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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
PROPOSED ASSET SWAP OF HONGDU AVIATION

This announcement is made by AviChina Industry & Technology Company Limited* (the “**Company**”) 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 14 November 2018, Jiangxi Hongdu Aviation Industry Co., Ltd.* (“**Hongdu Aviation**”), a non-wholly owned subsidiary of the Company, entered into the intention agreement (“**Intention Agreement**”) with Jiangxi Hongdu Aviation Industry Group Co., Ltd.* (“**Hongdu Group**”). Pursuant to the Intention Agreement, Hongdu Aviation proposes to swap some of its components manufacturing business and assets for the relevant defense products business and assets of Hongdu Group (“**Proposed Asset Swap**”). As of the date of this announcement, the specific scope of assets under the Proposed Asset Swap is subject to further determination by the parties. Accordingly, the audit and valuation reports of the assets to be swapped have not been completed, and the transaction price of the Proposed Asset Swap has not been determined. The final transaction price will be determined based on the valuation of the assets to be acquired and disposed as filed by the state-owned assets management authority. Hongdu Aviation will sign a formal agreement and fulfill the necessary approval procedures after the audit and valuation of the relevant assets are completed. In addition, the implementation of the Proposed Asset Swap is subject to approval by the competent authority and the enforcement of the necessary internal decision-making procedures by the parties.

In the meantime, Aviation Industry Corporation of China, Ltd.* (“**AVIC**”), the actual controller of Hongdu Aviation, committed in 2010 that “it has never considered injecting its defense assets into Hongdu Aviation, and will not consider injecting the defense assets into Hongdu Aviation in the future”. The Proposed Asset Swap involves the injection of the relevant defense products business and assets. Therefore, the cancellation of the aforementioned commitment by AVIC is subject to the approval by the general meeting of Hongdu Aviation. If the cancellation of the aforementioned commitment is not considered and approved by the general meeting, the Proposed Asset Swap will not be implemented.

Hongdu Group is a company incorporated in the PRC. It is mainly engaged in research and development, production, sales and service of aviation aircraft, trainers, helicopters, drones and aviation components. The Proposed Asset Swap will help Hongdu Aviation optimize resource allocation, improve industrial structure, enrich product lines, increase revenue sources, improve

income structure, and enhance the market competitiveness and profitability of Hongdu Aviation. As at the date of this announcement, AVIC is the controlling shareholder of the Company. Hongdu Aviation is a subsidiary of the Company and Hongdu Group is a subsidiary of AVIC. The Proposed Asset Swap (if implemented) will constitute a connected transaction of the Company under Chapter 14 and a transaction of the Company under Chapter 14 under the Listing Rules. As the terms of the Proposed Asset Swap (including but not limited to, the consideration, payment method and delivery arrangements) are still subject to negotiation and execution of a formal transaction agreement by the parties, the Company will perform information disclosure obligation and/or independent shareholders' approval obligation (if applicable) in accordance with the relevant provisions of the Listing Rules.

The Proposed Asset Swap is still in the preliminary planning stage. The transaction plan is subject to further demonstration, communication and negotiation, and is subject to the necessary approval procedures in accordance with relevant requirements under laws, regulations and the articles of association of the company. 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, 14 November 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.*