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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
CAPITAL CONTRIBUTION BY AVIC
IN CHANGHE AIRCRAFT AND HARBIN AIRCRAFT**

CAPITAL CONTRIBUTION BY AVIC IN CHANGHE AIRCRAFT AND HARBIN AIRCRAFT BY WAY OF CAPITALISATION OF CAPITAL RESERVE (EXCLUSIVELY STATE-OWNED)

In order to support the long-term development of the helicopter industry, AVIC intends to make capital contribution in Changhe Aircraft and Harbin Aircraft by way of State Funds invested by the PRC.

The Board hereby announces that, on 6 January 2023 (after trading hours), (i) the Company, AVIC and Changhe Aircraft entered into Capital Contribution Agreement I, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned); and (ii) the Company, AVIC and Harbin Aircraft entered into Capital Contribution Agreement II, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned).

Upon completion of the Capital Contribution, (i) the registered capital of Changhe Aircraft will increase from RMB442,591,998.72 to RMB478,821,686.62, the equity interests of the Company in Changhe Aircraft will be diluted from 100% to approximately 92.43%, and Changhe Aircraft will remain as a subsidiary of the Company; and (ii) the registered capital of Harbin Aircraft will increase from RMB1,184,958,700 to RMB1,466,723,259.90, the equity interests of the Company in Harbin Aircraft will be diluted from 100% to approximately 80.79%, and Harbin Aircraft will remain as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Changhe Aircraft and Harbin Aircraft are wholly-owned subsidiaries of the Company, and AVIC is the controlling shareholder of the Company holding directly and indirectly approximately 62.30% of the total issued shares of the Company. AVIC is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Capital Contribution constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. As the Company's equity interests in Changhe Aircraft and Harbin Aircraft will be diluted upon completion of the Capital Contribution, the Capital Contribution also constitutes deemed disposal of equity interests in Changhe Aircraft and Harbin Aircraft under Rule 14A.24 of the Listing Rules.

As the highest applicable percentage ratio (other than the profit ratio) in respect of the Capital Contribution is higher than 0.1% but is less than 5%, the Capital Contribution is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CAPITAL CONTRIBUTION BY AVIC IN CHANGHE AIRCRAFT AND HARBIN AIRCRAFT BY WAY OF CAPITALISATION OF CAPITAL RESERVE (EXCLUSIVELY STATE-OWNED)

In order to support the long-term development of the helicopter industry, AVIC intends to make capital contribution in Changhe Aircraft and Harbin Aircraft by way of State Funds invested by the PRC.

The Board hereby announces that, on 6 January 2023 (after trading hours), (i) the Company, AVIC and Changhe Aircraft entered into Capital Contribution Agreement I, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned) ; and (ii) the Company, AVIC and Harbin Aircraft entered into Capital Contribution Agreement II, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned).

Upon completion of the Capital Contribution, (i) the registered capital of Changhe Aircraft will increase from RMB442,591,998.72 to RMB478,821,686.62, the equity interests of the Company in Changhe Aircraft will be diluted from 100% to approximately 92.43%, and Changhe Aircraft will remain as a subsidiary of the Company; and (ii) the registered capital of Harbin Aircraft will increase from RMB1,184,958,700 to RMB1,466,723,259.90, the equity interests of the Company in Harbin Aircraft will be diluted from 100% to approximately 80.79%, and Harbin Aircraft will remain as a subsidiary of the Company.

The principal terms of the Capital Contribution Agreements are set out as follows:

Date: 6 January 2023

Parties: i. In respect of Capital Contribution Agreement I:

- (1) the Company;
- (2) AVIC; and
- (3) Changhe Aircraft.

ii. In respect of Capital Contribution Agreement II:

- (1) the Company;
- (2) AVIC; and
- (3) Harbin Aircraft.

Capital Contribution: i. In respect of Capital Contribution Agreement I:

The book value of the capital reserve (exclusively state-owned) of Changhe Aircraft attributable to AVIC as of 31 July 2022 is RMB409,050,000 (the “**Book Value of CA Capital Reserve (exclusively state-owned)**”), among which AVIC will use RMB124,630,126.37 to make capital contribution to Changhe Aircraft (the “**CA Contributed Amount**”). The appraised value of the net assets of Changhe Aircraft as at 31 July 2022 is RMB1,931,425,714.14, which is determined based on asset-based approach by a professional independent PRC valuer, and is subject to the final appraised value filed with and approved by the relevant state-owned assets supervision authority. The registered capital of Changhe Aircraft as of the date of this announcement is RMB442,591,998.72.

The capital contribution price = the appraised value of Changhe Aircraft after deducting the Book Value of CA Capital Reserve (exclusively state-owned) divided by the registered capital of Changhe Aircraft before the completion of the capital contribution. As calculated based on such formula, the capital contribution price per RMB1 in the registered capital of Changhe Aircraft is RMB3.440. Out of the CA Contributed Amount of RMB124,630,126.37, RMB36,229,687.90 will be transferred to the registered capital of Changhe Aircraft. The final capital contribution price shall be determined based on the filed appraised value of Changhe Aircraft and the above formula.

ii. In respect of Capital Contribution Agreement II:

The book value of the capital reserve (exclusively state-owned) of Harbin Aircraft attributable to AVIC as of 31 July 2022 is RMB604,948,510.10 (the “**Book Value of HA Capital Reserve (exclusively state-owned)**”). AVIC will use all of the Book Value of HA Capital Reserve (exclusively state-owned) to make capital contribution to Harbin Aircraft (the “**HA Contributed Amount**”). The appraised value of the net assets of Harbin Aircraft as at 31 July 2022 is RMB3,149,010,357.83, which is determined based on asset-based approach by a professional independent PRC valuer, and is subject to the final appraised value filed with and approved by the relevant state-owned assets supervision authority. The registered capital of Harbin Aircraft as of the date of this announcement is

RMB1,184,958,700.

The capital contribution price = the appraised value of Harbin Aircraft after deducting the Book Value of HA Capital Reserve (exclusively state-owned) divided by the registered capital of Harbin Aircraft before the completion of the capital contribution. As calculated based on such formula, the capital contribution price per RMB1 in the registered capital of Harbin Aircraft is RMB2.147. Out of the HA Contributed Amount of RMB604,948,510.10, RMB281,764,559.90 will be transferred to the registered capital of Harbin Aircraft. The final capital contribution price shall be determined based on the filed appraised value of Harbin Aircraft and the above formula.

Effectiveness of the Capital Contribution Agreements: Capital Contribution Agreement I and Contribution Agreement II shall become effective respectively upon the satisfaction of the following conditions: (i) the agreement being signed and sealed by the authorised representatives of each party; (ii) the parties to the agreement having fulfilled their respective internal decision-making procedures to approve the Capital Contribution; (iii) the approval of the Capital Contribution by competent state-owned assets supervision and administration authority having been obtained; and (iv) there being no act or procedure by any government authority restricting, prohibiting, invalidating or otherwise preventing or attempting to prevent the completion of the Capital Contribution.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

According to the relevant regulations, the investment in fixed assets invested by the state in the form of capital injection and the assets formed by them shall be converted into state-owned equity in accordance with relevant regulations. Therefore, AVIC intends to make capital contribution in Changhe Aircraft and Harbin Aircraft by way of State Funds invested by the PRC. Meanwhile, the Capital Contribution can help Harbin Aircraft and Changhe Aircraft to increase capital, optimise capital structure and enhance capital strength.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that although the transactions contemplated under the Capital Contribution Agreements are not conducted in the ordinary and usual course of business of the Group, the terms of the Capital Contribution Agreements are transacted on an arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION

Upon completion of the Capital Contribution, Changhe Aircraft and Harbin Aircraft will be held as to approximately 7.57% and 19.21% by AVIC respectively, and the total equity interests of the Company in Changhe Aircraft and Harbin Aircraft will be diluted from 100% to approximately 92.43% and approximately 80.79%, respectively. Upon completion of the Capital Contribution, Changhe Aircraft and Harbin Aircraft will remain as subsidiaries of the Company, and the operating results, financial conditions and cash flows of Changhe Aircraft and Harbin Aircraft will continue to be included in the consolidated financial statements of the Group. The deemed

disposal resulting from the Capital Contribution will be accounted for as equity transaction and no gain or loss will be recognised in the Group's consolidated income statement.

GENERAL INFORMATION

AVIC

AVIC is controlled by the State Council of the PRC, and is mainly engaged in the development and manufacture of aviation products and non-aviation products. AVIC is the controlling shareholder of the Company, directly and indirectly holding approximately 62.30% equity interest in the Company as at the date of this announcement.

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 and development, manufacture and sales of aviation products, and relevant engineering services.

Changhe Aircraft

Changhe Aircraft is a limited liability company established in the PRC. As of the date of this announcement, Changhe Aircraft is a wholly-owned subsidiary of the Company and is mainly engaged in the research and development, manufacture and sales of multiple kinds of helicopters.

The net profit (both before and after taxation) of Changhe Aircraft prepared under the China Accounting Standards for Business Enterprises for the financial years ended 31 December 2020 and 31 December 2021 and the seven months ended 31 July 2022 are set out below:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the seven months ended 31 July 2022
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation	238,305,167	335,716,121	-84,955,210
Net profit after taxation	201,861,036	263,835,194	-88,556,893

The book value of the net assets of Changhe Aircraft as at 31 July 2022 prepared under the China Accounting Standards for Business Enterprises was RMB1,345,945,403.

Harbin Aircraft

Harbin Aircraft is a limited liability company established in the PRC. As of the date of this announcement, Harbin Aircraft is a wholly-owned subsidiary of the Company, it is a principal base for the research and development and manufacture of helicopters in the PRC, and it is mainly engaged in the research and development, manufacture and sale of multiple kinds of helicopters.

The consolidated net profit (both before and after taxation) of Harbin Aircraft prepared under the China Accounting Standards for Business Enterprises for the financial years ended 31 December 2020 and 31 December 2021 and the seven months ended 31 July 2022 are set out below:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the seven months ended 31 July 2022
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	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation	147,417,293	77,419,732	2,038,309
Net profit after taxation	123,406,398	102,739,230	-298,845

The book value of the consolidated net assets of Harbin Aircraft as at 31 July 2022 prepared under the China Accounting Standards for Business Enterprises was RMB1,688,869,900.

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As the highest applicable percentage ratios (other than the profit ratio) in respect of the Capital Contribution is higher than 0.1% but is less than 5%, the Capital Contribution is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has approved the Capital Contribution. Mr. Zhang Minsheng, an executive Director and chairman of the Board, who is a chief accountant of AVIC, and Mr. Liu Bingjun, a non-executive Director, who is a vice director of the Capital Operation Department of AVIC, had abstained from voting on the relevant Board resolutions approving the Capital Contribution in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transactions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), a controlling shareholder of the Company holding directly and indirectly approximately 62.30% equity interest of the Company
“Board”	the board of directors of the Company
“Capital Contribution”	the capital contribution contemplated under the Capital Contribution Agreements
“Capital Contribution Agreement I”	the capital contribution agreement dated 6 January 2023

	entered into among the Company, AVIC and Changhe Aircraft, pursuant to which AVIC agreed to make a capital contribution of RMB124,630,126.37 in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned)
“Capital Contribution Agreement II”	the capital contribution agreement dated 6 January 2023 entered into among the Company, AVIC and Harbin Aircraft, pursuant to which AVIC agreed to make a capital contribution of RMB604,948,510.10 in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned)
“Capital Contribution Agreements”	Capital Contribution Agreement I and Capital Contribution Agreement II
“Changhe Aircraft”	Changhe Aircraft Industries (Group) Co., Ltd.* (昌河飛機工業(集團)有限責任公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as of the date of this announcement
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company together with its subsidiaries
“Harbin Aircraft”	Harbin Aircraft Industry Group Co., Ltd.* (哈爾濱飛機工業集團有限責任公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as of the date of this announcement
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“%”	percent

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

Beijing, 6 January 2023

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. Liu Bingjun, 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*