company.

2. ENTERING INTO OF RESPECTIVE SUPPLEMENTARY AGREEMENTS TO THE EXISTING MUTUAL PROVISION OF SERVICES AGREEMENT AND THE EXISTING PRODUCTS AND SERVICES MUTUAL SUPPLY AND GUARANTEE AGREEMENT AND REVISION OF RELEVANT ANNUAL CAPS

References are made to the announcement of the Company dated 26 August 2014 and the circular dated 26 September 2014 in relation to the continuing connected transactions of the Company, and in particular, among other things, the principal terms of the Existing Mutual Provision of Services Agreement and the Existing Products and Services Mutual Supply and Guarantee Agreement and the annual caps of relevant transactions for the two financial years ending 31 December 2017.

2.1 Supplementary Agreement to the Existing Mutual Provision of Services Agreement

In the ordinary and usual course of business, AVIC Planning Group and AVIC Group from time to time enter into transactions upon normal commercial terms, including (i) provision of engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc. by AVIC Planning Group to AVIC Group; and (ii) provision of labour services, engineering and equipment subcontracting services, etc. by AVIC Group to AVIC Planning Group. Upon completion of the Acquisition and as such continuing transactions will become

the New Continuing Connected Transactions of the Company, the Company proposes to amend the Existing Mutual Provision of Services Agreement by entering into a supplementary agreement, incorporating the New Continuing Connected Transactions into the Existing Mutual Provision of Services Agreement (as amended) for unified management, and revising the respective annual caps of the revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017.

Principal terms of the Existing Mutual Provision of Services Agreement (as amended) are summarized as follows:

- Parties : AVIC
The Company
- Date : 19 October 2015
- Terms for the mutual provision of services to be amended : AVIC Group to provide, without limitation, the following services to the Group:
1. services relating to the production and business operations of the Group including, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment purchase, maintenance, repair and leasing; (v) construction and transportation; (vi) design, consultancy and network related services; (vii) cultural, hygienic, social security and logistic services; (viii) import and export agency services; and (ix) test flight and related information technology and quality monitoring services; (x) other relevant services.
 2. engineering and equipment subcontracting services, etc.

The Group to provide the following services to AVIC Group, without limitation:

1. services relating to the production and business operations of AVIC Group including: (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment maintenance, repair and leasing; (v) construction and transportation; (vi) design, consultancy and network related services; and (vii) enterprise entrustment management services; (viii) other relevant services.
2. engineering technology (including, but not limited to, planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc.

Note: the New Continuing Connected Transactions are underlined above.

The mutual provision of services by the parties shall be made on terms not less favorable than those offered to/by Independent Third Parties under comparable conditions.

Term : From the completion date of the Acquisition up to 31 December 2017

The other terms will remain unchanged and applicable. The principal terms remaining applicable include:

Pricing : The services will be provided: (i) to one party according to the Government-prescribed Price or the Government-guidance Price if the supply of power such as electricity, water and steam was originally obtained by the other party at the Government-prescribed Price or the Government-guidance Price; (ii) according to the Market Price by tender procedure or other means (as the case may be) for services where the Market Price is available, such as construction, transportation and network design; and (iii) if none of the above is applicable, then according to the Contractual Price.

Note: for details, please refer to the definitions of “Government-prescribed Price”, “Government-guidance Price”, “Market Price” and “Contractual Price” in the “Definitions” section.

Payment : Specific payment terms (including time and method of payment) are to be agreed between the parties by entering into specific services agreement in each service provision transaction.

2.2 Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement

In the ordinary and usual course of business, AVIC Planning Group and the connected subsidiaries of the Company, AVIC Avionics Group and AVICOPTER Group from time to time enter into transactions on normal commercial terms, including (i) provision of engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc. by AVIC Planning Group to AVIC Avionics Group and AVICOPTER Group; and (ii) provision of engineering and equipment subcontracting services, etc. by AVIC Avionics Group and AVICOPTER Group to AVIC Planning Group respectively. Upon completion of the Acquisition, as such continuing transactions will become the New Intragroup Continuing Connected Transactions of the Company, the Company proposes to amend the Existing Products and Services Mutual Supply and Guarantee Agreement by entering into a supplementary agreement, incorporating the New Intragroup Continuing Connected Transactions into the Existing Products and Services Mutual Supply and Guarantee Agreement (as amended) for unified management, and revising the respective annual caps of relevant revenue transactions under the Existing Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017.

Principal terms of the Existing Products and Services Mutual Supply and Guarantee Agreement (as amended) are summarized as follows:

Parties : The Company
AVIC Avionics
AVICOPTER

Date : 19 October 2015

The terms relating to service scope to be amended :

(1) The Group (including AVICOPTER Group) to provide (i) aviation parts and components, raw materials, and related manufacturing, labour and guarantee services; and (ii) engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc., to AVIC Avionics Group. Meanwhile, AVIC Avionics Group to provide aviation products, parts and components and related manufacturing and labour services, equipment purchase, engineering and equipment subcontracting services, etc. to the Group (including AVICOPTER Group).

(2) The Group (including AVIC Avionics Group) to provide (i) aviation parts and components, raw materials and related manufacturing, labour and guarantee services; and (ii) engineering technology (including but not limited to planning, consultation, design, supervision, etc.), project engineering general contracting, equipment general contracting services, etc. to AVICOPTER Group. Meanwhile, AVICOPTER Group also to provide aviation products, parts and components and related manufacturing and labour services, equipment purchase, engineering and equipment subcontracting services, etc. to the Group (including AVIC Avionics Group).

Note: the New Intragroup Continuing Connected Transactions are underlined above.

The other terms will remain unchanged applicable. The principal terms remaining applicable include:

Term : From the completion date of the Acquisition up to 31 December 2017

Pricing : The price of products and/or services will be determined as follows:(i) as most products under the Products and Services Mutual Supply and Guarantee Agreement are aviation products peculiar to the industry, the Government-prescribed Price will apply; (ii)if the price is not prescribed by the government, exercise Market Price by tender procedure or other means (as the case maybe); (iii) if there is no Market Price, exercise the Contractual Price.

Note: for details, please refer to the definition of “Government-prescribed Price”, “Market Price” and “Contractual Price” in the

“Definitions” section.

Payment : The parties will enter into separate contracts to set out the specific terms and conditions (including the payment terms) for the provision of products/services according to the principles and scope provided for under the Existing Products and Services Mutual Supply and Guarantee Agreement (as amended).

2.3 Historical Amounts and Revision of Annual Caps

(1) Existing Mutual Provision of Services Agreement

Historical amounts:

Set out below are the historical amounts of the transactions between AVIC Planning Group and AVIC Group for the two financial years ended 31 December 2014 and the six months ended 30 June 2015:

	In RMB Millions		
	Year ended 31 December 2013	Year ended 31 December 2014	Six months ended 30 June 2015
Historical revenue from provision of services to AVIC Group (including project engineering general contracting, equipment general contracting, consultation and design services, etc.)	3,522	4,178	2,954
Historical expenses for services provided by AVIC Group (including equipment subcontracting and labour services, etc.)	59	200	7

Estimated amounts for the New Continuing Connected Transactions:

Upon completion of the Acquisition, the estimated amounts of the New Continuing Connected Transactions between AVIC Planning Group and AVIC Group for the two financial years ending 31 December 2017 are as follows:

In RMB Millions

	Year ending 31 December 2016	Year ending 31 December 2017
Estimated revenue from provision of services to AVIC Group (including project engineering general contracting, equipment general contracting, consultation and design services, etc.)		
Among which: engineering technology (including planning, consultation, design and supervision, etc.)	929	1,063
Project engineering general contracting	5,771	6,593
equipment general contracting	677	821
Others (labour, entrustment and comprehensive services, etc.)	23	23
In total	7,400	8,500
Estimated expenses for services provided by AVIC Group (including equipment subcontracting, labour services, etc.)	21	25

The estimated amounts for the New Continuing Connected Transactions for the two financial years ending 31 December 2017 were determined based on, among other things, the following factors: (i) the historical transactions, transaction amounts and relevant growth trend and growth range of the services provided by AVIC Planning Group to AVIC Group, including the above historical transaction amounts for the two financial years ended 31 December 2014 and the six months ended 30 June 2015; (ii) the estimated revenue for the two financial years ending 31 December 2017 based on the value of approximately RMB 11 billion of the engineering contracts which have been signed between AVIC Planning Group and AVIC Group but not yet executed as at 30 June 2015 ; (iii) during the 13th Five-year Planning period, the aviation industry of China will embrace even greater development, which will bring corresponding increases in demands for aviation engineering construction, which, in accordance with the future business development plan of AVIC Planning, is estimated to bring an estimated 15% annual increase in the services to be provided by AVIC Planning Group to AVIC Group; (iv) the single design service model will be progressively superseded by EPC (project engineering general contracting) model, which will result in an increase in revenue for the provision of the relevant services.

Annual Caps proposed to be revised

Upon completion of the Acquisition and based on the estimated amounts of the New Continuing Connected Transactions for the two financial years ending 31 December 2017, the estimated increase in the amount of relevant expenditure transactions under the Existing Mutual Provision of Services Agreement is small and does not affect the relevant existing caps, with no revision of the annual caps for the expenditure transactions required. However, the relevant revenue transactions will increase substantially and the proposed revised annual caps of the relevant revenue transactions (after consolidating the annual caps of the existing revenue transactions and the estimated amount for the new revenue transactions) for the two financial years ending 31 December 2017 are as follows:

	In RMB Millions	
Revenue Transactions	Year ending 31 December 2016	Year ending 31 December 2017
Existing annual caps	281	318
Estimated amount for the New Continuing Connected Transactions	7,400	8,500
Annual caps proposed to be revised	8,000	9,200

The proposed revised annual caps of the relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017 are determined based on, among other things, the following factors: (i) the existing annual caps for the relevant revenue transactions under the Existing Mutual Provision of Services Agreement; (ii) the estimated amount of the New Continuing Connected Transactions upon completion of the Acquisition for the two financial years ending 31 December 2017 (please refer to the paragraph headed “Annual Caps proposed to be revised” under this sub-paragraph (1) above); (iii) a buffer of 4% increase, taking into account uncertain factors caused by inflation and future business development.

(2) Existing Products and Services Mutual Supply and Guarantee Agreement

Historical amounts:

Set out below are the historical amounts of the transactions between AVIC Planning Group and AVIC Avionics Group and AVICOPTER Group for the two financial years ended 31 December 2014 and the six months ended 30 June 2015:

	Year ended 31 December 2013	Year ended 31 December 2014	In RMB Millions Six months ended 30 June 2015
Historical revenue from provision of services to AVIC Avionics Group and AVICOPTER Group (including project engineering general contracting, equipment general contracting, consultation and design services, etc.)	7	73	11
Historical expenses for services provided by AVIC Avionics Group and AVICOPTER Group (including equipment subcontracting, labour services, etc.)	-	0.1	0.4

Estimated amounts for the New Intragroup Continuing Connected Transactions:

Upon completion of the Acquisition, the estimated amounts of the New Intragroup Continuing Connected Transactions for the two financial years ending 31 December 2017 are as follows:

	In RMB Millions	
	Year ending 31 December 2016	Year ending 31 December 2017
Estimated revenue from provision of services to AVIC Avionics Group and AVICOPTER Group (including project engineering general contracting, equipment general contracting, consultation and design services, etc.)	870	980
Estimated expenses for receiving services from AVIC Avionics Group and AVICOPTER Group (including equipment subcontracting and labour services, etc.)	5	6

The estimated amounts for the New Intragroup Continuing Connected Transactions are determined based on, among other things, the following factors: (i) the new investment and

construction projects of certain subsidiaries of AVIC Avionics and AVICOPTER, among which, the estimated revenues of project contract value of signed contracts and those with firm intention to sign for the two financial years ending 31 December 2017 amount to approximately RMB270 million and RMB180 million respectively; (ii) during the 13th Five-year Planning period, the aviation industry of China will embrace even greater development which will also lead to increases in demands for aviation engineering construction services to be provided to AVIC Avionics Group and AVICOPTER Group. The revenue from providing services by AVIC Planning Group to AVIC Avionics Group and AVICOPTER Group will also increase.

Annual Caps proposed to be revised

Upon completion of the Acquisition and based on the estimated amounts of the New Intragroup Continuing Connected Transactions for the two financial years ending 31 December 2017, the estimated increase in the amount of relevant expenditure transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement is small and does not affect the relevant existing caps, with no revision of the annual caps for the expenditure transactions required. However, the relevant revenue transactions will increase relatively and the proposed revised annual caps of the relevant revenue transactions (after consolidating the annual caps of the existing revenue transactions and the estimated amount for the new revenue transactions) for the two financial years ending 31 December 2017 are as follows:

	In RMB Millions	
Revenue Transactions	Year ending 31 December 2016	Year ending 31 December 2017
Existing annual caps	1,800	2,200
Estimated amount for the New Intragroup Continuing Connected Transactions	870	980
Annual caps proposed to be revised	2,700	3,200

The proposed revised annual caps of the relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years

ending 31 December 2017 are determined based on , among other things, the following factors: (i)the existing annual caps for the relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement;(ii) the estimated amount for the New Intragroup Continuing Connected Transactions upon completion of the Acquisition for the two financial years ending 31 December 2017(please refer to the paragraph headed “Estimated amounts for the New Intragroup Continuing Connected Transactions” under this subparagraph (2) above).

The Directors (excluding the independent non-executive Directors) consider that entering into the Supplementary Agreements to the Existing Mutual Provision of Services Agreement and the Existing Products and Services Mutual Supply and Guarantee Agreement and the revisions of the relevant annual caps are fair and reasonable, entered into upon normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2.4 New Land Use Rights and Properties Leasing

Upon completion of the Acquisition, as AVIC Planning will become the wholly-owned subsidiary of the Company, the properties rented by AVIC Planning Group from AVIC Group will constitute newly rented properties, which have a total area of approximately 9,297 square meters, and a total annual rent of approximately RMB10.54 million. Pursuant to the Existing Land Use Rights and Properties Leasing Agreement, the Group proposes to include such new properties leasing in the new leasing plan for 2016 to be incorporated into the Existing Land Use Rights and Properties Leasing Agreement and into the relevant annual caps to be monitored in accordance with the terms of the agreement. The amount for such new land use rights and properties leasing will not affect the existing annual caps, and therefore the relevant annual caps for the existing Land Use Rights and Properties Leasing Agreement need not to be revised.

3. HONG KONG LISTING RULES IMPLICATIONS

AVIC is a controlling shareholder of the Company and by virtue of its holding more than 10% equity interest in each of AVIC Avionics and AVICOPTER, each of AVIC, AVIC Avionics and AVICOPTER(the latter two being connected subsidiaries) is a connected person of the Company pursuant to the Hong Kong Listing Rules.

As each of the highest of the applicable size test percentage ratios (as defined in the Hong Kong Listing Rules) for (1) entering into the Supplementary Agreement for the Existing Mutual Provision of Services Agreement and revising the annual caps of the relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; and (2) entering into the Supplementary Agreement for the Products and Services Mutual Supply and Guarantee Agreement and revising the annual caps of the relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017 is higher than 5%, such continuing connected transactions are subject to the reporting, announcement and the independent shareholders’ approval requirement.

4.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, development, manufacturing 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 manufacturing of aviation products and non-aviation products. As at the date of this announcement, AVIC is a controlling shareholder of the Company holding 54.85% equity interest directly and indirectly in the Company.

Information on AVIC Planning

AVIC Planning is a limited liability company incorporated in the PRC, with a registered capital of RMB450 million, which is wholly reorganized from the former public institution - China Aviation Planning and Design Research Institute - and forms the professional segment of AVIC engaging in the fixed asset investment, involving investment, planning, consultation, design, construction and operation, and is mainly engaging in the provision of engineering technical services, project engineering general contracting, equipment general contracting services such as planning, consultation, design and supervision for industrial customers in aviation, aerospace, civil aviation, civil construction and civil industries etc. As at the date of this announcement, AVIC holds 100% equity interest in AVIC Planning.

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. AVIC Avionics is a subsidiary of the Company, with 43.22% equity interest being held by the Company, and is mainly engaged in the manufacturing of avionics and electrical products and accessories. Its accounts have been consolidated into that of the Company and therefore it is a subsidiary of the Company.

Information on AVICOPTER

AVICOPTER is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. AVICOPTER is held as to 28.21% equity interest by Harbin Aviation Industry (Group) Co., Ltd., a subsidiary of the Company, and as to 6.45% equity interest by the Company. It is mainly engaged in the development, research and manufacturing of helicopter products. Its accounts have been consolidated into that of the Company and therefore it is a subsidiary of the Company.

5. EGM

An EGM will be convened to consider and approve: (i) (a) entering into the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) revising the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) entering into the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) revising the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017.

The notice for the EGM will be despatched to the Shareholders as soon as possible. To convene the EGM, a circular containing, among other things, the following will be despatched to the Shareholders as soon as possible before 30 November 2015:

- (1) details relating to (i) (a) the principal terms of the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii)(a) the principal terms of the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017;
- (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii)(a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017; and
- (3) a letter of advice from the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee on (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii)(a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement; and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017.

II. EQUITY ACQUISITION AND SHARE ISSUANCE ANNOUNCEMENT

Reference is made to the announcement of the Company dated 30 September 2015 in relation to the acquisition of the 100% equity interest in AVIC Planning and issuance of Domestic Shares as the consideration.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As the shareholding structure of the Company will be changed upon completion of the Acquisition, the Board proposes to amend Articles 18 and 21 of the Articles of Association to reflect changes to the registered capital and the number of issued shares (amendments shown by way of underline).

To amend the original Article 18 of the Articles of Association as follows:

“**Article 18** Upon the approval of the securities regulatory authorities of the State Council, a total number of 1,679,800,500 shares of overseas listed foreign invested shares (including 1,527,090,000 shares issued by the Company, and 152,710,500 existing shares held by State-owned shareholders of the Company sold pursuant to the relevant requirements of the PRC

regulations on reduction of State-owned shares) had been issued and sold after the establishment of the Company.

Upon the approval of the securities regulatory authorities of the State Council, the Company issued and sold 305,416,000 shares of overseas listed foreign shares on 10 March, 2010, and Aviation Industry Corporation of China sold 29,217,402 existing shares pursuant to the relevant requirements of the PRC regulations on reduction of State-owned shares. The Company issued 183,404,667 Domestic Shares on 18 January, 2012; the Company issued and sold 342,000,000 shares of overseas listed foreign invested shares on 2 March, 2012. Upon the approval of the securities regulatory authorities of the State Council, the Company issued 489,592,000 Domestic Shares in 2015.

The current shareholding structure of the Company is: the total number of issued ordinary shares of the Company amounts to 5,964,021,167 shares, of which, 3,295,680,233 shares are held by Aviation Industry Corporation of China, representing 55.26% of the Company's total issued ordinary shares; 183,404,667 shares are held by AVIC Electromechanical Systems Company Limited, representing 3.07% of the Company's total issued ordinary shares; 99,488,927 shares are held by China Huarong Assets Management Corporation, representing 1.67% of the Company's total issued ordinary shares; 14,706,448 shares are held by China Cinda Assets Management Corporation, representing 0.25% of the Company's total issued ordinary shares; 14,306,990 shares are held by China Orient Assets Management Corporation, representing 0.24% of the Company's total issued ordinary shares; 2,356,433,902 shares are held by overseas listed foreign shareholders, representing 39.51% of the Company's total issued ordinary shares.”

To amend the original Article 21 of the Articles of Association as follows:

“**Article 21** The registered capital of the Company is RMB5,964,021,167.”

The above figures will be determined after the total number of the Consideration Shares issued to AVIC by the Company has been confirmed.

The abovementioned proposed amendments to the Articles of Association are subject to the Shareholders' approval by way of a special resolution at a general meeting, at which an authorization will also be sought to authorise any executive director of the Company to make corresponding revision to the amendments to the Articles of Association according to the opinions of the relevant regulatory authorities. The proposed amendments to the Articles of Association are still subject to the approval, registration and/or filing with the relevant regulatory authorities.

POSTPONEMENT IN DESPATCHING THE CIRCULAR

According to the Equity Acquisition and Share Issuance Announcement, a circular in relation to equity acquisition and share issuance will be despatched to the Shareholders on or before 15 November 2015. As additional time is required for the Company to finalise certain information to be included in the relevant circular, the Company expects that the despatch of the relevant circular will be postponed to a date falling on or before 30 November 2015.

DEFINITIONS

“Acquisition”	pursuant to the Equity Acquisition and Share Issuance Agreement, the acquisition of 100% equity interest in AVIC Planning by the Company from AVIC, the consideration for which is to be satisfied by the issuance of the Consideration Shares to AVIC
“AVIC”	Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company holding 54.85% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Avionics”	China Avionics Systems Co., Ltd., (中航航空電子系統股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange, is owned as to 43.22% by the Company. Its accounts are consolidated into that of the Company and therefore it is a subsidiary of the Company
“AVIC Avionics Group”	AVIC Avionics and its subsidiaries
“AVIC Group”	AVIC and its subsidiaries
“AVICOPTER”	AVICOPTER PLC(中航直升機股份有限公司), formerly known as Hafei Aviation Industry Co., Ltd.(“Hafei Aviation”), is a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange; as at the date of this announcement, it is held as to 28.21% by Harbin Aviation Industry (Group) Co., Ltd., a wholly-owned subsidiary of the Company, and as to 6.45% by the Company. Its accounts are consolidated into that of the Company and therefore it is a subsidiary of the Company
“AVICOPTER Group”	AVICOPTER and its subsidiaries
“AVIC Planning”	China Aviation Planning and Design Institute Co., Ltd. * (中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of AVIC as at the date of this announcement
“AVIC Planning Group”	AVIC Planning and its subsidiaries
“Company”	AviChina Industry & Technology Company Limited
“Completion”	completion of the transactions under Equity Acquisition and Share Issuance Agreement

“Consideration Shares”	approximately 489,592,000 new Domestic Shares to be issued by the Company to AVIC at the issue price of RMB4.42 (equivalent to approximately HK\$5.39) per domestic share to satisfy the consideration for the Acquisition upon the Completion. As the final consideration for the Acquisition will be subject to adjustment, if any, which will be finally determined by the state-owned assets supervision and administration authorities or its authorised entity, the total number of the Consideration Shares may be adjusted
“Contractual Price”	the price to be agreed between the relevant parties for the provision of the subject products or services (as the case may be), which shall be the Reasonable Costs incurred in providing the same plus not more than 8.0% of such costs
“Directors”	the directors of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB1.00 each in the ordinary share capital of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving, among other things, (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017
“Equity Acquisition and Share Issuance Agreement”	the agreement entered into between the Company and AVIC on 30 September 2015 relating to the equity acquisition and share issuance
“Existing Land Use Rights and Properties Leasing Agreement”	the land use rights and properties leasing agreement entered into on 30 August 2011 as amended by the supplemental agreement entered into between AVIC and the Company on 26 August 2014 for a term of 20 years commencing from 1 January 2012, details of which are set out in paragraph 2.4 under Section I of the announcement on the continuing connected transactions of the Company dated 26 August 2014
“Existing Mutual Provision of Services Agreement”	the mutual provision of services agreement entered into between the Company and AVIC on 26 August 2014, for a term of three years commencing from 1 January 2015 to 31 December 2017, details of which are set out in paragraph 2.2 of the announcement on continuing connected transaction of the Company published on 26 August 2014

“Existing Products and Services Mutual Supply and Guarantee Agreement”	the products and services mutual supply and guarantee agreement entered into among AVIC Avionics, Hafei Aviation (renamed as “AVICOPTER”) and the Company on 26 August 2014, for a term of three years commencing from 1 January 2015 to 31 December 2017, details of which are set out in paragraph 2.5 under Section I of the announcement on the continuing connected transactions of the Company dated 26 August 2014
“Government-guidance Price”	the price for a particular type of products as determined by the parties within the scope as provided under the laws, regulations, decisions or orders promulgated by the central government, provincial government or other regulatory authorities in the PRC
“Government-prescribed Price”	the price for a particular type of products as determined by the laws, regulations, decisions or orders promulgated by the central government, provincial government or other regulatory authorities in the PRC
“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”	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. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai, to advise the Independent Shareholders in respect of (i) (a) the Supplementary Agreement to the Existing Mutual Provision of Services Agreement and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Mutual Provision of Services Agreement for the two financial years ending 31 December 2017; (ii) (a) the Supplementary Agreement to the Existing Products and Services Mutual Supply and Guarantee Agreement and (b) the proposed revision of the annual caps of relevant revenue transactions under the Existing Products and Services Mutual Supply and Guarantee Agreement for the two financial years ending 31 December 2017
“Independent	Shareholders (other than AVIC and its associates) who are not

Shareholders”	required to abstain from voting on the resolutions to be proposed at the EGM to approve the relevant continuing connected transactions
“Market Price”	(i) if the transactions have market prices or charging standards fixed by independent third parties under normal commercial terms, the transaction price shall be fixed at such price or standards; or (ii) if the transactions have no market price fixed by independent third parties, the transaction price shall be fixed by the price of non-connected transactions between this connected person and independent third parties
“New Continuing Connected Transactions”	the transactions entered into in the ordinary and usual course of business and provided by (i) AVIC Planning Group to AVIC Group, including engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc.; and (ii) by AVIC Group to AVIC Planning Group, including labour services, engineering and equipment subcontracting services, etc.
“New Intragroup Continuing Connected Transactions”	transactions entered into in the ordinary and usual course of business and provided by (i) AVIC Planning Group to AVIC Avionics Group and AVICOPTER Group, including engineering technology (including but not limited to planning, consultation, design and supervision, etc.), project engineering general contracting and equipment general contracting services, etc.; and (ii) by AVIC Avionics Group and AVICOPTER Group to AVIC Planning Group, including engineering and equipment subcontracting services, etc.
“PRC”	the People’s Republic of China
“Reasonable Costs”	the costs confirmed by the parties to the agreement after arm’s length negotiation and as permitted by the relevant accounting system/principles of the PRC (inclusive of sales tax and surcharges)
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	shares of the Company
“Shareholder(s)”	the holder(s) of Shares
“Supplementary Agreement to the Existing Mutual Provision of Services Agreement”	the supplementary agreement entered into between the Company and AVIC to amend the Existing Mutual Provision of Services agreement, by incorporating the New Continuing Connected Transactions upon completion of the Acquisition into the Existing Mutual Provision of Services Agreement (as amended) for unified management, details of which are set out in paragraph 2.1 under Section I of this announcement
“Supplementary Agreement to the Existing Products and	the supplementary agreement entered into between the Company, AVIC Avionics and AVICOPTER to amend the Existing Products and Services Mutual Supply and Guarantee Agreement, by

**Services Mutual
Supply and Guarantee
Agreement”**

incorporating the New Continuing Connected Transactions upon completion of the Acquisition into the Existing Products and Services Mutual Supply and Guarantee Agreement (as amended) for unified management, details of which are set out in paragraph 2.2 under Section I of this announcement

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

Beijing, 19 October 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. Guo Chongqing and Mr. Maurice Savart as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.

** For identification purposes only.*