

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 100% EQUITY INTEREST IN AVIC PLANNING:
(1) ENTERING INTO OF THE SUPPLEMENTARY AGREEMENT TO THE
EQUITY ACQUISITION AND SHARE ISSUANCE AGREEMENT WITH AVIC;
AND
(2) PROFIT FORECAST**

Financial Adviser to the Company



Guotai Junan Capital Limited

References are made to the announcement of AviChina Industry & Technology Company Limited (the "**Company**") dated 30 September 2015, in relation to a discloseable and connected transaction involving the acquisition of the 100% equity interest in AVIC Planning by the Company and the issuance of domestic shares as consideration, and the announcement of the Company dated 19 October 2015, in relation to, among other things, the changes to the continuing connected transactions with AVIC and revision of the relevant annual caps resulting from and upon completion of the acquisition of the 100% equity interest in AVIC Planning (the two announcements are collectively referred to as the "**Announcements**"). Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

Entering into of the Supplementary Agreement to the Equity Acquisition and Share Issuance Agreement with AVIC

As disclosed in the announcement of the Company dated 30 September 2015, the valuation report of the Target Equity shall be filed with and confirmed by the state-owned assets supervision and administration authorities. The final consideration for the Acquisition will be subject to adjustment, which will be finally determined by the state-owned assets supervision and administration authorities or its authorized entity. If the final consideration for the Acquisition is adjusted, the total number of Consideration Shares will be correspondingly adjusted at the Issue Price. After filing with and confirmed by the state-owned assets supervision and administration authorities, the valuation of the Target Equity has been adjusted from RMB2,164 million to RMB2,173 million (*i.e.*RMB2,173,281,600) . Taking into account the adjusted valuation of the Target Equity and other factors, on 10 March 2016, the Company entered into the Supplementary Agreement to the Equity Acquisition and Share Issuance Agreement with AVIC, pursuant to which, the consideration for the Acquisition of 100% equity interest in AVIC Planning has been confirmed as RMB2,173 million(*i.e.*RMB 2,173,281,600) and the number of Consideration Shares to be issued by the Company to AVIC has been adjusted from approximately 489,592,000 shares to 491,692,669 shares at the Issue Price of RMB 4.42 per Consideration Share.

Adjustment of the financial information of AVIC Planning

According to the adjustments of the policy of employees defined benefit plan etc., the audited financial information of the 100% equity interest of AVIC Planning for the six months ended 30 June 2015, the financial year ended 31 December 2014 and the unaudited financial information for the financial year ended 31 December 2013 were adjusted as follows:

Item	In RMB ten thousand		
	For the six months ended 30 June 2015(audited)	For the financial year ended 31 December 2014 (audited)	For the financial year ended 31 December 2013 (unaudited)
Total assets	707,404.64	574,865.20	488,264.83
Operating revenue	394,755.20	617,552.22	532,427.68
Net profit (before tax)	14,437.27	23,008.60	17,970.70
Net profit (after tax)	12,737.47	21,245.32	16,082.37

Profit forecast

As disclosed in the announcement of the Company dated 30 September 2015, the valuation of the Target Equity was carried out based on the asset-based approach and the income approach, with the income approach being finally adopted for the purpose of the valuation, therefore the valuation constitutes a profit forecast under the Hong Kong Listing Rules. The following sections of this announcement are prepared and published in compliance with Rules 14.60A and 14.62 of the Hong Kong Listing Rules.

Valuation assumptions

The valuation of the Target Equity contained in the valuation report has been prepared by the independent valuer, China United Assets Appraisal Group Limited, based on the following major assumptions:

1. The external economic environment remains unchanged, and there is no significant change in the current national macro-economy;
2. There is no significant change in the social and economic environment in which AVIC Planning is involved and the applicable policy on tax and tax rate;
3. The operation and management teams of AVIC Planning perform their duties diligently during the forecast period and maintain the current operation and management model;
4. The principal businesses, product structures, revenue and cost compositions, sales strategies and cost control etc. of AVIC Planning continue to maintain their current status during the forecast period;
5. Each asset is based on the actual inventory as at the Valuation Date, and the prevailing market value of the relevant assets is based on the effective domestic price as at the Valuation Date;
6. The basic information and the financial information provided by AVIC Planning is true, accurate and complete;
7. AVIC Planning will during the future operating period continue to obtain high-tech enterprise certification and enjoy an income tax rate of 15%;
8. The scope of valuation is confined to those contained in the valuation declaration form as provided by AVIC Planning, without taking into account any possible existing or contingent assets or contingent liabilities outside the list provided by AVIC Planning.

Confirmations

The Company's auditor, Ernst & Young, have reviewed the relevant forecast calculations.

Guotai Junan as the Company's financial advisor has confirmed it is satisfied that the relevant forecast has been made by the Directors of the Company after due and careful enquiry.

Letters from Ernst & Young and Guotai Junan have been submitted to the Hong Kong Stock Exchange respectively in compliance with Rules 14.62(2) and (3) of the Hong Kong Listing Rules, the full text of which are contained in Appendix I and II to this announcement.

Experts and consents

The qualifications of the experts who have given their opinion in this announcement are listed below:

Name	Qualification
Ernst & Young	Certified Public Accountants
Guotai Junan	A licensed corporation which can carry out type 6 regulated activity under the Securities and Futures Ordinance (advising on corporate finance), as the financial advisor for the acquisition of the Company

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Ernst & Young and Guotai Junan is a third party independent of and not connected with the Company or the connected persons (as defined in the Hong Kong Listing Rules) of the Group. As at the date of this announcement, neither of Ernst & Young or Guotai Junan has any shareholding in any member of the Group directly or indirectly, or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Ernst & Young and Guotai Junan has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter and all references to its name in the form and context in which it respectively appears in this announcement.

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

Beijing, 10 March 2016

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.*

APPENDIX I — LETTER FROM ERNST & YOUNG

10 March 2016

The Directors

AviChina Industry & Technology Company Limited

8/F, Building No.2, No.5A RongChang East Street

Beijing Economic and Technological Development Zone, China

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN CHINA AVIATION PLANNING AND DESIGN INSTITUTE (GROUP) CO., LTD.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 2 December 2015 prepared by China United Assets Appraisal Group in respect of China Aviation Planning and Design Institute (Group) Co., Ltd. (the “Target”) as at 30 June 2015 is based. The valuation is set out in the announcement of AviChina Industry & Technology Company Limited (the “Company”) dated 10 March 2016 (the “Announcement”) in connection with the acquisition of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Valuation assumptions” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Certified Public Accountants

Hong Kong

APPENDIX II — LETTER FROM GUOTAI JUNAN

10 March 2016

The Board of Directors

AviChina Industry & Technology Company Limited*

中國航空科技工業股份有限公司

8th Floor, Tower 2
No. 5A Rongchang East Street
Beijing Economic-Technological
Development Area
Beijing, PRC

Dear Sirs,

We refer to the announcements of AviChina Industry & Technology Company Limited* 中國航空科技工業股份有限公司 (the “**Company**”) dated 30 September 2015 and 10 March 2016 (the “**Announcements**”) in relation to the acquisition of 100% equity interest (the “**Target Equity**”) in China Aviation Planning and Design Institute Co., Ltd.* 中國航空規劃設計研究總院有限公司 (“**AVIC Planning**” and the acquisition referred to as the “**Acquisition**”) which constitutes a discloseable and connected transaction under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and also the valuation report dated 30 September 2015 prepared by China United Assets Appraisal Group, a qualified and independent PRC valuer (the “**Independent Valuer**”), on the valuation of the Target Equity (the “**Valuation**”). As discounted future estimated cash flows method is used, the Valuation constitutes a profit forecast (“**Forecast**”) under Rule 14.61 of the Listing Rules.

We are engaged to assist the Directors to comply with Rule 14.62 of the Listing Rules. We, from the perspective of financial adviser, have discussed with the management of the Company, the management of AVIC Planning and the Independent Valuer regarding the bases and assumptions adopted in the Forecast. We have also considered the letter dated 10 March 2016 issued by Ernst & Young, the Company’s reporting accountants, regarding the calculations upon which the Forecast has been made.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, we are of the opinion that the bases and assumptions of the Forecast adopted by the Independent Valuer, for which the Directors of the Company are solely responsible for, have been made after due and careful enquiry. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

We have not independently verified the computations leading to the Independent Valuer’s

*For identification purpose only

determination of the fair value and market value of the Target Equity. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of the Target Equity. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value, market value or any of the value of the Target Equity.

We further confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Independent Valuer, the Group and the AVIC Planning and opinions expressed by, and representations of, the employees and/or management of the Independent Valuer, the Group and the AVIC Planning. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcements, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review. Further, the qualifications, bases and assumptions adopted by the Independent Valuer are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Independent Valuer.

Yours faithfully,

For and on behalf of
Guotai Junan Capital Limited

Iris Leung
Managing Director