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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)

SECOND GRANT OF SHARES UNDER RESTRICTED SHARE INCENTIVE SCHEME

On 22 July 2014, the Board approved the Second Grant upon the approval of SASAC under the Restricted Share Incentive Scheme of the Company, pursuant to which not more than 39,492,442 Restricted Shares (subject to the approval of SASAC), representing approximately 0.721% of the issued share capital of the Company as at the date of this announcement, were resolved to be granted to not more than 170 selected Scheme Participants.

References are made to the announcements of the AviChina Industry Company Limited (the “**Company**”) dated 23 February 2011, 30 March 2011, 25 March 2013 and 25 March 2014 (the “**Announcements**”) and the voting results announcement dated 29 March 2011 relating to the Restricted Share Incentive Scheme (the “**Scheme**”), and the circular dated 24 February 2011 (the “**2011 Circular**”), in relation to the passing of the resolution by shareholders of the Company for the adoption and implementation of the Scheme, and the Initial Grant of Restricted Shares by the Company on 30 March 2011. In particular, two thirds of Restricted Shares under the Initial Grant were unlocked on 2 April 2013 and 31 March 2014 respectively. Unless otherwise specified, capitalized terms used in this announcement shall have the

meanings as those defined in the Announcements and the 2011 Circular.

Pursuant to the Scheme, the validity of the Scheme is 10 years. In principle, the Restricted Shares shall be granted every two years. The Initial Grant has been implemented on 30 March 2011. The year for the second grant of Restricted Shares to the Scheme Participants (the “**Second Grant**”) is 2014 and the Second Grant is conditional upon the satisfaction of, among other things, certain financial performance criteria in the year prior to the year of grant i.e. 2013. The financial results of the Company prepared under the International Financial Reporting Standards are required to fulfill the specified financial performance criteria. The individual performance of each of the selected Scheme Participants in 2013 is required to satisfy the specified conditions under the Scheme and there should be no occurrence of specified events under the Scheme Rules in relation to the Company and the selected Scheme Participants which would prohibit the grant of Restricted Shares. The Company has fulfilled all of the aforementioned requirements. Accordingly, the Second Grant to the selected Scheme Participants can be granted pursuant to the Scheme Rules.

On 22 July 2014, the board of directors of the Company (the “**Board**”) approved, among other things, the Second Grant under the Scheme, and determined not more than 138 selected Scheme Participants, the number of Grant Shares, the Grant Date and the Grant Price, details of which are set out as follows:

- i. Under the Second Grant, approximately not more than 39,492,442 Restricted Shares, representing approximately 0.721% of the issued share capital of the Company as at the date of this announcement will be granted to not more than 170 selected Scheme Participants. The 170 selected Scheme Participants included executive and non-executive directors, senior management and mid-level management of the Group and other key employees who, in the opinion of the Board, contributed directly to the overall business performance and will contribute to the sustainable development of the Group. Among the aggregate number of Restricted Shares to be granted under the Second Grant, 2,619,440 Restricted Shares were approved to be granted to the following four directors of the

Company:

Name of Director	Number of Restricted Shares granted under the Second Grant
Lin Zuoming	708,590
Tan Ruisong	708,590
Gu Huizhong	636,950
Gao Jianshe	636,950
Total	2,691,080

The above number of Scheme Participants and Grant Shares is subject to adjustments based on the final approval by SASAC.

The Grant Date and the Grant Price: Due to the volatility of the stock market, the Board has authorized the Remuneration Committee to determine the grant date and grant price depending on the market and open positions of the shares upon the approval of SASAC. The grant price shall be not less 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.

- iii In principle, 50% of the Grant Price shall be funded by the selected Scheme Participant at his/her own cost and the remaining of the Grant Price should be funded by the Company
- ii. The directors of the Company, including independent non-executive directors, confirm that the Initial Grant is fair and reasonable, and is in the interests of the Company and its shareholders as a whole.
- iii. All the Restricted Shares granted will be subject to a lock up period of two years from the Grant Date. 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 Scheme Participants under the Scheme shall be unlocked in each year of the Unlocking Period. Unlocking of the Restricted Shares shall be subject to fulfillment of the conditions for unlocking. For details, please refer to the 2011 Circular.

As the four directors, who were approved to be granted the Restricted Shares under the Second Grant, were considered to have material interest in the board resolution for approving the Second Grant, each of the interested directors had abstained from voting on the board resolution for approving the Second Grant.

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

Beijing, 22 July 2014

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

** For identification purposes only.*