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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 ON ENTERING INTO FRAMEWORK AGREEMENT ON PROPOSED CAPITAL INJECTION IN CAPMC

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

On 27 March 2012, the AviChina Industry & Technology Company Limited (the “**Company**”) entered into a framework agreement on capital increase (“**Framework Agreement**”) with (i) Aviation Industry Corporation of China (“**AVIC**”); (ii) Aviation Industry Information Centre; (iii) AVIC Economy and Technology Institute; (iv) China Aviation News; and (v) China Aviation Publishing & Media Co. Ltd. (“**CAPMC**”), pursuant to which the Company proposed to carry out capital injection in CAPMC (“**Capital Injection**”).

CAPMC was established in January 2011. As at the date of this announcement, CAPMC’s shareholders included AVIC and Aviation Industry Information Centre, each holding 63% and 37% of equity interest in CAPMC respectively. Pursuant to the Framework Agreement, the Company proposed to inject RMB30 million in CAPMC by way of capital increase in cash. AVIC Economy and Technology Institute and China Aviation News also proposed to inject RMB2 million and RMB1 million in CAPMC, respectively, by way of capital increase in cash. For the purpose of the Capital Injection, parties agreed to engage an independent valuer to conduct a valuation on the net asset of CAPMC as at 31 December 2011 (“**Valuation**”). The final shareholding percentage of each of the investors to be held in CAPMC shall be determined after completion of the Capital Injection and with reference to the results of the Valuation, and all parties agreed to ensure that the Company will hold an absolute controlling stake in CAPMC following completion of the Capital Injection. Parties will carry out further negotiation over other terms and arrangements with respect to the Capital Injection and will enter into a formal capital injection agreement after completion of the Valuation and other approval procedures.

CAPMC is mainly engaged in the businesses of advertising, public relation consultation and services, professional exhibitions, information development and sale of audio equipment. Investing in and controlling the CAPMC may, by leveraging on its advantages in the aviation information and publications sectors, help increase the Company’s brand recognition, extend the aviation industry

chain, grasp business information on aviation manufacturing and promote its R&D and manufacturing level. At the same time, under the related policies of the government on pushing culture industry as a pillar industry of national economy, CAPMC is expected to become a new profit increasing business of the Company.

AVIC is the controlling shareholder of the Company, and CAPMC, Aviation Industry Information Centre, AVIC Economy and Technology Institute and China Aviation News are subsidiaries of AVIC. As a result, all aforementioned entities are connected persons of the Company under the Listing Rules. If a formal capital injection agreement is eventually concluded and executed, the Capital Injection will constitute a connected transaction of the Company and the Company will then publish further announcement(s) on the formal capital injection agreement and the connected transaction contemplated thereunder in accordance with the relevant provisions under the Listing Rules.

It should be noted that the shareholding percentage to be held by the Company in CAPMC shall be determined with reference to the results of the Valuation and according to the formal capital injection agreement, which is still subject to further negotiations between parties and cannot be confirmed at this stage. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Hong Kong, 27 March 2012

As at the date of this announcement, the board of directors of the Company comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong, 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.*