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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: ACQUISITION OF 100% EQUITY INTEREST IN ORIENTAL INSTRUMENT BY AVIC AVIONICS

THE ACQUISITION

On 5 September 2013, AVIC Avionics, a non wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Hanzhong Aviation, pursuant to which, Hanzhong Aviation has agreed to sell and AVIC Avionics has agreed to purchase, subject to conditions, the 100% equity interest in Oriental Instrument for an aggregate consideration of RMB176,044,942.15 in cash.

The consideration for the Acquisition was determined by the parties based on arm's length negotiations and with reference to the valuation results of the 100% equity interest in Oriental Instrument prepared by an independent firm of qualified PRC valuers.

As AVIC is the controlling shareholder of the Company and Hanzhong Aviation is an indirect subsidiary of AVIC, each of AVIC and Hanzhong Aviation is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the entering into of the Acquisition Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in relation to the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the independent shareholder's approval requirement under the Hong Kong Listing Rules.

A. INTRODUCTION

References are made to the announcements of the Company dated 14 June 2013 and 26 June 2013, in relation to, among other things, the proposed acquisition by AVIC Avionics, a non wholly-owned subsidiary of the Company, of 100% equity interest in Oriental Instrument held by Hanzhong Aviation, an indirect subsidiary of AVIC.

On 5 September 2013, AVIC Avionics entered into the Acquisition Agreement with Hanzhong Aviation, pursuant to which, Hanzhong Aviation has agreed to sell and AVIC Avionics has agreed to purchase, subject to conditions, the 100% equity interest in Oriental Instrument for an aggregate consideration of RMB176,044,942.15 in cash.

B. THE ACQUISITION AGREEMENT

Date

5 September 2013

Parties

Vendor: Hanzhong Aviation

Purchaser: AVIC Avionics

Target

Subject to the conditions precedent under the Acquisition Agreement, AVIC Avionics will acquire the 100% equity interest in Oriental Instrument held by Hanzhong Aviation.

Consideration and Payment Terms

The aggregate consideration for the Acquisition of RMB176,044,942.15 was determined between AVIC Avionics and Hanzhong Aviation based on arm's length negotiations after taking into account the valuation results of Oriental Instrument prepared by an independent firm of qualified PRC valuers using the cost replacement method as at 30 April 2013, being the valuation base date.

The consideration will be payable in a lump sum to Hanzhong Aviation by cash within 20 working days upon the Acquisition Agreement becoming effective.

Conditions Precedent to the Acquisition Agreement Becoming Effective

Pursuant to the Acquisition Agreement, the Acquisition will become effective upon fulfilment of the following conditions:

- (1) the Acquisition Agreement having been executed by the legal representatives or authorized persons of the parties;
- (2) Hanzhong Aviation having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association;
- (3) AVIC Avionics having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association and the relevant requirements of the listing rules of the Shanghai Stock Exchange;
- (4) the Company having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of the Articles of Association and the relevant requirements of the Hong Kong Listing Rules, including but not limited to, the approval of the Board;
- (5) the valuation report in relation to the target assets having been filed with the relevant competent PRC authorities; and

(6) the transactions contemplated under the Acquisition Agreement having been approved by AVIC.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of the Acquisition, the product line of AVIC Avionics will be expanded from avionics products and related accessories to include aeronautic instrument and other civil mechanical and electrical instruments currently manufactured by Oriental Instrument. Accordingly, the Acquisition will contribute to expanding the production scale of AVIC Avionics, enriching the product types and thereby improving its overall competitiveness so as to further improve the profitability and enhance the leading position of the Company in the industry.

The Directors are of the opinion that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

As AVIC is the controlling shareholder of the Company and Hanzhong Aviation is an indirect subsidiary of AVIC, each of AVIC and Hanzhong Aviation is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the entering into of the Acquisition Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in relation to the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the independent shareholder's approval requirement under the Hong Kong Listing Rules.

Each of our Directors, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, who are general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the transactions contemplated under the Acquisition Agreement and accordingly, they had abstained from voting on the board resolution approving the Acquisition Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

E. GENERAL

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. As at the date of this announcement, the Company is held as to 51.26% by AVIC. The Company is mainly engaged in the research and development, manufacture 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 manufacture of aviation products and non-aviation products.

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. As at the date of this announcement, AVIC Avionics is held as

to 43.22% equity interest by the Company. AVIC Avionics is mainly engaged in the manufacture of avionics products and related accessories.

Information on Hanzhong Aviation

Hanzhong Aviation is a limited liability company incorporated in the PRC. Hanzhong Aviation is principally engaged in the development, research, manufacture and sales of airplanes, landing gears, aviation mechanical products etc. and relevant technical consulting and services. The registered capital of Hanzhong Aviation is RMB400,000,000.

Based on the audited financial statements of Hanzhong Aviation for the year ended 31 December 2012, the total assets, the net assets value, the revenue and the net profits (before and after taxation) of Hanzhong Aviation amounted to RMB3,523,260,000, RMB2,210,930,000, RMB1,788,750,000, RMB122,680,000 and RMB115,160,000, respectively.

Information on Oriental Instrument

Oriental Instrument is a limited liability company incorporated in the PRC and principally engaged in the manufacture and sales of aeronautic instrument and other civil mechanical and electrical instruments. The registered capital of Oriental Instrument is RMB100,000,000.

Based on the audited financial statement of Oriental Instrument prepared in accordance with the PRC accounting standards, the total assets and the net assets value as at 30 April 2013 amounted to RMB338,512,603.63 and RMB172,917,089.53, respectively. The revenue and the net profits (before and after taxation) of Oriental Instrument for the four months ended 30 April 2013 amounted to RMB18,052,650.44, RMB3,132,567.71 and RMB3,327,567.80, respectively.

Based on the audited financial statement of Oriental Instrument for the year ended 31 December 2012 prepared in accordance with the PRC accounting standards, the total assets, the net assets value, the revenue and the net profits (before and after taxation) of Oriental Instrument amounted to RMB287,351,273.00, RMB142,022,589.74, RMB187,143,098.41, RMB21,597,648.92 and RMB19,805,848.84, respectively.

Based on the audited financial statement of Oriental Instrument for the year ended 31 December 2011 prepared in accordance with the PRC accounting standards, the total assets, the net assets value, the revenue and the net profits (before and after taxation) of Oriental Instrument amounted to RMB253,649,699.54, RMB159,194,487.57, RMB150,148,744.93, RMB19,219,079.49 and RMB19,842,894.68, respectively.

DEFINITIONS

“Acquisition”	the acquisition of 100% equity interest in Oriental Instrument by AVIC Avionics from Hanzhong Aviation for an aggregate consideration of RMB176,044,942.15 in cash pursuant to the Acquisition Agreement
“Acquisition Agreement”	an acquisition agreement entered into between AVIC Avionics and Hanzhong Aviation dated 5 September 2013 in relation to the Acquisition
“Articles of Association”	the articles of association of the Company
“AVIC”	China Aviation Industry Corporation (中國航空工業集團公司), a controlling shareholder of the Company holding 51.26% equity interest in the Company
“AVIC Avionics”	China AVIC Electronics Co., Ltd. (中航機載電子股份有限公司, formerly named as China AVIC Avionics Equipment Co., Ltd.,

	whose A shares are listed on the Shanghai Stock Exchange), a non wholly-owned subsidiary of the Company with 43.22% equity interest held by the Company
“Board”	the board of directors of the Company
“Company”	AviChina Industry & Technology Company Limited*, a joint stock limited company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange
“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 subsidiary of AVIC
“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
“Oriental Instrument”	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a wholly-owned subsidiary of Hanzhong Aviation
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	Domestic Shares and H Shares of the Company
“Shareholder(s)”	holder(s) of the Shares

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Beijing, 5 September 2013

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

** For identification purposes only.*