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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 LATEST UPDATE ON THE PROPOSED RESTRUCTURING

This announcement is made by AviChina Industry & Technology Company Limited* (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Reference is made to the announcement of the Company dated 23 December 2022 (the “**Announcement**”) in relation to the Intent Agreement entered into between the Company and AVICOPTER. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

INTRODUCTION

In order to further materialise the integration of the helicopter business of the Group, increase management efficiency and resource allocation efficiency, thereby promoting long term development of its helicopter business, the board (the “**Board**”) of directors (“**Directors**”) of the Company announces that, on 9 January 2023, the Company, AVICOPTER and Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司) (“**AVIC**”) have reached the following indicative agreements with respect to the Proposed Restructuring (including the Acquisition of Assets by Issue of Shares (as defined below) and the Raising of Supporting Funds (as defined below)).

AGREEMENT ON THE ACQUISITION OF ASSETS BY ISSUE OF SHARES

The indicative principal terms of the agreement on the acquisition of assets by issue of shares (the “**Agreement on the Acquisition of Assets by Issue of Shares**”) are set out as follows:

Date

9 January 2023

Parties

- (i) AVICOPTER;
- (ii) the Company; and
- (iii) AVIC.

Subject Matter

AVICOPTER intends to purchase approximately 92.43% equity interests in Changhe Aircraft and approximately 80.79% equity interests in Harbin Aircraft from the Company, and purchase approximately 7.57% equity interests in Changhe Aircraft and approximately 19.21% equity interests in Harbin Aircraft from AVIC (Changhe Aircraft and Harbin Aircraft are collectively known as the “**Target Companies**”) by way of issuing consideration shares to the Company and AVIC. AVICOPTER intends to acquire the Target Assets by issuing new shares to the Company and AVIC as consideration (the “**Acquisition of Assets by Issue of Shares**”).

Consideration

The final consideration of the Target Assets will be determined with reference to the valuation results stated in the valuation report in respect of the Target Assets issued by an appraisal agency which meets the requirements specified in the Securities Law of the People’s Republic of China, and the valuation report shall be filed with the competent state-owned assets supervision authority and will be confirmed in supplemental agreement(s) to be signed by the parties.

According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies, the issue price of the shares to be issued by AVICOPTER shall not be lower than 90% of the market reference price. The market reference price shall be one of the average trading prices of the shares of AVICOPTER in the 20 trading days, 60 trading days or 120 trading days prior to the date (the “**Market Reference Date**”) of the announcement of the board resolutions of AVICOPTER for considering the Acquisition of Assets by Issue of Shares. After arm’s length discussion by the parties, the issue price of the shares under the Acquisition of Assets by Issue of Shares shall be RMB39.53 per share, which is not lower than 90% of the average trading price of AVICOPTER in the 60 trading days prior to the Market Reference Date. The final issue price shall be subject to shareholders’ approval in a general meeting of AVICOPTER and approval of the China Securities Regulatory Commission (the “**CSRC**”).

In order to address the possible adverse effect on the Acquisition of Assets by Issue of Shares arising from price fluctuation in the shares of AVICOPTER which is caused by market and industry factors including the overall fluctuation of the capital market and the changes in market performance of the capital market where AVICOPTER is listed, according to the Measures for the Administration of the Material Asset Restructurings of Listed Companies, the

issue price could be adjusted once by the board of directors of AVICOPTER as authorised by the general meeting of AVICOPTER and after obtaining the shareholders' approval in relation to the Acquisition of Assets by Issue of Shares at the general meeting of AVICOPTER as well as prior to obtaining the approval of the CSRC in relation to the Acquisition of Assets by Issue of Shares, provided that the consideration of the Target Assets shall remain unchanged. The number of shares to be issued shall be adjusted accordingly based on the adjusted issue price. The final consideration and the number of shares to be issued shall be determined by the parties after negotiation and execution of relevant agreements based on the aforementioned valuation results.

Lock-up Period

The Company and AVIC shall not transfer the new shares of AVICOPTER to be issued to them under the Acquisition of Assets by Issue of Shares within 36 months from the date of completion of issue of shares of AVICOPTER, unless permitted by the applicable laws. If the closing price of the shares of AVICOPTER is lower than the issue price for 20 consecutive trading days within six months after completion of the Acquisition of Assets by Issue of Shares, or if the closing price as at the end of such six-month period is lower than the issue price, then the lock-up period for the new shares to be issued to the Company and AVIC under the Acquisition of Assets by Issue of Shares shall be automatically extended by six months.

Conditions to Effectiveness

The Agreement on the Acquisition of Assets by Issue of Shares will take effect upon fulfillment of all of the following conditions:

1. the Acquisition of Assets by Issue of Shares has been effectively approved by the board of directors of AVICOPTER and the shareholders in a general meeting of AVICOPTER in accordance with the articles of association of AVICOPTER;
2. the Company and AVIC and other relevant parties to the Acquisition of Assets by Issue of Shares have performed their necessary internal decision-making procedures in relation to the Acquisition of Assets by Issue of Shares;
3. the Acquisition of Assets by Issue of Shares has been approved by the competent industry governing authority(ies);
4. the valuation report in relation to the Acquisition of Assets by Issue of Shares has been filed with the competent state-owned assets supervision authority;
5. the Acquisition of Assets by Issue of Shares has been approved by the competent state-owned assets supervision authority; and
6. the Acquisition of Assets by Issue of Shares has been approved by the CSRC.

The Agreement on the Acquisition of Assets by Issue of Shares shall become effective after the fulfillment of all of the aforementioned conditions. Prior to the fulfillment of all the aforementioned conditions, the parties shall not be bound by the Agreement on the Acquisition of Assets by Issue of Shares.

Completion

After the aforementioned conditions to effectiveness have been fulfilled or as amended by the parties in writing, and the approval procedures as required by laws and regulations have been performed, the completion date of the transaction shall be the date on which the consideration shares issued by AVICOPTER are registered in the stock accounts of the Company and AVIC which they maintain with the China Securities Depository and Clearing Corporation Limited.

After completion of the disposals, the Company shall continue to hold equity interests in the Target Companies. The assets and financial results of the Target Companies shall continue to be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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, upon the Agreement on the Acquisition of Assets by Issue of Shares becoming effective, the proposed transfer of equity interests in the Target Companies held by AVIC to AVICOPTER and the issue of shares of AVICOPTER to AVIC as consideration (if materialised) shall constitute connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, upon the Agreement on the Acquisition of Assets by Issue of Shares becoming effective, the transfer of equity interests in the Target Companies held by the Company and the issue of shares of AVICOPTER to the Company as consideration (if materialised) shall constitute notifiable transaction of the Company under Chapter 14 of the Listing Rules. The Company anticipates that this transaction shall not constitute a very substantial disposal or a very substantial acquisition under the Listing Rules.

The final consideration and the number of shares to be issued shall be determined by the parties to the agreement after negotiation and execution of supplemental agreement(s) based on the valuation results. The Agreement on the Acquisition of Assets by Issue of Shares shall become effective only after the fulfillment of all the aforementioned conditions. The Company shall comply with the requirements of the Listing Rules and make further announcement(s) as and when appropriate in accordance with the applicable requirements of the Listing Rules. Upon the Agreement on the Acquisition of Assets by Issue of Shares becoming effective and the supplemental agreement being materialised, or if the anticipated classification of the Acquisition of Assets by Issue of Shares has been changed pursuant to the Listing Rules, the Company shall comply with the requirements of the Listing Rules and make further announcement(s) as and when appropriate in accordance with the applicable requirements of the Listing Rules.

RAISING OF SUPPORTING FUNDS

AVICOPTER intends to issue shares to the Company, AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司) (“**AVIC Airborne Systems**”), which is a wholly-owned subsidiary of AVIC, and not more than 33 other third parties by a proposed non-public placing of new shares (the “**Raising of Supporting Funds**”). The Company and AVIC Airborne Systems

intend to subscribe for part of the non-public portion of the issue of shares by AVICOPTER, respectively, by cash. The total funds to be raised under the Raising of Supporting Funds are not expected to exceed 100% of the consideration under the Agreement on the Acquisition of Assets by Issue of Shares, and the number of shares to be issued is not expected to exceed 30% of the total share capital of AVICOPTER after the completion of the Acquisition of Assets by Issue of Shares.

Share Subscription Agreements in relation to the Raising of Supporting Funds

The indicative principal terms of the share subscription agreements (“**Share Subscription Agreements**”) are set out as follows:

Date : 9 January 2023

Parties: **i. Share Subscription Agreement I**

(1) AVICOPTER; and

(2) the Company.

ii. Share Subscription Agreement II

(1) AVICOPTER; and

(2) AVIC Airborne Systems.

Subject Matter : AVICOPTER intends to issue shares to the Company, AVIC Airborne Systems and not more than 33 other third parties by a proposed non-public placing of new shares. The Company and AVIC Airborne Systems intend to subscribe for part of the non-public portion of the issue of shares by AVICOPTER, respectively, by cash.

Consideration : The Company intends to subscribe shares in the amount of RMB200 million under the Raising of Supporting Funds. AVIC Airborne Systems intends to subscribe shares in the amount of RMB100 million under the Raising of Supporting Funds. The consideration was determined upon negotiation by the parties. The final number of shares to be subscribed by the parties and the subscription price shall be subsequently determined and confirmed in writing by the parties.

The price enquiry method will be adopted under the Raising of Supporting Funds, and the reference date for determining the issue price shall be the first day of the period of issue under the Raising of Supporting Funds, and the issue price shall not be lower than 80% of the average trading price of shares of AVICOPTER in the 20 trading days prior to such reference date. After obtaining approval of the CSRC, the final issue price shall be determined by the board of directors of AVICOPTER as authorised by the shareholders in a general meeting of AVICOPTER, and shall comply with the relevant laws and administrative regulations and normative documents, and

upon negotiation with the main underwriter, who is engaged for the purpose of the Raising of Supporting Funds, in relation to the results of the price enquiries.

Lock-up Period:

The Company, AVIC or their controlled connected persons shall not transfer the shares to be issued to them pursuant to the Raising of Supporting Funds in any manner within 18 months from the date of completion of such share issue, unless permitted by the applicable laws. In relation to the shares issued to other third parties pursuant to the Raising of Supporting Funds, they shall not transfer the shares in any manner within six months from the date of completion of the respective share issues.

Conditions to Effectiveness:

The Share Subscription Agreements will take effect upon fulfillment of all of the following conditions:

the Proposed Restructuring has been effectively approved by the board of directors of AVICOPTER and the shareholders in a general meeting of AVICOPTER in accordance with the articles of association of AVICOPTER;

the relevant subscribers have performed their internal decision-making procedures in accordance with their articles of association in relation to the subscription of shares;

the Proposed Restructuring has been approved by the competent industry governing authority(ies);

the Proposed Restructuring has been approved by the competent state-owned assets supervision authority;

the Proposed Restructuring has been approved by the CSRC; and

the Agreement on the Acquisition of Assets by Issue of Shares entered into among AVICOPTER, the Company and AVIC in relation to the Acquisition of Assets by Issue of Shares has become effective.

The Raising of Supporting Funds shall be conditional upon completion of the Acquisition of Assets by Issue of Shares and shall become effective only upon obtaining all the approvals and the successful implementation of the Acquisition of Assets by Issue of Shares, but not vice versa. Whether the Raising of Supporting Funds will be successfully completed shall not affect the implementation of

the Acquisition of Assets by Issue of Shares. The parties shall not be bound by the Share Subscription Agreements until all the above conditions to effectiveness have been fulfilled.

USE OF PROCEEDS FROM THE RAISING OF SUPPORTING FUNDS

The supporting funds to be raised are intended to be used for (i) the relevant expenses for the Proposed Restructuring; (ii) replenish the working capital of AVICOPTER and the Target Companies or repaying debts; and (iii) the construction costs of certain projects of the Target Companies. Details of the use and the amount of proceeds from the Raising of Supporting Funds will be announced as and when appropriate in accordance with the applicable requirements of the Listing Rules and upon the Share Subscription Agreements becoming effective.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company holding directly and indirectly approximately 62.30% of the total issued shares of the Company, AVIC Airborne Systems is a wholly-owned subsidiary of AVIC. AVIC Airborne Systems is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon the Share Subscription Agreements becoming effective, the share subscription by AVIC Airborne Systems pursuant to the Raising of Supporting Funds (if materialised) shall constitute connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, upon the Share Subscription Agreements becoming effective, the Raising of Supporting Funds (if materialised) shall constitute notifiable transaction of the Company under Chapter 14 of the Listing Rules. The Company anticipates that this transaction shall not constitute a very substantial disposal or a very substantial acquisition under the Listing Rules.

The final number of shares to be subscribed by the parties and the subscription price shall be subsequently determined and confirmed in writing by the parties. The Share Subscription Agreements shall become effective only after the fulfillment of all the aforementioned conditions. The Company shall comply with the requirements of the Listing Rules and make further announcement(s) as and when appropriate in accordance with the applicable requirements of the Listing Rules. Upon the Share Subscription Agreements becoming effective and the subsequent written confirmation(s) being materialised, or if the anticipated classification of the Raising of Supporting Funds has been changed pursuant to the Listing Rules, the Company shall comply with the requirements of the Listing Rules and make further announcement(s) as and when appropriate in accordance with the applicable requirements of the Listing Rules.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Proposed Restructuring will further materialise the integration of the helicopter business of the Group, thereby increasing management efficiency and resource allocation efficiency of the Group. This is conducive to enhancing the research, development and innovation capability, core competitiveness and market influence of helicopter business, and

strengthening its risk resistance ability, thereby improving the value of AVICOPTER (which is a subsidiary of the Company).

Furthermore, the proceeds from the Raising of Supporting Funds are intended to be used for project investments and replenishment of working capital, this is beneficial to the development of AVICOPTER as it can provide capital support to its research, development and manufacturing operation, thereby enhancing the competitiveness of its helicopter products and expanding its market share.

INFORMATION ON THE PARTIES

Information on AVIC

AVIC is the controlling shareholder of the Company. As at the date of this announcement, AVIC was directly and indirectly interested in approximately 62.30% of the total issued shares of the Company.

Information on AVICOPTER

AVICOPTER is a joint stock limited company established in the PRC, it is a subsidiary of the Company and its A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600038). As at the date of this announcement, AVICOPTER was directly and indirectly held as to approximately 49.30% by the Company, and was directly and indirectly held as to approximately 50.25% by the Company and a subsidiary of AVIC.

Information on Changhe Aircraft

Changhe Aircraft is a limited liability company established in the PRC and is a subsidiary of the Company as at the date of this announcement. On 6 January 2023, the Company, AVIC and Changhe Aircraft entered into a capital contribution agreement pursuant to which AVIC agreed to make a capital contribution in Changhe Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the capital contribution, the equity interests of the Company in Changhe Aircraft will be diluted from 100% to approximately 92.43%. As of the date of this announcement, the relevant filings with the governmental agencies in relation to the above-mentioned capital contribution has not been completed. Please refer to the announcement of the Company dated 6 January 2023 in relation to the capital contribution for details.

Information on Harbin Aircraft

Harbin Aircraft is a limited liability company established in the PRC and is a subsidiary of the Company as at the date of this announcement. On 6 January 2023, the Company, AVIC and Harbin Aircraft entered into a capital contribution agreement pursuant to which AVIC agreed to make a capital contribution in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the capital contribution, the equity interests of the Company in Harbin Aircraft will be diluted from 100% to approximately 80.79%. As of the date of this announcement, the relevant filings with the governmental agencies in relation to the above-mentioned capital contribution has not been completed. Please refer to the announcement of the Company dated 6 January 2023 in relation to the capital contribution for details.

Information on AVIC Airborne Systems

AVIC Airborne Systems is a limited company established in the PRC and is a wholly-owned subsidiary of AVIC. As at the date of this announcement, AVIC Airborne Systems directly and indirectly held approximately 2.38% of the total issued shares of the Company.

The Company will make further announcement(s) on the progress of the Proposed Restructuring in accordance with the Listing Rules as and when appropriate.

WARNING

Shareholders of the Company should be aware that the Proposed Restructuring is still at a preliminary stage, and the Agreement on the Acquisition of Assets by Issue of Shares and the Share Subscription Agreements entered into by the parties on the date of this announcement are not yet effective, they shall only become effective after all the relevant conditions to effectiveness have been fulfilled, and the parties shall enter into further definitive agreements in relation to the Proposed Restructuring according to its progress. The parties to the Agreement on the Acquisition of Assets by Issue of Shares and the Share Subscription Agreements shall not be bound by the respective agreements before the respective agreements have become effective. The implementation of the transactions under the Proposed Restructuring shall be subject to, among other things, approval by the competent regulatory authorities and fulfillment of applicable requirements under the Listing Rules. There are still uncertainties as to whether or not the Agreement on the Acquisition of Assets by Issue of Shares, the Share Subscription Agreements or the Raising of Supporting Funds will enter into final definitive agreement(s), or whether or not these transactions will materialise or proceed to completion.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Beijing, 9 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*