

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)

CONNECTED TRANSACTION

PROVIDING GUARANTEE TO AVIC AVIONICS FOR ITS ISSUANCE OF CORPORATE BONDS

Reference is made to the voluntary announcement of the Company dated 9 December 2012 in relation to the proposed issuance of Corporate Bonds by AVIC Avionics.

On 25 March 2013, the Company entered into the Guarantee Agreement with AVIC Avionics, pursuant to which the Company agreed to provide a guarantee of RMB600 million to AVIC Avionics for the issuance of the Corporate Bonds to support the development of AVIC Avionics.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC and its subsidiaries, except the Company, hold more than 10% equity interest of AVIC Avionics. Therefore, AVIC Avionics is a connected subsidiary of the Company, and the entry of the Guarantee Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As

the highest applicable size test percentage ratios in respect of the Guarantee Agreements is more than 0.1% but less than 5%, the Guarantee Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

A. INTRODUCTION

On 25 March 2013, the Company entered into the Guarantee Agreement with AVIC Avionics, pursuant to which the Company agreed to provide a guarantee of RMB600 million to AVIC Avionics for the issuance of the Corporate Bonds to support the development of AVIC Avionics.

B. THE GUARANTEE AGREEMENTS

1. Date

25 March 2013

2. Parties

- (i) the Company as the bond guarantor;
- (ii) AVIC Avionics as the bond issuer.

3. Type and amount guaranteed

RMB600 million of the Corporate Bonds for a term not exceeding five years (including five years)

4. Beneficiary

All bondholders listed on the Bond registration depositories

5. Coverage

40% of the principal amount of the bonds, as well as all interest payable and liquidated damages, damage compensation and cost of claims to the actual payment date; the Company is not jointly liable for the liabilities of other guarantors

6. Guaranteed Period

From the date of issuance of the Corporate Bonds to within six months from the date of the due date of the repayment obligation

C. REASONS FOR AND BENEFITS OF ENTRY INTO THE GUARANTEE AGREEMENT

In order to strengthen the competitiveness of AVIC Avionics, further enhance its profitability level, and to meet its business development needs, the Company agreed to provide the guarantee of RMB600 million for the issuance of Corporate Bonds to support the development of AVIC Avionics.

The terms of the guarantee are determined on normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Guarantee Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Guarantee Agreement and thus no Director was required to abstain from voting on the relevant resolution at the relevant Board meeting.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC and its subsidiaries, except the Company, together hold more than 10% equity interest in AVIC Avionics. Therefore, AVIC Avionics is a connected subsidiary of the

Company, and the entry of the Guarantee Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratios in respect of the Guarantee Agreements is more than 0.1% but less than 5%, the Guarantee Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

E. 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 and development, manufacture and sales of civil 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.

DEFINITIONS:

| | |
|------------------------|---|
| “AVIC” | Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company holding 51.26% equity interests in the Company as at the date of this announcement |
| “AVIC Avionics” | China AVIC Avionics Equipment Company Limited* (中航航空電子設備股份有限公司), a non wholly-owned subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange |
| “Board” | the board of directors of the Company |
| “Company” | AviChina Industry & Technology Company Limited* |

| | |
|-----------------------------------|---|
| “Corporate Bonds” | (中國航空科技工業股份有限公司) the corporate bonds proposed to be issued by AVIC Avionics in the aggregate principal amount of not more than RMB1.5 billion with a maturity term of not more than five years |
| “Directors” | the director(s) of the Company |
| “Guarantee Agreement” | the Guarantee agreement entered into between the Company and AVIC Avionics on 25 March 2013 in relation to the Company agreed to provide RMB600 million guarantee for issuance not more than RMB 1.5 billion of corporate bonds |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time) |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Party(ies)” | a Party or Parties (as the case may be) to the Equity Transfer Agreements |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |

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

Beijing, 25 March 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 Xianzhong and Mr. Lau Chung Man, Louis.

** For identification purposes only.*