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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)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO PROPOSED THIRD GRANT UNDER THE RESTRICTED SHARE INCENTIVE SCHEME OF JONHON OPTRONIC**

Reference is made to the announcements (the “**Announcements**”) of AviChina Industry & Technology Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”): (i) dated 27 October 2016 in relation to, among other things, the adoption of a restricted share incentive scheme (the “**Restricted Share Incentive Scheme**”) by China Aviation Optical-Electrical Technology Co., Ltd.\* (中航光電科技股份有限公司) (“**JONHON Optronics**”), a subsidiary of the Company and the grant of the first batch of the restricted shares thereunder; and (ii) dated 18 November 2019 in relation to the grant of the second batch of the restricted shares. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

On 22 September 2022, JONHON Optronics proposed to grant the third batch of the restricted shares under the Restricted Share Incentive Scheme to certain participants (the “**Proposed Third Grant**”). Pursuant to the Proposed Third Grant, JONHON Optronics will grant a total of 41.926 million restricted shares (“**Restricted Shares**”) to 1,480 selected participants, including certain directors, senior management, disciplinary committee secretary, trade union chairman, middle management and core technical (business) staff of JONHON Optronics as well as senior management and core staff of JONHON Optronics’s subsidiaries (the “**Selected Participants**”), representing approximately 2.64% of the issued share capital of JONHON Optronics as at the date of this announcement. The grant price under the Proposed Third Grant is RMB32.37 per restricted share. The source of shares under the Proposed Third Grant is the issuance and placing of new A shares in accordance with relevant laws and regulations.

The Proposed Third Grant is valid from the date of grant of the Restricted Shares to the date of unlocking, repurchase or cancellation of all Restricted Shares. The Proposed Third Grant is valid for a period of 5 years (60 months), comprising a transfer restriction period of 2 years (24 months) and an unlocking period of 3 years (36 months).

During the unlocking period, if certain conditions for unlocking the Restricted Shares pursuant to the Proposed Third Grant are fulfilled, the maximum number of shares that a participant may apply for unlocking on each of the three unlocking dates shall be 33.3%, 33.3% and 33.4%, respectively, of the number of restricted shares granted under the Proposed Third Grant, and the actual number of restricted shares that may be unlocked shall be corresponded to the results of the participants' performance in the previous year.

If the conditions for unlocking the restricted shares are not met, the Restricted Shares will not be unlocked in that year and the unlocked portion of the restricted shares shall be repurchased and cancelled by JONHON Optronics at the grant price or the closing price of JONHON Optronics' shares on the trading day prior to the implementation of the repurchase, whichever is lower.

As at the date of this announcement, the Proposed Third Grant is subject to the obtaining of necessary approvals, including but not limited to the approval by the shareholders at the general meeting of JONHON Optronics, the approval of the board of directors of the Company and the approval of relevant regulatory authorities.

### **BASIS OF DETERMINING THE GRANT PRICE**

In accordance with the relevant regulations of the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission, the grant price of the restricted shares under the Proposed Third Grant shall be determined at 50% of the higher of the following prices and shall not be less than the nominal value of the shares of JONHON Optronics:

- (1) 50% of the average trading price of the A shares of JONHON Optronics on the trading day one day prior to the first announcement of JONHON Optronics in relation to the Proposed Third Grant (the "**First Announcement**"), i.e. RMB32.37; or
- (2) 50% of the average trading price of the A shares of JONHON Optronics for the 20 trading days prior to the First Announcement, i.e. RMB31.91.

### **Adjustment mechanisms of the grant price and the number of shares granted**

If, during the period from the date of First Announcement to the completion of the registration of the Restricted Shares, JONHON Optronics makes any dividend payment, capitalisation of capital reserve, bonus payment, share subdivision or share reduction, share allotment or issue of additional shares which affects the total number of share capital of JONHON Optronics or the price of the shares of JONHON Optronics which is subject to ex-rights or ex-dividend treatment, JONHON Optronics shall adjust the number of Restricted Shares and the Grant Price accordingly.

### **DEEMED DISPOSAL IN RELATION TO THE PROPOSED THIRD GRANT**

As at the date of this announcement, the total number of the issued A Shares of JONHON Optronics was 1,589,624,960 and the Company held 598,971,929 A Shares, representing approximately 37.68% of the issued A Shares of JONHON Optronics. The number of the Restricted Shares which will be issued under the Proposed Third Grant is 41.926 million A Shares. After the issuance and placing of the Restricted Shares under the Proposed Third Grant, the Company will hold approximately 36.71% of the enlarged A Shares of JONHON Optronics. The Company's shareholding in JONHON Optronics will be diluted by approximately 0.97%, as a result of the issuance and placing of the Restricted Shares under the Proposed Third Grant.

Set out below are the shareholding structure of JONHON Optronics as the date of this announcement and the anticipated shareholding structure of JONHON Optronics immediately after completion of the issuance and placing of the Restricted Shares for illustrative purpose:

	As at the date of this announcement		Immediately after the issuance and placing of the Restricted Shares under the Proposed Third Grant	
	Number of A Shares (thousand shares)	Approximate percentage in existing A Shares	Number of A Shares (thousand shares)	Approximate percentage in enlarged A Shares
The Company	598,971.9	37.68%	598,971.9	36.71%
Participants under transfer				
restriction/lock-up	27,756.4	1.75%	27,756.4	1.70%
Selected Participants	-	-	41,926.0	2.57%
Other shareholders	962,896.7	60.57%	962,896.7	59.02%
<b>Total</b>	<b>1,589,625.0</b>	<b>100.00%</b>	<b>1,631,551.0</b>	<b>100.00%</b>

## INFORMATION OF 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. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

## INFORMATION OF THE JONHON OPTRONIC

JONHON Optronic is a joint stock limited liability company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 002179), and is a non-wholly owned subsidiary held by the Company as to 37.68% as at the date of this announcement. It is mainly engaged in research and development, production, sales and provision of services of high-end optical, electrical, and fluid connectors and relevant equipment.

According to the unaudited consolidated balance sheet of JONHON Optronic as at 30 June 2022 (which was prepared in accordance with the PRC GAAP (the generally accepted accounting principles adopted in the PRC)), the net assets value of JONHON Optronic as at 30 June 2022 amounted to approximately RMB17,143,450,653.78.

The revenue and profits extracted from the audited consolidated financial statements of JONHON Optronic (which were prepared in accordance with the PRC GAAP) for the past 2 financial years are set out as below:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	(RMB million)	(RMB million)
<b>Profit before taxation</b>	1,681.1	2,267.5
<b>Profit after taxation</b>	1,531.4	2,125.8
<b>Revenue</b>	10,305.2	12,866.9

## FINANCIAL EFFECT OF THE DEEMED DISPOSAL

As disclosed above, JONHON Optronic proposed to grant a total of 41.926 million restricted shares at the grant price of RMB32.37 per restricted share. Assuming that the fair value of the Restricted Shares is based on the closing price of RMB64.68 per A share of JONHON Optronic on the day prior to the First Announcement, the management expenses to be recognised by JONHON Optronic for the implementation of the Restricted Share Incentive Scheme are estimated to be approximately RMB1,354.6 million. The

management fee shall be recognised in profit or loss account of JONHON Optronics from the date of grant to the date of unlocking of all Restricted Shares, namely the aforementioned RMB1,354.6 million will be amortised. The management fee to be recognised has no actual cash flow, but it will affect the net profit of JONHON Optronics. The details of the approximate amortisation amounts are as follows:

<b>Financial year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Amortisation (RMB million)</b>	40.2	489.2	470.6	251.0	103.6

In accordance with the China Accounting Standards for Business Enterprises, the exact amortization amount shall be based on the fair value of the A shares of JONHON Optronics on the actual grant date. The expenses of the Proposed Third Grant shall be recognised in the recurring profit or loss of JONHON Optronics's financial statements.

The aforementioned share incentive scheme expenses shall be accounted in the Company's net profit attributable to the owners of the parent company on a pro-rata basis.

Upon issuance and unlocking of the Restricted Shares under the Proposed Third Grant, JONHON Optronics will remain as a subsidiary of the Company.

#### **REASONS FOR AND BENEFIT OF THE PROPOSED THIRD GRANT**

The Proposed Third Grant can motivate the core staff of JONHON Optronics and improve the operation level of JONHON Optronics. The directors of the Company are of the view that the Proposed Third Grant is fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As all the shares involved under the Proposed Third Grant will be granted through issuance and placing of new A shares, upon completion of the Proposed Third Grant, the equity interest in JONHON Optronics held by the Company will be diluted from 37.68% to 36.71%. Therefore, the Proposed Third Grant constitutes a deemed disposal of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the deemed disposal exceed 5% but less than 25%, the deemed disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

The Proposed Third Grant also involves the grant of 110,000 restricted shares to Mr. Guo Zeyi, the chairman of the board of directors of JONHON Optronics and Mr. Li Sen, the general manager of JONHON Optronics, respectively. Each of Mr. Guo Zeyi and Mr. Li Sen is a connected person of the Company at the subsidiary level. Therefore, such grant will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable size test percentage ratios in respect of such grant is less than 1%, the grant of restricted shares by JONHON Optronics to Mr. Guo Zeyi and Mr. Li Sen is exempt from the announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Company will comply with the applicable requirements of the Listing Rules for any further arrangement in relation to the Restricted Share Incentive Scheme in due course.

By Order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Xu Bin**  
*Company Secretary*

Beijing, 22 September 2022

*As at the date of this announcement, the Board comprises executive Directors Mr. Zhang Minsheng and Mr. Yan Lingxi, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.*

\* For identification purpose only