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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

PROPOSED CAPITAL INJECTION BY JONHON OPTRONIC TO A SUBSIDIARY

Reference is made to the announcement of AviChina Industry & Technology Company Limited (the “**Company**”) published on 20 May 2013 in relation to the proposed capital injection by China Aviation Optical-Electrical Technology Co., Ltd., (中航光電科技股份有限公司) (“**JONHON OPTRONIC**”) (whose A shares are listed on the Shenzhen Stock Exchange), a non wholly-owned subsidiary of the Company, 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 the subsidiaries of JONHON OPTRONIC, in an aggregate amount of RMB235 million.

On 25 October 2013, JONHON OPTRONIC convened a board meeting to consider and approve the adjustment of the aggregate amount of capital injection from RMB235 million to RMB110 million (the “**Capital Injection**”).

A. Summary of the terms of the Capital Injection

JONHON OPTRONIC will contribute RMB110 million in cash to Shenyang Xinghua. The capital to be injected will be funded by the internal resources of JONHON OPTRONIC.

According to the valuation report prepared by an independent valuer and confirmed by and filed with the competent state-owned assets supervision and administration authority as at the valuation base date of 31 December 2012 (“**Valuation Date**”), the net assets value of Shenyang Xinghua amounted to RMB343.9911 million with an actual registered capital received of RMB61.2653 million as at 31 December 2012, and the price of the Capital Injection is determined as RMB5.6148 per RMB1 paid-up capital.

Following completion of the Capital Injection, the registered capital of Shenyang Xinghua will increase from RMB61.2653 million to RMB80.8564 million. Set out below is the

shareholding structure of Shenyang Xinghua before and after the Capital Injection:

Shareholder	Before <u>the Capital Injection</u>		After <u>the Capital Injection</u>	
	Paid-up Capital (RMB in ten thousands)	Percentage to the total registered capital of Shenyang Xinghua (%)	Paid-up Capital (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	5,083.64 ^{*Note}	62.87
	3,002	49	3,002	37.13
Total:	6,126.53	100	8,085.64	100

*Note: Calculated on the basis of RMB5.6148 per RMB1 paid-up capital.

B. Reasons for and benefits of the Capital Injection

Through the 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. Meanwhile, the 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.

The directors of the Company ("Directors") (including the independent non-executive Directors) are of the opinion that transaction contemplated under the Capital Injection is conducted on normal commercial terms, the terms of the Capital Injection are fair and reasonable and in the interests of the Company and its shareholders as a whole.

C. 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, the Capital Injection will constitute a connected transaction of the Company under the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in relation to the Capital Injection is more than 0.1% but less than 5%, the connected transaction contemplated under the Capital Injection is subject to the reporting and announcement requirements but is exempted from the requirement of independent shareholders' approval.

Each of Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who are general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the transaction contemplated under the Capital Injection and accordingly, they had abstained from voting on the board resolution approving the Capital Injection in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

D. 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. As at the date of this announcement, the Company is held as to 51.26% by AVIC. The Company is mainly engaged in the research and development, manufacture and sales of civil aviation products.

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 RMB993.9324 million and RMB308.1513 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 RMB343.9911 million.

Based on the audited financial statements of Shenyang Xinghua for the financial year ended 31 December 2011, the net profits (before and after taxation) of Shenyang Xinghua amounted to RMB7.8951 million, RMB4.4792 million, respectively.

Based on the audited financial statements of Shenyang Xinghua for the financial year ended 31 December 2012, the net profits (before and after taxation) of Shenyang Xinghua amounted to RMB8.0253 million, RMB5.1287 million, respectively.

Information on JONHON Optronic

JONHON Optronic was incorporated in the PRC in 2002 whose shares are listed on the Shenzhen Stock Exchange. As at the date of this announcement, JONHON Optronic is directly owned as to 41.57% by the Company. JONHON Optronic is principally engaged in the research and development, manufacturing and sales of electrical connectors, optical components and cable assemblies.

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

Beijing, 27 October 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.*