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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)**

**INITIAL GRANT OF RESTRICTED SHARES OF JONHON OPTRONIC**

Reference is made to the announcement of AviChina Industry & Technology Company Limited\* (the "**Company**") dated 27 October 2016 in relation to the proposed adoption of restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") by China Aviation Optical-Electrical Technology Co., Ltd.(中航光電科技股份有限公司) ("**JONHON Optron**"), a subsidiary of the Company (the "**Announcement**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those in the Announcement.

On 18 January 2017, pursuant to the Restricted Share Incentive Scheme, JONHON Optron conducted the initial grant a total of 6,001,000 restricted shares, representing approximately 0.9960% of the issued share capital of JONHON Optron as at the date of this announcement, have been granted to 266 selected scheme participants on 18 January 2017 at the grant price of RMB28.19 per restricted share (the "**Initial Grant**").

Upon completion of the Initial Grant, the equity interest in JONHON Optron held by the Company have been diluted from 41.57% to 41.16%. Therefore, the Initial Grant constituted a deemed disposal of the Company under Chapter 14 of the Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Initial Grant is less than 5%, the Initial Grant is exempt from the announcement and shareholders' approval requirements under the Listing Rules.

The Initial Grant also involved the grant of 115,000 restricted shares to Mr. Guo Zeyi, the chairman of JONHON Optron and the grant of 110,000 restricted shares to Mr. Zhao Yong, the general manager of JONHON Optron. Mr. Guo Zeyi and Zhao Yong are both connected persons of the Company at the subsidiary level. Therefore, such grants constituted connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable size test percentage ratios in respect of such grants is less than 1%, the grant of restricted shares by JONHON Optron to Mr. Guo Zeyi and the grant of Zhao Yong are exempt from the announcement and independent shareholders' approval requirements under the Listing Rules.

By order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Xu Bin**  
Company Secretary

Beijing, 18 January 2017

*As at the date of this announcement, the Board comprises executive Director Mr. Lin Zuoming, non- executive Directors Mr. Tan Ruisong, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. He Zhiping and Mr. Kiran Rao 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.*