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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 CAPITAL INJECTION BY JONHON OPTRONIC TO A SUBSIDIARY

On 17 May 2013, China Aviation Optical-Electrical Technology Co., Ltd., (中航光電科技股份有限公司) (“**JONHON OPTRONIC**”), a non wholly-owned subsidiary of AviChina Industry & Technology Company Limited (the “**Company**”) whose A shares are listed on the Shenzhen Stock Exchange, convened a board meeting to consider and approve the proposed capital injection by JONHON OPTRONIC into AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司) (“**Shenyang Xinghua**”), one of its subsidiaries (the “**Proposed Capital Injection**”), in an aggregate amount of RMB235 million.

A. Summary of the preliminary terms of the Proposed Capital Injection

JONHON OPTRONIC will contribute RMB235 million in cash to Shenyang Xinghua. The capital to be injected will be funded by the internal resources of JONHON OPTRONIC.

The price of the Proposed Capital Injection is determined as RMB5.12 per RMB1 paid-up capital, based on the valuation report prepared by an independent valuer as at the valuation date of 31 December 2012 (“**Valuation Date**”) and by reference to the net assets value of Shenyang Xinghua of RMB313.40 million with an actual registered capital received of RMB61.2653 million. The final price of the Proposed Capital Injection will be subject to the valuation report having been confirmed by and filed with the competent state-owned assets supervision and administration authority.

Following completion of the Proposed Capital Injection, the registered capital of Shenyang Xinghua will increase from RMB61.2653 million to RMB107.2045 million. Set out below is the shareholding structure of Shenyang Xinghua before and after the Proposed Capital Injection:

Shareholder	Before		After	
	<u>the Proposed Capital Injection</u>	<u>the Proposed Capital Injection</u>	<u>the Proposed Capital Injection</u>	<u>the Proposed Capital Injection</u>
	Capital injected (RMB in ten thousands)	Percentage to the total registered capital of Shenyang Xinghua (%)	Capital injected (RMB in ten thousands)	Percentage to the total registered capital of Shenyang Xinghua (%)
JONHON OPTRONIC Aviation Industry Corporation of China (“AVIC”)	3,124.53	51	7,718.45	72
	3,002	49	3,002	28
Total:	6,126.53	100	10,720.45	100

B. Information on Shenyang Xinghua

As at the date of this announcement, Shenyang Xinghua is principally engaged in the research, manufacture, sales, maintenance and service of aviation electric equipment, electric connector and related products, and is owned as to 51% and 49% by JONHON OPTRONIC and AVIC, respectively. The registered capital of Shenyang Xinghua is RMB 61.2653 million.

Based on the audited financial statement of Shenyang Xinghua for the year ended at 31 December 2012 prepared in accordance with the PRC accounting standards, the total assets and the net assets value of Shenyang Xinghua amounted to RMB1,014.3201 million and 312.3291 million, respectively. Based on the valuation report prepared by an independent valuer as at the Valuation Date, the net assets value of Shenyang Xinghua amounted to RMB313.40 million.

C. Reasons for and benefits of the Proposed Capital Injection

The Proposed Capital Injection will enhance the control of JONHON OPTRONIC in Shenyang Xinghua by increasing its shareholding, so as to promote the healthy and rapid development of Shenyang Xinghua. Meanwhile, Through the Proposed Capital Injection, part of the short term borrowings of Shenyang Xinghua will be paid off, which will effectively improve the assets/liability structure and reduce the bank interest expenses of Shenyang Xinghua.

D. Hong Kong Listing Rules Implications

As at the date of this announcement, AVIC is the controlling shareholder of the Company holding 51.26% equity interest in the Company. AVIC is therefore a connected person of the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). As AVIC holds 49% equity interest in Shenyang Xinghua, Shenyang Xinghua is a connected subsidiary of the Company according to the Hong Kong Listing Rules. Accordingly, if the terms of the Proposed Capital

Injection are eventually concluded, the Proposed Capital Injection will constitute a connected transaction of the Company under the Hong Kong Listing Rules.

It should be noted that as at the date of this announcement, no definitive agreement in relation to the Proposed Capital Injection was entered and there is uncertainty over the Proposed Capital Injection, which will be subject to, among other things, the approval of shareholders of JONHON OPTRONIC at the general meeting. In addition, the shareholding to be held by JONHON OPTRONIC in Shenyang Xinghua following completion of the Proposed Capital Injection cannot be confirmed at this stage, which can only be determined with reference to the final valuation results confirmed by and filed with the competent state-owned assets supervision and administration authority, as well as the terms of the definitive agreement in relation to the Proposed Capital Injection.

The Company will make further announcement(s) as and when appropriate in compliance with the Hong Kong Listing Rules should there be any development on the matters pertaining to the Proposed Capital Injection.

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

Beijing, 20 May 2013

As at the date of this announcement, the board of directors comprises executive Directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Sheng Mingchuan and 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.*