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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:
CAPITAL INJECTION INTO
CHINA AVIATION PUBLISHING & MEDIA CO. LTD.**

Reference is made to the announcement of the Company dated 27 March 2012 regarding the entry of the framework agreement on capital injection of CAPMC.

On 10 September 2012, the Company entered into the Capital Injection Agreement with (i) AVIC; (ii) Aviation Industry Information Centre; (iii) AVIC Economy and Technology Institute; (iv) China Aviation News and (v) CAPMC, pursuant to which the Company, AVIC Economy and Technology Institute and China Aviation News will inject a total of RMB33 million into CAPMC by way of capital increase in cash.

As at the date of this announcement, AVIC is the controlling shareholder of the Company. CAPMC, Aviation Industry Information Centre, AVIC Economy and Technology Institute and China Aviation News are all subsidiaries of AVIC. Therefore, all aforementioned entities are connected persons of the Company for the

purpose of the Hong Kong Listing Rules and the entry of the Capital Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios of the Capital Injection by the Company is more than 0.1% but less than 5%, the entry of the Capital Injection Agreement is subject to reporting and announcement requirements but is exempt from the requirement of Independent Shareholders' approval.

Reference is made to the announcement of the Company dated 27 March 2012 regarding the entry of the framework agreement on capital injection into CAPMC.

A. INTRODUCTION

On 10 September 2012, the Company entered into the Capital Injection Agreement with (i) AVIC; (ii) Aviation Industry Information Centre; (iii) AVIC Economy and Technology Institute; (iv) China Aviation News and (v) CAPMC, pursuant to which the Company, AVIC Economy and Technology Institute and China Aviation News will inject a total amount of RMB33 million in CAPMC by way of capital increase in cash.

B. THE CAPITAL INJECTION AGREEMENT

1. Date

10 September 2012

2. Parties

- (i) AVIC;
- (ii) Aviation Industry Information Centre;
- (iii) The Company;
- (iv) AVIC Economy and Technology Institute;
- (v) China Aviation News; and
- (vi) CAPMC.

3. The Capital Injection

The Company, AVIC Economy and Technology Institute and China Aviation News shall contribute RMB30 million, RMB2 million and RMB1 million by way of capital increase in cash, respectively. The Company will fund its part of the Capital Injection by internal resources.

The percentage shareholding in CAPMC of AVIC, Aviation Industry Information Centre, the Company, AVIC Economy and Technology Institute and China Aviation News after the completion of the Capital Injection and their respective amount of capital contribution was determined based on the net asset value of CAPMC as at 31 December 2011 with reference to the Valuation Report. Based on the Valuation Report, the net asset value of CAPMC as at 31 December 2011 was RMB22.9334 million.

As at the date of this announcement (i.e. before the completion of the Capital Injection), the registered capital of CAPMC is RMB20 million, RMB12,602,100 out of which was contributed by AVIC and RMB 7,397,900 out of which was contributed by Aviation Industry Information Centre, and CAPMC is owned as to 63% by AVIC and as to 37% by Aviation Industry Information Centre. The table below set out the percentage shareholding in CAPMC after the completion of the Capital Injection:

<u>Shareholder</u>	<u>Percentage Shareholding</u> (%)
AVIC	25.83
Aviation Industry Information Centre	15.17
The Company	53.63
AVIC Economy and Technology Institute	3.58
China Aviation News	1.79

After the completion of the Capital Injection, the Company will hold more than 50% equity interest in CAPMC and as a result, CAPMC will become a subsidiary of the Company.

4. Conditions Precedent

The Capital Injection Agreement will become effective upon fulfillment of the following conditions:

- (i) the Capital Injection Agreement having been signed and sealed by the legal representative or authorized representative of each party;
- (ii) each Party having completed its internal approval procedures in respect of the Capital Injection Agreement and/or the undertakings given ; and
- (iii) the necessary approvals for the Capital Injection pursuant to relevant laws having been received.

C. FINANCIAL INFORMATION OF CAPMC

Based on the unaudited financial statements of CAPMC as at 31 December 2011, the total assets and the net assets of CAPMC amounted to RMB46,101,670 and RMB21,240,055, respectively. For the financial year ended on 31 December 2011, the net profit before and after tax and extraordinary items of CAPMC amounted to RMB2,540,076 and RMB1,528,874, respectively.

D. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Board considers that through investing in and controlling CAPMC, which is a information broadcasting platform and a technology exchange window, the Company will, by leveraging on CAPMC's advantages in the aviation information and publications sectors, increase its brand recognition, improve its external cooperation opportunities, extend its aviation industry chain, grasp business information on aviation manufacturing and promote its R&D and manufacturing level. In light of the related policies of the government on promoting culture industry as a pillar industry of national economy, the Board expects CAPMC to become a new profit increasing business of the Company.

The transactions under the Capital Injection Agreement 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 Capital Injection

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 Capital Injection Agreement and thus no Director was required to abstain from voting on the relevant resolution at the relevant Board meeting.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the dated of this announcement, AVIC is the controlling shareholder of the Company. CAPMC, Aviation Industry Information Centre, AVIC Economy and Technology Institute and China Aviation News are all subsidiaries of AVIC. Therefore, all aforementioned entities are connected persons of the Company pursuant to the Hong Kong Listing Rules and the entry of the Capital Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Capital Injection by the Company is more than 0.1% but less than 5%, the entry of the Capital Injection Agreement is subject to reporting and announcement requirements but is exempted from the requirement of Independent Shareholders' approval.

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 and development, manufacture and sales of aviation products. As at the date of this announcement, AVIC, being the controlling shareholder of the Company, holds 51.26% of the equity interest in the Company.

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 CAPMC

CAPMC was established in January 2011 and is mainly engaged in the businesses of book publication, periodical publication, audio and video publication, advertising, public relation consultation and services, professional exhibitions and information development, etc..

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 interest in the Company
“CAPMC”	China Aviation Publishing & Media Co. Ltd* (中航出版傳媒有限責任公司)
“Board”	the board of directors of the Company
“Directors”	the director(s) of the Company
“Capital Injection”	the capital Injection by the Company, AVIC Economy and Technology Institute, China Aviation News in CAPMC pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement entered into among AVIC, Aviation Industry Information Centre* (航空工業信息中心), AVIC Economy and Technology Institute* (中國航空工業經濟技術研究院), the Company, China Aviation News* (中國航空報社) and CAPMC on 10 September 2012 in relation to the Capital Injection in CAPMC
“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
“Independent	shareholders who are not interested or involved in the

Shareholders”	transactions contemplated under the Capital Injection Agreement
“Party(ies)”	a Party or Parties (as the case may be) to the Capital Injection Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Valuation Report”	the asset valuation report on CAPMC dated 31 March 2012 prepared by Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.* (中威正信（北京）資產評估有限公司), an asset valuation company appointed by AVIC Economy and Technology Institute and CAPMC

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Hong Kong, 11 September 2012

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.*