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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)

INSIDE INFORMATION ANNOUNCEMENT

ACQUISITION OF 100% OF THE EQUITY INTEREST OF AVIC HELICOPTER

This announcement is made by AviChina Industry & Technology Company Limited* (the “**Company**”, together with its subsidiaries, collectively referred to the “**Group**”) under the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

On 12 October 2018, the Company, Aviation Industry Corporation of China, Ltd. (“**AVIC**”) and Tianjin Free Trade Zone Investment Company Limited (“**Tianjin Free Trade Investment**”, a wholly-owned subsidiary of the State-owned Asset Management Bureau of Tianjin Port Free Trade Zone, together with the Company and AVIC, collectively referred to the “**Parties**”) entered into the equity transfer framework agreement (the “**Framework Agreement**”). Pursuant to the Framework Agreement, AVIC and Tianjin Free Trade Investment propose to sell an aggregate of 100% of the equity interest in AVIC Helicopter Co., Ltd. (“**AVIC Helicopter**”) to the Company (the “**Proposed Equity Transfer**”). The consideration for the transaction is subject to the commercial negotiation of the Parties and will be determined in compliance with the requirements of PRC laws and regulations and the Listing Rules, which is proposed to be settled by cash or by shares of the Company or in any other manner permitted by laws. Upon execution of the Framework Agreement, the Parties will use their best endeavors to proceed with the Proposed Equity Transfer, perform

the legal procedures where necessary and sign the relevant transaction documents in accordance with the requirements of PRC laws and regulations and the Listing Rules.

AVIC Helicopter is a company incorporated in the PRC which is principally engaged in the research and development, manufacturing, sales and maintenance of helicopters, other aircraft, aviation parts and components. Its major subsidiaries include Harbin Aircraft Industry Group Co., Ltd., Changhe Aircraft Industry (Group) Corporation Ltd., etc. The acquisition of AVIC Helicopter is in line with the military-civilian integration development strategy and the development strategy plan of the Company's helicopter industry, and will be beneficial for the Group's helicopter business development.

As at the date of this announcement, AVIC is the controlling shareholder of the Company. The Proposed Equity Transfer, if proceeded with, will constitute a connected transaction under Chapter 14A and a transaction under Chapter 14 of the Listing Rules. As the terms of the Proposed Equity Transfer (including but not limited to the consideration, payment method and closing arrangement) are subject to the negotiation of the Parties and execution of a formal agreement, the Company will perform its obligations of information disclosure and/or the independent shareholders' approval (if applicable) in accordance with the requirements of the Listing Rules in due course.

The terms of the formal agreement of the Proposed Equity Transfer are subject to further negotiation by the Parties, and are subject to approval by Chinese regulatory authorities. Shareholders of the Company and potential investors are advised to exercise caution when dealing with the securities of the Company.

By Order of the Board

AviChina Industry & Technology Company Limited*

Xu Bin

Company Secretary

Beijing, 12 October 2018

As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong and Mr. Chen Yuanxian, non-executive Directors Mr. Li Yao, Mr. Wang Xuejun, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purposes only*