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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)**

#### **INSIDE INFORMATION ANNOUNCEMENT**

#### **PROPOSED ENTRUSTED MANAGEMENT BY AVIC AVIONICS OF EQUITY INTEREST HELD BY AVIC IN AVIC AVIONICS SYSTEMS**

This announcement is made pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and Rule 13.09 of the Hong Kong Listing Rules.

On 18 June 2014, the board of directors of China AVIC Electronics Co., Ltd. (“**AVIC Avionics**”), a non wholly-owned subsidiary of AviChina Industry & Technology Company Limited (the “**Company**”) resolved to accept the entrustment from Aviation Industry Corporation of China (“**AVIC**”) on managing its equity interest in AVIC Avionics Systems Co., Ltd. (“**AVIC Avionics Systems**”), pursuant to which, during the term of the entrusted management, AVIC will only retain the relevant shareholders’ rights including right to profit distribution, right to distribution and disposition of residual property and shareholders’ rights of 18.15% equity interests in AVIC Avionics held by AVIC Avionics Systems. AVIC Avionics will be entitled to exercise the remaining shareholder’s rights and exert full decision rights on the manufacture and operation of the entrusted AVIC Avionics Systems (“**Proposed Entrustment**”).

The term of the entrustment will commence from the date of the entrustment agreement becoming effective to the date on which the entrusted equity interest of AVIC Avionics Systems are transferred to and registered in the name of AVIC Avionics, or the equity interest of AVIC Avionics Systems are sold by AVIC to and registered in the name of a third party, or AVIC Avionics Systems terminates its operation, or the entrustment agreement is terminated by consensus. The entrustment fees are charged based on the principle of not less than the additional costs and expenses incurred by AVIC Avionics due to the Proposed Entrustment. The annual entrustment fees shall not exceed 5% of the audited operation revenue of AVIC

Avionics Systems every year. If the entrustment fees charged by AVIC Avionics are less than the additional costs and expenses incurred by AVIC Avionics due to the Proposed Entrustment, AVIC Avionics and AVIC will negotiate to adjust the percentage of the entrustment fees.

As AVIC is the controlling shareholder of the Company as at the date of this announcement, AVIC is a connected person of the Company under the Hong Kong Listing Rules. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Proposed Entrustment, if proceeded, will constitute a connected transaction of the Company. As the Proposed Entrustment falls within the enterprise management trust services under the mutual provision of services agreement between the Company and AVIC dated 30 August 2011, one of the framework agreements which were approved by independent shareholders of the Company at the extraordinary general meeting held on 9 December 2011, the Proposed Entrustment is accordingly not subject to the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

**It should be noted that the terms of the formal agreements for the Proposed Entrustment are still subject to further negotiations between the parties and the approval of the independent shareholders of AVIC Avionics and AVIC. Shareholders of the Company and other investors are advised to exercise caution when dealing in the shares of the Company.**

For further details relating to the Proposed Entrustment, please refer to the announcement dated 18 June 2014 published by AVIC Avionics on the website of the Shanghai Stock Exchange.

By Order of the board of directors  
**AviChina Industry & Technology Company Limited\***  
**Yan Lingxi**  
Company Secretary

Beijing, 18 June 2014

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

*\* For identification purposes only.*