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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)

ANNOUNCEMENT

**PROPOSED ACQUISITION OF EQUITY INTEREST IN XIANGTONG
PHOTOELECTRIC**

On 10 October 2014, China Aviation Optical-Electrical Technology Co., Ltd. (“**JONHON OPTRONIC**”) (whose A shares are listed on the Shenzhen Stock Exchange), a non wholly-owned subsidiary of AviChina Industry & Technology Company Limited (the “**Company**”), entered into an equity transfer agreement (the “**Transfer Agreement**”) with Wang Guanghui and Tan Li, two shareholders of Shenzhen Xiangtong Photoelectric Technology Co., Ltd.* (“**Xiangtong Photoelectric**”) and both being independent third parties of the Company, pursuant to which, JONHON OPTRONIC proposed to acquire 51% equity interest in Xiangtong Photoelectric (the “**Proposed Acquisition**”), with its internal funds of no more than RMB122,400,000 in cash. Upon the completion of the Proposed Acquisition, Xiangtong Photoelectric will become a subsidiary of JONHON OPTRONIC.

Xiangtong Photoelectric is a limited liability company incorporated and validly existing under the laws of the PRC and principally engaged in the development, manufacture and sales of fiber optical connectors, fiber adapters, ceramics fiber ferrules, active and passive devices of fiber communication, new ceramic materials, and zirconia ceramic devices. The registered capital of Xiangtong Photoelectric is RMB2,360,000.

Based on the audited financial statements of Xiangtong Photoelectric for the six months ended 30 June 2014, the total assets of Xiangtong Photoelectric as at 30 June 2014 amounted to RMB129,858,387; the revenue and the net profits (before and after taxation) of Xiangtong Photoelectric for the six months ended 30 June 2014 amounted to RMB51,532,705, RMB584,821 and RMB644,775 respectively.

Based on the audited financial statements of Xiangtong Photoelectric for the year ended 31 December 2013, the total assets of Xiangtong Photoelectric as at 31 December 2013 amounted to RMB118,208,330; the revenue and the net profits (before and after taxation) of

Xiangtong Photoelectric for the year ended 31 December 2013 amounted to RMB81,839,061, RMB302,275 and RMB-203,691, respectively.

The Proposed Acquisition will contribute to expanding the application scope of the products of JONHON OPTRONIC, strengthening its processing capability and consolidating its technological advantages. Meanwhile, the Proposed Acquisition will facilitate JONHON OPTRONIC in exploring new markets on medical apparatus and instruments, improving core capabilities on optical passive devices, integrating its vertical resources and expanding the market influence, thereby favoring the Company's sustainable development , .

For further details relating to the Proposed Acquisition, please also refer to the announcement dated 11 October 2014 published by JONHON OPTRONIC on the website of the Shenzhen Stock Exchange (www.szse.cn).

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

Beijing, 10 October 2014

As at the date of this announcement, the board of directors of the Company comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and non-executive directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Maurice Savart, Mr. Sheng Mingchuan, as well as independent non-executive directors Mr. Guo Chongqing, Mr. Lau Chung Man, Louis and Mr. Liu Renhuai.

** For identification purposes only.*