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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

PARTICIPATION IN THE CAPITAL INCREASE OF ALI-JIATAI

On 27 August 2015, the Company entered into the Capital Increase Agreement with AVIC Life-Support, AVIC International Development, Ali-Jiatai and the Natural Person Shareholders, pursuant to which, the Company and AVIC International Development proposed to participate in the capital increase of an aggregate of RMB32 million in the registered capital of Ali-Jiatai in cash. Upon completion of the Proposed Capital Increase, the Company and AVIC International Development will hold 24.78% and 10% equity interest in Ali-Jiatai respectively.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and each of AVIC Life-Support, AVIC International Development and Ali-Jiatai is a subsidiary of AVIC. Pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Life-Support, AVIC International Development and Ali-Jiatai are connected persons of the Company. Accordingly, the entering into of the Capital Increase Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the entering into the Capital Increase Agreement is subject to the reporting and announcement requirements only, and is exempt from the independent shareholders' approval requirement.

A. INTRODUCTION

On 27 August 2015, the Company entered into the Capital Increase Agreement with AVIC Life-Support, AVIC International Development, Ali-Jiatai and the Natural Person Shareholders, pursuant to which, the Company and AVIC International Development proposed to participate in the capital increase of an aggregate of RMB32 million in the registered capital of Ali-Jiatai in cash. Upon completion of the Proposed Capital Increase, the Company and AVIC International Development will hold 24.78% and 10% equity interest in Ali-Jiatai respectively.

B. THE CAPITAL INCREASE AGREEMENT

1. Date

27 August 2015

2. Parties

- (i) the Company and AVIC International Development as the capital increase participants;
- (ii) Ali-Jiatai as the capital increase target; and
- (iii) AVIC Life-Support and the Natural Person Shareholders being the existing shareholders.

3. Capital Increase Price and Shareholding

(1) Consideration for the Proposed Capital Increase

The parties agreed that, the Proposed Capital Increase will be based on the net assets value of Ali-Jiatai (e.g. the consideration being RMB2 for each RMB1 in the registered capital of Ali-Jiatai to be increased pursuant to the Proposed Capital Increase). The Company and AVIC International Development will subscribe for a capital increase of an aggregate of RMB32 million in the registered capital of Ali-Jiatai for a total consideration of RMB64 million in cash. In particular, the Company will subscribe for a capital increase of a total sum of RMB22.8 million in the registered capital of Ali-Jiatai (representing 24.78% of the equity interest in Ali-Jiatai upon completion of the Proposed Capital Increase) for a consideration of RMB45.6 million, among which, RMB22.8 million will be credited into the registered capital of Ali-Jiatai and the remaining RMB22.8 million will be credited into the capital reserve of Ali-Jiatai. AVIC International Development will subscribe for a capital increase of RMB9.2 million in the registered capital of Ali-Jiatai (representing 10% of the equity interest in Ali-Jiatai) for a consideration of RMB18.4 million, among which, RMB9.2 million will be credited into the registered capital of Ali-Jiatai and the remaining RMB9.2 million will be credited into the capital reserve of Ali-Jiatai. AVIC Life-Support and the Natural Person Shareholders, as existing shareholders of Ali-Jiatai, all agreed to waive their pre-emption rights in the Proposed Capital Increase.

(2) Shareholding structure of Ali-Jiatai upon completion of the Proposed Capital Increase

No.	Shareholders	Contribution amount (in the Registered Capital) Unit: In RMB ten thousands	Contribution forms	Proportion in the share capital
1	AVIC Life-Support	5,000	cash	54.35%
2	the Company	2,280	cash	24.78%
3	AVIC International Development	920	cash	10.00%
4	Wang Tingjiang	390	cash	4.24%
5	Liu Jingfeng	180	cash	1.96%
6	Wan Zijian	150	cash	1.63%
7	He Caifu	150	cash	1.63%
8	Liu Bo	130	cash	1.41%
	Total	9,200	-	100%

4. Conditions precedent to the Capital Increase Agreement becoming effective and term of validity

The Capital Increase Agreement will become effective upon completion of all the following major conditions:

- (1) The Capital Increase Agreement has been signed by the legal representatives, persons in charge or authorized representatives of the parties and affixed with the respective company seals;
- (2) The Company has completed its internal decision-making procedures pursuant to its articles of association and the Hong Kong Listing Rules, including but not limited to approvals by the Board and shareholders' general meeting (if applicable) relating to the Company's participation in the Proposed Capital Increase;
- (3) The Proposed Capital Increase and the assets valuation report of Ali-Jiatai have been filed with AVIC.

The parties agreed that, if the abovementioned conditions are not fully satisfied within three months from the execution date of the Capital Increase Agreement, any party is entitled to terminate the agreement by a written notice.

B. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CAPITAL INCREASE AGREEMENT

The entering into of the Capital Increase Agreement will help the Company expand its civil aviation industry chain.

The transactions contemplated under the Capital Increase Agreement are determined on normal and commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Each of Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who are the chairman of the board of directors, general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the connected transactions contemplated under the Capital Increase Agreement and thus had abstained from voting on the relevant Board resolution approving the Capital Increase Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company and each of AVIC Life-Support, AVIC International Development and Ali-Jiatai is a subsidiary of AVIC. Pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Life-Support, AVIC International Development and Ali-Jiatai are connected persons of the Company. Accordingly, the entering into of the Capital Increase Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in respect of the transactions contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the entering into the Capital Increase Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement.

F. 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 and non-aviation products. As at the date of this announcement, AVIC, with its subsidiaries, hold 54.85% shareholding in the Company and is the controlling shareholder of the Company.

Information on Ali-Jiatai

Ali-Jiatai is a limited liability company duly incorporated and validly existing pursuant to the PRC laws. Ali-Jiatai is mainly engaged in the development, manufacturing, sales of and providing technical services for non-ejection seats for aeronautic and astronautic use, aircraft cabin equipment, ship equipment, aircraft interior trimming, equipment and interior trimming for trains, metallic material and special non-metallic material. As at the date of this announcement, the registered capital of Ali-Jiatai is RMB60 million, and it is held as to 83.33% by AVIC Life-Support and 16.67% by the Natural Person Shareholders collectively.

Pursuant to the audited financial report of Ali-Jiatai prepared according to the PRC Accounting Standards, as at 31 December 2014, the total assets and net assets of Ali-Jiatai were RMB155.04 million and RMB72.19 million. For the year ended 31 December 2014, the net profits of Ali-Jiatai (before and after taxation and extraordinary items) were RMB12.86 million and RMB11.4 million respectively. For the year ended 31 December 2013, the net profits of Ali-Jiatai (before and after taxation and extraordinary items) are RMB12.07 million and RMB11.33 million respectively.

Information on AVIC International Development

AVIC International Development is a limited liability company incorporated in the PRC. As at the date of this announcement, AVIC International Holding Corporation, a subsidiary of AVIC, holds 100% equity interest in AVIC International Development. AVIC International Development is mainly engaged in the import and export business of transportation and mechanical equipment and joint investment and manufacture business.

DEFINITIONS:

“AVIC” Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company, with its subsidiaries, holding 54.85% shareholding in the Company as at the date of this announcement

“Ali-Jiatai”	AVIC Hubei Ali-Jiatai Aircraft Equipment Co., Ltd. * (湖北航宇嘉泰飛機設備有限公司)
“AVIC Life-Support”	AVIC Aerospace Life-Support Industries, Ltd. *(航宇救生裝備有限公司), a subsidiary of AVIC with 100% equity interest being held by AVIC through AVIC Electromechanical Systems Company Limited as at the date of this announcement
“AVIC International Development”	AVIC International Development Aero-Development Corporation*(中航國際航空發展有限公司), a subsidiary of AVIC with 100% equity interest being held by AVIC through AVIC International Holding Corporation as at the date of this announcement
“Board”	the board of directors of the Company
“Capital Increase Agreement”	the capital increase agreement dated 27 August 2015 entered into among the Company and AVIC International Development as the capital increase participants, Ali-Jiatai as the capital increase target, and AVIC Life-Support and the Natural Person Shareholders as the existing shareholders, in relation to the capital increase of RMB32 million in the registered capital of Ali-Jiatai
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司)
“Directors”	the director(s) of the Company
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“Natural Person Shareholders”	Mr. Wang Tingjiang, Mr. Liu Jingfeng, Mr. Wan Zijian, Mr. He Caifu and Mr. Liu Bo, who collectively hold 16.67% equity interest in Ali-Jiatai before the Proposed Capital Increase
“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

“PRC”	the People’s Republic of China
“Proposed Capital Increase”	the proposed capital increase pursuant to the Capital Increase Agreement
“RMB”	Renminbi, the lawful currency of the PRC

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

Beijing, 27 August 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.*