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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)

(1) PROPOSED PLACING OF SHARES BY AVIC AVIONICS; AND

(2) DISCLOSEABLE TRANSACTION: DEEMED DISPOSAL OF INTEREST IN AVIC AVIONICS BY THE COMPANY

Proposed placing of shares by AVIC Avionics

Reference is made to the announcements of the Company dated 27 October 2011 and 2 November 2011 in relation to the proposed placing of new AVIC Avionics Shares by AVIC Avionics, a non wholly-owned subsidiary of the Company whose A shares are listed on the Shanghai Stock Exchange.

On 8 November 2011, the board of directors of AVIC Avionics resolved to place not more than 123,833,819 new AVIC Avionics Shares for subscription by not more than 10 independent qualified investors. Such new AVIC Avionics Shares will be listed on the Shanghai Stock Exchange. The Placing Price will not be less than RMB27.44 per new AVIC Avionics Share, being 90% of the average trading price of AVIC Avionics Shares on the Shanghai Stock Exchange in the last 20 trading days immediately preceding the Price Determination Date. The Placing Price will be finally determined by the board of directors of AVIC Avionics pursuant to the authorisation of its shareholders at the general meeting and after being approved by relevant PRC government authorities and taking into account the bidding prices offered by the targeted investors. The total proceeds to be raised from the Proposed Placing are estimated to be not more than RMB3,398 million, which will be used on avionics system industrialization construction projects, avionics system comprehensive research and development construction projects, expansion of avionics system technology non-aviation projects and for general working capital purposes of AVIC Avionics. The Proposed Placing is subject to, among other things, approval by the shareholders of AVIC Avionics at the general meeting and approvals by the relevant PRC government authorities such as SASAC, CSRC and the State Administration of Science, Technology and Industry for National Defence.

Discloseable transaction: Deemed disposal of approximately 5.83% equity interest in AVIC Avionics by the Company

Upon Completion, the equity interest held by the Company in AVIC Avionics will be diluted by approximately 5.83% from 44.49% to approximately 38.66%, as enlarged by the placing of new AVIC Avionics Shares. Such dilution will constitute a deemed disposal by the Company of its approximately 5.83% equity interest in AVIC Avionics. As the highest applicable size test percentage ratio in relation to the deemed disposal is higher than 5% but less than 25%, the proposed deemed disposal will constitute a discloseable transaction of the Company under the Hong Kong Listing Rules.

To ensure AVIC Avionics will continue to remain as a subsidiary of the Company, the Company, AVIC, AVIC Avionics Systems Co., Ltd. and Hanzhong Aviation Industry (Group) Co., Ltd. entered into an agreement whereby it is agreed that subsequent to Completion, each of AVIC, AVIC Avionics Systems Co., Ltd. and Hanzhong Aviation Industry (Group) Co., Ltd. undertakes to vote the voting rights held by it in AVIC Avionics in accordance with the instructions of the Company. Accordingly, AVIC Avionics will continue to be a subsidiary of the Company and the accounts of AVIC Avionics will continue to be consolidated in the group accounts of the Company following Completion.

Reference is made to the announcements of the Company dated 27 October 2011 and 2 November 2011 in relation to the proposed placing of new AVIC Avionics Shares by AVIC Avionics, a non wholly-owned subsidiary of the Company whose A shares are listed on the Shanghai Stock Exchange.

On 8 November 2011, the board of directors of AVIC Avionics resolved to place not more than 123,833,819 new AVIC Avionics Shares for subscription by not more than 10 independent qualified investors. The Proposed Placing is subject to, among other things, approval by the shareholders of AVIC Avionics at the general meeting and approvals by the relevant PRC government authorities such as SASAC, CSRC and the State Administration of Science, Technology and Industry for National Defence. As at the date of this announcement, no placing agreement has been entered into by AVIC Avionics with any of the independent qualified investors.

A. The Proposed Placing

A summary of the principal terms of the Proposed Placing is set out as follows:

1. Nominal value of the new AVIC Avionics Shares:

RMB1.00 per new AVIC Avionics Share.

2. Placing Methods:

Private placing of new AVIC Avionics Shares at an appropriate time within 6 months from the date of approval by CSRC.

3. Number of new AVIC Avionics Shares to be issued:

Not more than 123,833,819 new AVIC Avionics Shares. The final number of new AVIC Avionics Shares to be placed will be determined by the board of directors of AVIC Avionics pursuant to the authorisation of its shareholders at the general meeting, after taking into account the overall market condition.

4. Placing Targets:

Not more than 10 independent qualified investors, such investors are qualified institutional investors pursuant to the relevant PRC laws and regulations such as securities investment fund management companies, securities companies, investment trusts, finance companies, insurance companies, qualified foreign institutional investors, etc.

5. Placing Price:

Not less than RMB27.44 per new AVIC Avionics Share, being 90% of the average trading price of AVIC Avionics Shares on the Shanghai Stock Exchange in the last 20 trading days immediately preceding the Price Determination Date. The Placing Price will be finally determined by the board of directors of AVIC Avionics pursuant to the authorisation of its shareholders at the general meeting and after being approved by the relevant PRC government authorities and taking into account the bidding prices offered by the targeted investors.

The number of new AVIC Avionics Shares to be placed and the Placing Price will be adjusted correspondingly in case of ex-dividend or ex-entitlement during the period between the Price Determination Date and the issue date of the new AVIC Avionics Shares.

6. Subscription Method:

The independent qualified investors will subscribe for the new AVIC Avionics Shares by cash.

7. Lock-up period:

The new AVIC Avionics Shares proposed to be placed by AVIC Avionics shall be subject to a lock-up period of 12 months commencing from the date upon which completion of the placing of the relevant AVIC Avionics Shares takes place.

8. Use of proceeds:

The total proceeds, which are estimated to be not more than RMB3,398 million shall be used for the following purposes:

- (a) approximately RMB1,207 million on avionics system industrialization construction projects;
- (b) approximately RMB667 million on avionics system comprehensive research and development construction projects;
- (c) approximately RMB798 million on expansion of avionics system technology non-aviation projects; and

- (d) not more than RMB726 million will be used for general working capital purposes of AVIC Avionics.

B. DEEMED DISPOSAL OF INTEREST IN AVIC AVIONICS, EFFECTS OF THE PROPOSED PLACING AND FINANCIAL IMPLICATIONS

The table below sets out the shareholding structures of AVIC Avionics before and upon Completion (on the assumption that the Placing Price per new AVIC Avionics Share is RMB27.44):

Name of Shareholder of AVIC Avionics	Number of AVIC Avionics Shares held before Completion	Approximate % of the issued share capital held before Completion	Approximate Number of AVIC Avionics Shares held upon Completion	Approximate % of the issued share capital held upon Completion
The Company	365,540,192	44.49	365,540,192	38.66
AVIC Avionics Systems Co., Ltd.	152,675,262	18.58	152,675,262	16.15
AVIC	76,004,838	9.25	76,004,838	8.03
Hanzhong Aviation Industry (Group) Co., Ltd.	59,466,640	7.23	59,466,640	6.29
Public A shareholders (including the independent qualified investors under the Proposed Placing)	168,012,043	20.45	291,845,862	30.87
Total	821,698,975	100	945,532,794	100

Note:

The gain/loss (*) on the deemed disposal is calculated by the change in the attributable net asset values of AVIC Avionics held by the Company before and after the Proposed Placing based on the difference between the net asset value of AVIC Avionics attributable to the Company before the Proposed Placing (which is 44.49% x net asset value of AVIC Avionics) and the net asset value of AVIC Avionics attributable to the Company after the Proposed Placing (which is 38.66% (subject to adjustment) x {net asset value of AVIC Avionics + RMB3,398 million net placement proceeds}).

Based on the net asset value of AVIC Avionics of approximately RMB0.8 billion as at 31 December 2010, the disposal gain is estimated to be approximately RMB1 billion. The actual gain or loss cannot be ascertained at this stage because the net asset value of AVIC Avionics can only be determined upon completion of the Proposed Placing.

() The gain/loss will be reflected as a credit/debit movement to reserves and will not be included in the consolidated income statement of the Group.*

C. REASONS FOR THE PROPOSED PLACING

To meet the requirements of future development of aviation manufacture industry of China, the Group will take the opportunity of C919 project to establish strategic cooperation relationship with global leading avionics system integrators and rapidly improve its comprehensive research and development capabilities and industrial capabilities through subcontracting manufacture and

technology cooperation. The use of proceeds raised from the Proposed Placing and the successful implementation of the projects thereunder are in line with the future strategies of the Group and will further improve the technology research and development capabilities and products manufacturing level in the area of avionics, strengthen the core competitiveness while at the same time, positively expand the non aviation products business, the striding development and realize the combination of maximization of shareholders interests and long-term development strategy.

The Directors believe that the terms of the Placing by AVIC Avionics are fair and reasonable and in the interests of the Company and its shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

Upon Completion, the equity interest held by the Company in AVIC Avionics will be diluted by approximately 5.83% from 44.49% to approximately 38.66%, as enlarged by the placing of new AVIC Avionics Shares. Such dilution will constitute a deemed disposal by the Company of its approximately 5.83% equity interest in AVIC Avionics. As the highest applicable size test percentage ratio in relation to the deemed disposal is higher than 5% but less than 25%, the proposed deemed disposal will constitute a discloseable transaction of the Company under the Hong Kong Listing Rules.

To ensure AVIC Avionics will continue to remain as a subsidiary of the Company, the Company, AVIC, AVIC Avionics Systems Co., Ltd. and Hanzhong Aviation Industry (Group) Co., Ltd. entered into an agreement whereby it is agreed that subsequent to Completion, each of AVIC, AVIC Avionics Systems Co., Ltd. and Hanzhong Aviation Industry (Group) Co., Ltd. undertakes to vote the voting rights held by it in AVIC Avionics in accordance with the instructions of the Company. Accordingly, AVIC Avionics will continue to be a subsidiary of the Company and the accounts of AVIC Avionics will continue to be consolidated in the group accounts of the Company following Completion.

E. GENERAL

Information on the Company

The Company is mainly engaged in the research and development, manufacture and sales of civilian aircraft. The Company is held as to 56.70% by AVIC.

Information on AVIC Avionics

AVIC Avionics is a joint stock limited liability company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, AVIC Avionics is held as to 44.49% by the Company. AVIC Avionics is mainly engaged in the manufacturing of aviation electronics engineering products and accessories. Based on the audited financial statements of AVIC Avionics as at 31 December 2009, the net profit before tax and net profit after tax of AVIC Avionics amounted to approximately RMB44,274,703.53 and approximately RMB25,491,419.74, respectively. For the financial year ended on 31 December 2010, the net profit before tax and net profit after tax of AVIC Avionics amounted to approximately RMB189,518,925.80 and approximately RMB134,664,897.65, respectively.

DEFINITIONS

“AVIC”	Aviation Industry Corporation of China (中國航空工業集團公司), a controlling shareholder of the Company holding 56.7% equity interest in the Company
“AVIC Avionics”	China AVIC Avionics Equipment Co., Ltd. (中航航空電子設備股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange which is held as to 44.49% by the Company
“AVIC Avionics Shares”	the A shares of AVIC Avionics which are listed on the Shanghai Stock Exchange
“Board”	the board of directors of the Company
“Company”	AviChina Industry & Technology Company Limited
“Completion”	completion of the Proposed Placing
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Placing Price”	not less than RMB27.44 per new AVIC Avionics Share, being 90% of the average trading price of AVIC Avionics Shares on the Shanghai Stock Exchange in the 20 trading days immediately preceding the Price Determination Date. The placing price will be finally determined by the board of directors of AVIC Avionics pursuant to the authorisation of its shareholders at the general meeting and after being approved by the relevant PRC government authorities and taking into account the bidding prices offered by the targeted investors
“Proposed Placing”	the proposed placing of not more than 123,833,819 new AVIC Avionics Shares to not more than 10 independent qualified investors by AVIC Avionics at the Placing Price
“PRC”	the People’s Republic of China

“Price Determination Date”	the date on which the issue price of not less than RMB27.44 per new AVIC Avionics Shares was initially determined, being the date of suspension of trading of the AVIC Avionics Shares on the Shanghai Stock Exchange on 27 October 2011
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	Stated-owned Assets Supervision and Administration Commission of the State Council

By Order of the Board

AviChina Industry & Technology Company Limited*

Yan Lingxi

Company Secretary

Hong Kong, 10 November 2011

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.*