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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 TRANSACTIONS  
AND  
DISCLOSEABLE TRANSACTIONS  
THE PROPOSED RESTRUCTURING**

**INTRODUCTION**

Reference is made to the announcements issued by the Company dated 23 December 2022, 9 January 2023 and 15 March 2023 in relation to the Proposed Restructuring. The Proposed Restructuring will further materialise the integration of the helicopter business of the Group, thereby increasing competitiveness of the helicopter business.

On 9 January 2023, (i) the Company, AVIC and AVICOPTER entered into the Agreement on the Acquisition of Assets by Issue of Shares; (ii) the Company and AVICOPTER entered into the Share Subscription Agreement I pursuant to which the Company intends to subscribe shares in AVICOPTER in the amount of RMB200 million under the Raising of Supporting Funds; and (iii) AVICOPTER and AVIC Airborne Systems entered into the Share Subscription Agreement II pursuant to which AVIC Airborne Systems intends to subscribe shares in AVICOPTER in the amount of RMB100 million under the Raising of Supporting Funds.

On 15 March 2023, the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement I to, among others, adjust the issue price of the Consideration Shares under the Acquisition of Assets by Issuer of Shares.

On 18 July 2023, (i) the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement II to, among others, agree the Consideration and the number of Consideration Shares; (ii) the Company and AVICOPTER entered into the Profit Undertaking Agreement pursuant to which the Company agreed to compensate AVICOPTER under certain events; (iii) the Company and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement I to, among others, amend the conditions to effectiveness of the Share Subscription Agreement I; and (iv) AVIC Airborne Systems and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement II to, among others, amend the conditions to effectiveness of the Share Subscription Agreement II.

## **LISTING RULES IMPLICATIONS UNDER THE ASSET ACQUISITION AGREEMENTS**

### **Net Disposals of equity interests in Changhe Aircraft and Harbin Aircraft**

Immediately prior to and after Completion, (i) the Company shall be directly interested in approximately 92.43% and indirectly interested in approximately 53.62% in Changhe Aircraft, respectively; (ii) the Company shall be directly interested in approximately 80.79% and indirectly interested in approximately 53.62% in Harbin Aircraft, respectively. Upon Completion, Changhe Aircraft and Harbin Aircraft shall remain as subsidiaries of the Company and shall continue to be consolidated into the Group's accounts.

As the transactions contemplated under the Asset Acquisition Agreements involve (i) a disposal of a majority interest in Changhe Aircraft and Harbin Aircraft by the Company; and (ii) an acquisition of the same by AVICOPTER (being a subsidiary of the Company), they are in substance a group reorganisation which will result in an effective net disposal of approximately 38.81% and 27.17% equity interest in Changhe Aircraft and Harbin Aircraft, respectively, to the minority shareholders of AVICOPTER. Application has been made to, and approval has been obtained from, the Stock Exchange for the adoption of the Alternative Tests in respect of the Net Disposals pursuant to Rule 14.20 of the Listing Rules.

As the highest of the relevant percentage ratios (after adopting the Alternative Tests) in respect of the Net Disposals are less than 25%, the Net Disposals constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Acquisition of shares in AVICOPTER arising from the issue of an aggregate of 120,850,378 Consideration Shares to the Company**

As at the date of this announcement, AVICOPTER was a subsidiary of the Company and was held directly and indirectly as to 49.30% in aggregate by the Company. Immediately upon Completion, the Company shall be directly and indirectly interested in approximately 53.62% of the total issued shares of AVICOPTER. Therefore, the issue of 120,850,378 Consideration Shares to the Company shall constitute an acquisition by the Company under Chapter 14 of the Listing Rules.

As the highest of the relevant percentage ratios in respect of the acquisition are less than 5%, the acquisition does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

### **Acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC in consideration for an aggregate of 21,278,892 Consideration Shares**

As at the date of this announcement, AVIC was the controlling Shareholder of the Company and it held approximately 60.25% equity interests in the Company directly and indirectly.

The acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft by AVICOPTER is more than 0.1% but less than 5%, the acquisition 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.

Besides, as at the date of this announcement, other than the interests held by the Group in AVICOPTER, AVIC was indirectly interested in approximately 0.95% of the total issued shares of AVICOPTER. Immediately upon Completion, AVIC will be directly and indirectly interested in approximately 3.67% of the total issued shares of AVICOPTER (other than the interests held by the Group in AVICOPTER). As the Company's interests in AVICOPTER will be diluted upon the issue of an aggregate of 21,278,892 Consideration Shares to AVIC, such issue of an aggregate of 21,278,892 Consideration Shares constitutes deemed disposal of interests in AVICOPTER and a connected transaction of the Company under Rule 14A.24 of the Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the issue of an aggregate of 21,278,892 Consideration Shares to AVIC is more than 0.1% but less than 5%, such issue of Consideration Shares 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.

## **INTRODUCTION**

Reference is made to the announcements issued by the Company dated 23 December 2022, 9 January 2023 and 15 March 2023 in relation to the Proposed Restructuring.

On 9 January 2023, (i) the Company, AVIC and AVICOPTER entered into the Agreement on the Acquisition of Assets by Issue of Shares; (ii) the Company and AVICOPTER entered into the Share Subscription Agreement I pursuant to which the Company intends to subscribe shares in AVICOPTER in the amount of RMB200 million under the Raising of Supporting Funds; and (iii) AVICOPTER and AVIC Airborne Systems entered into the Share Subscription Agreement II pursuant to which AVIC Airborne Systems intends to subscribe shares in AVICOPTER in the amount of RMB100 million under the Raising of Supporting Funds.

On 15 March 2023, the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement I to, among others, adjust the issue price of the Consideration Shares under the Acquisition of Assets by Issue of Shares.

On 18 July 2023, (i) the Company, AVIC and AVICOPTER entered into the Asset Acquisition Supplemental Agreement II to, among others, agree the Consideration and the number of Consideration Shares; (ii) the Company and AVICOPTER entered into the Profit Undertaking Agreement pursuant to which the Company agreed to compensate AVICOPTER under certain events; (iii) the Company and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement I to, among others, amend the conditions to effectiveness of the Share Subscription Agreement I; and (iv) AVIC Airborne Systems and AVICOPTER entered into the Supplemental Agreement I of Share Subscription Agreement II to, among others, amend the conditions to effectiveness of the Share Subscription Agreement II.

## **PRINCIPAL TERMS OF THE AGREEMENT ON THE ACQUISITION OF ASSETS BY ISSUE OF SHARES, THE ASSET ACQUISITION SUPPLEMENTAL AGREEMENT I AND THE ASSET ACQUISITION SUPPLEMENTAL AGREEMENT II**

### **Date:**

- (1) The Agreement on the Acquisition of Assets by Issue of Shares: 9 January 2023
- (2) The Asset Acquisition Supplemental Agreement I: 15 March 2023
- (3) The Asset Acquisition Supplemental Agreement II: 18 July 2023

**Parties:** the Company (as seller), AVIC (as seller) and AVICOPTER (as purchaser)

**Subject matter:**

Pursuant to the Asset Acquisition Agreements, (i) AVICOPTER intends to purchase 92.43% equity interests of Changhe Aircraft and 80.79% equity interests of Harbin Aircraft from the Company at a consideration of approximately RMB1,708.85 million and RMB2,609.14 million, respectively, to be satisfied by the issue of an aggregate of 120,850,378 Consideration Shares to the Company; and (ii) AVICOPTER intends to purchase 7.57% equity interests of Changhe Aircraft and 19.21% equity interests of Harbin Aircraft from AVIC at a consideration of approximately RMB139.88 million and RMB620.41 million, respectively, to be satisfied by the issue of an aggregate of 21,278,892 Consideration Shares to AVIC.

**Basis of the Consideration:**

The Consideration was determined with reference to the valuation results stated in the Valuation Reports in respect of the 100% equity interests of Changhe Aircraft and Harbin Aircraft issued by an appraisal agency using asset approach and filed with the competent state-owned assets supervision authority, with the issuance of the Consideration Shares taking into account and subject to the following:

**(1) Nature and par value of the Consideration Shares**

Common shares denominated in RMB and listed on the Shanghai Stock Exchange with a par value of RMB1.00 each.

**(2) Issue Price**

RMB35.73 per Consideration Share, taking into account the following and may be further adjusted based on:

- (i) The Issue Price shall be 80% of the market reference price, and 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 (whichever is lower) prior to the Market Reference Date (being 16 March 2023, which is the date of the announcement of the 23rd board resolutions of the eighth session of the board of AVICOPTER). The final Issue Price shall be subject to shareholders' approval in a general meeting of AVICOPTER, the vetting and approval of the Shanghai Stock Exchange and the registration with the CSRC.
- (ii) If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, rights issue and transfer to share capital from capital reserve, by AVICOPTER during the period commencing on the Market Reference Date and ending on the date of issue of the Consideration Shares, the Issue Price shall be adjusted accordingly.

**(3) Adjustment mechanism of the Issue Price**

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 the vetting and approval of the Shanghai Stock Exchange and the registration with the CSRC in relation to the Acquisition of Assets by Issue of Shares, provided that the adjusted issue price shall be 80% 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 relevant reference date (as defined in the Agreement on the Acquisition of Assets by Issue of Shares), and the adjusted issue price shall not be lower than the latest net asset value per share of AVICOPTER, and the Consideration shall remain unchanged. The number of shares to be issued shall be adjusted accordingly based on the adjusted Issue Price.

#### **(4) Lock-up period**

The Company and AVIC shall not transfer the Consideration Shares within 36 months from the date of completion of issue of Consideration Shares, 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, 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 Consideration Shares shall be automatically extended by six months.

#### **Completion:**

After the Asset Acquisition Agreements become effective, the relevant parties shall sign the necessary documents in relation to the transfer of the Target Assets, and effect the transfers of the Target Assets. AVICOPTER shall arrange the Consideration Shares to be registered in the stock accounts of the Company and AVIC which they maintain with the China Securities Depository and Clearing Corporation Limited.

Changhe Aircraft and Harbin Aircraft remain subsidiaries of the Company immediately before and after Completion.

#### **Effectiveness of the Asset Acquisition Agreements:**

The Asset Acquisition Agreements 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 have performed their necessary internal decision-making procedures in relation to the Acquisition of Assets by Issue of Shares in accordance with their articles of association;
- (3) the Acquisition of Assets by Issue of Shares has been approved by the competent industry governing authority(ies);
- (4) the valuation reports 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;
- (6) the Acquisition of Assets by Issue of Shares has been vetted and approved by the Shanghai Stock Exchange; and
- (7) the Acquisition of Assets by Issue of Shares has been registered with the CSRC.

#### **Profit or loss of the Target Companies realised during the Transitional Period:**

The profits deriving from the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft, and the profits deriving from the 81% equity interests in Jinjiang Engineering Company during the Transitional Period shall be borne by AVICOPTER, while the losses deriving from the same shall be borne by the Company and AVIC pursuant to the terms of the Asset Acquisition Agreements. Save as the above assets of the Target Companies, the profits and losses deriving from the Target Companies during the Transitional Period shall be borne by AVICOPTER.

## PRINCIPAL TERMS OF THE PROFIT UNDERTAKING AGREEMENT

**Date:** 18 July 2023

**Parties:** the Company and AVICOPTER

**Subject matter:**

Pursuant to the Profit Undertaking Agreement,

- (1) the Company has undertaken with AVICOPTER that the net profits deriving from the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft (“**Actual Profits I**”) during selective years in 2023 to 2026 shall not be lower than certain threshold values (“**Undertaken Values I**”) as set out below:

Net profits deriving from the patented technology and software copyright owned by:	Year of 2023 (RMB million)	Year of 2024 (RMB million)	Year of 2025 (RMB million)	Year of 2026 (RMB million)
Changhe Aircraft	2.9076	0.6376	15.0389	24.4675
Harbin Aircraft	68.4264	76.2617	84.5861	97.6844

- (2) the Company has undertaken with AVICOPTER that the net profits attributable to 81% equity interests in Jinjiang Engineering Company (“**Actual Profits II**”) during selective years in 2023 to 2026 shall not be lower than certain threshold values (“**Undertaken Values II**”) as set out below:

	Year of 2023 (RMB million)	Year of 2024 (RMB million)	Year of 2025 (RMB million)	Year of 2026 (RMB million)
Net profits attributable to 81% equity interests in Jinjiang Engineering Company	3.0037	9.5365	6.5356	6.3796

*Note: If the transfer of the Target Assets from the Company and AVIC to AVICOPTER shall be completed on or prior to 31 December 2023, then the Compensation Period for the Undertaken Values I and the Undertaken Values II shall be 2023, 2024 and 2025. However, if the transfer of the Target Assets from the Company and AVIC to AVICOPTER shall be completed after 31 December 2023, then the Compensation Period shall be 2024, 2025 and 2026.*

- (3) AVICOPTER shall engage an auditing firm to issue specific audit reports regarding the Actual Profits I and the Actual Profits II for each relevant Applicable Period during the Compensation Period. If the accumulated Actual Profits I or the accumulated Actual Profits II during the Compensation Period is lower than the accumulated Undertaken Values I or Undertaken Values II (as the case may be), then the Company shall compensate for the shortfall according to the terms of the Profit Undertaking Agreement.

**Method of calculation of compensation:**

**Amount of compensation for the relevant Applicable Period during the Compensation Period:** (The total amount of Undertaken Values I or Undertaken Values II accumulated as at the end of the relevant Applicable Period — The total amount of Actual Profits I or Actual Profits II accumulated as at the end of the relevant Applicable Period) / The total amount of Undertaken Values I or Undertaken Values II throughout the entire Compensation Period X The total value of consideration in respect of the Relevant Subject — The total amount compensated by the Company in respect of the Relevant Subject accumulated as at the end of the relevant Applicable Period (where applicable)

The compensation in respect of each Applicable Period shall be satisfied as follows:

1. The compensation shall first be satisfied by the Consideration Shares held by the Company (the number of which shall be calculated by dividing the amount of compensation by the Issue Price), then by cash (if there are insufficient Consideration Shares).
2. If after calculation, the amount of compensation is less than zero, then the amount of compensation shall be taken as zero. After paying the compensation, the amount compensated to AVICOPTER by the Company cannot be reversed.
3. The amount of compensation in respect of each Applicable Period payable by the Company shall be proportional to the equity interests held by the Company in the Target Companies prior to the Acquisition of Assets by Issue of Shares.
4. The number of shares to be compensated to AVICOPTER shall be adjusted if there is any ex-right event by AVICOPTER during the Compensation Period.
5. In the event that compensation is required to be made pursuant to the above arrangements and to be satisfied by the Consideration Shares held by the Company, AVICOPTER shall repurchase such shares from the Company at a consideration of RMB1.00 and cancel such shares after fulfilling certain requirements as set out in the Profit Undertaking Agreement, such as issuing written notice to the Company and obtaining shareholders' approval of AVICOPTER.
6. Upon the expiry of the Compensation Period, AVICOPTER shall engage an auditing firm to carry out impairment test on each Relevant Subject and issue a specific audit report. If the impairment amount of the Relevant Subject as at the end of the Compensation Period is greater than the total amount of compensation compensated in respect of the corresponding profit undertaking during the Compensation Period, then the Company shall compensate such shortfall amount to AVICOPTER with additional Consideration Shares held by it, then by cash (if there are insufficient Consideration Shares).
7. In any event, the maximum amount of compensation to be compensated by the Company to AVICOPTER in respect of a Relevant Subject under the Profit Undertaking Agreement shall not exceed the respective amount of consideration received by the Company in relation to the disposal of the Relevant Subject under the Acquisition of Assets by Issue of Shares, being approximately RMB4.9621 million, RMB25.2334 million and RMB77.5165 million respectively for the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft, and 81% equity interests in Jinjiang Engineering Company; the maximum amount of Consideration Shares to be compensated by the Company to AVICOPTER under the Profit Undertaking Agreement shall not exceed the number which represents the amount of Consideration Shares received by the Company in relation to the disposal of the Relevant Subject divided by the Issue Price.

### **Effectiveness of the Profit Undertaking Agreement:**

The Profit Undertaking Agreement shall become effective when the Asset Acquisition Agreements become effective.

### **PROFIT FORECAST**

Since the Undertaken Values I and the Undertaken Values II are based on the respective Valuation Report of 100% equity interests in Changhe Aircraft and Harbin Aircraft, and the Undertaken Values I and the Undertaken Values II were determined by adopting, among others, the value of the discounted cash flow method which is a type of income approach, hence the Undertaken Values I and the Undertaken Values II constitute a profit forecast under Rule 14.61 of the Listing Rules. Therefore, Rule 14.62 of the Listing Rules is applicable. Da Hua Certified Public Accountants (Special General Partnership), the reporting accountant of the Company, has reported on the calculations for the forecast used in the Valuation Reports, which do not involve the adoption of accounting policies.

So far as the calculations are concerned, the profit forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Board as set out in the Valuation Reports. Please see the Report from the Reporting Accountant in Appendix I. The Board has confirmed that the profit forecast has been made after due and careful enquiry by the Board. Please see the Letter from the Board in Appendix II.

### **Principal assumptions**

The principal assumptions used in the respective Valuation Report in respect of the Undertaken Values I and the Undertaken Values II adopting income approach are set out below:

#### ***(1) Basic assumptions***

For the respective Valuation Report regarding the Undertaken Values I and the Undertaken Values II, it is assumed that:

1. Open-market assumption

The open-market assumption assumes that both parties to the transaction of assets traded or proposed to be traded in the market are of equal status and have opportunities and time to get adequate market information so as to make rational judgments on the function, usage and trading price of the assets.

2. Transaction assumption

The transaction assumption assumes that the appraised assets are already in the process of transaction, which valuation conducted by the valuer is based on a simulated market in accordance with the conditions of transaction. Transaction assumption is the most fundamental assumption in conducting the valuation of assets.

3. Going-concern assumption

Going-concern assumption assumes that the appraised entity, on the basis of its existing assets and resource conditions, will not cease to operate for various reasons in the foreseeable future and will continuously operate legally.

#### ***(2) General assumptions***

For the respective Valuation Report regarding the Undertaken Values I and the Undertaken Values II, it is assumed that:



1. there will be no significant changes after the Valuation Date in the political, economic and social environment in the region and nation where the appraised entity operates;
2. there will be no significant changes in the macro-economic environment, industry policies and regional development policies after the Valuation Date;
3. there will be no significant changes in the interest rate, exchange rate, basis and rate of taxation and policy-based levies, in relation to the operations of the appraised entity after the Valuation Date;
4. the management of the appraised entity are responsible, stable and capable of carrying out their duties after the Valuation Date;
5. the appraised entity are in full compliance with all applicable laws and regulations;
6. there are no force majeure events after the Valuation Date which will cause material adverse effects on the appraised entity.

Specifically for the Valuation Report regarding the Undertaken Values II, it is also assumed that:

1. the company will continue to operate after the Valuation Date.

**(3) Special assumptions**

For the respective Valuation Report regarding the Undertaken Values I and the Undertaken Values II, it is assumed that:

1. the material aspects of the accounting policies adopted by the appraised entity after the Valuation Date are consistent with the accounting policies adopted when preparing the valuation report;
2. after the Valuation Date, the appraised entity will, on the basis of its existing method and standard of management, maintain the same business scope and method as it is at present;
3. the cash inflow of the appraised entity is an average inflow, and the cash outflow is an average outflow;
4. after the Valuation Date, the products or services of the appraised entity will maintain their present market competition edges;
5. after the Valuation Date, the research and development skills and technological advancement will maintain at its present level.

Specifically for the Valuation Report in relation to the net profits deriving from the patented technology and software copyright owned by Harbin Aircraft and the Undertaken Values II, it is also assumed that:

1. after the Valuation Date, the appraised entity will continue to enjoy preferential income tax rate of 15% through high and new technology enterprise certification.

**Expert qualification, consent and opinions**

The followings are the qualifications of each expert who has provided its conclusion or advice, which is contained in this announcement:

Name	Qualification	Date of conclusion or advice
Da Hua Certified Public Accountants (Special General Partnership)	Certified Public Accountants	18 July 2023

DeveChina Appraisals Co., Ltd.	International	Qualified PRC valuer	16 June 2023
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As at the date of this announcement, as far as the Directors are aware, each of the experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter and/or references to its name in the form and context in which they respectively appear.

## **REASONS AND BENEFITS OF THE TRANSACTIONS UNDER THE ASSET ACQUISITION AGREEMENTS AND THE PROFIT UNDERTAKING AGREEMENT**

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). The Raising of Supporting Funds will further promote the development of the Group's helicopter business and provide financial support for its research and production.

## **INFORMATION ON THE PARTIES**

### **Information on the Company**

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Stock Exchange. The Company is mainly engaged in the research and development, manufacture and sales of aviation products, and relevant engineering services.

### **Information on 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, holding approximately 60.25% equity interests in the Company directly and indirectly as at the date of this announcement.

### **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. It is mainly engaged in the research and development, manufacture and sales of multiple kinds of helicopters. As of the date of this announcement, Changhe Aircraft was held as to 92.43% by the Company and 7.57% by AVIC.

### **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. 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. As of the date of this announcement, Harbin Aircraft was held as to 80.79% by the Company and 19.21% by AVIC.

### Financial information of Changhe Aircraft and Harbin Aircraft

The net asset value as at 31 December 2022 (based on the audited accounts prepared according to China Accounting Standards for Business Enterprises) and the Appraised Value as at the Valuation Date of 100% equity interests in Changhe Aircraft and Harbin Aircraft are as follows:

	<b>Net asset value</b> <i>(RMB million)</i>	<b>Appraised Value</b> <i>(RMB million)</i>
Changhe Aircraft	1,621.71	2,276.1478
Harbin Aircraft	1,791.08	3,229.5509

Pursuant to the audited accounts of Changhe Aircraft and Harbin Aircraft prepared according to China Accounting Standards for Business Enterprises, the net profits (before and after taxation) of each of Changhe Aircraft and Harbin Aircraft for the financial years ended 31 December 2021 and 2022 are as follows:

	<b>For the financial year ended 31 December 2021</b>		<b>For the financial year ended 31 December 2022</b>	
	<b>Net profit before tax</b> <i>(RMB million)</i>	<b>Net profit after tax</b> <i>(RMB million)</i>	<b>Net profit before tax</b> <i>(RMB million)</i>	<b>Net profit after tax</b> <i>(RMB million)</i>
Changhe Aircraft	335.72	264.13	14.76	11.84
Harbin Aircraft	77.42	103.07	117.19	110.12

### FINANCIAL EFFECT OF THE PROPOSED RESTRUCTURING

The Group does not expect to record any gain or loss in its consolidated income statement in relation to the Proposed Restructuring.

### LISTING RULES IMPLICATIONS UNDER THE ASSET ACQUISITION AGREEMENTS

#### Net Disposals of equity interests in Changhe Aircraft and Harbin Aircraft

Immediately prior to and after Completion, (i) the Company shall be directly interested in approximately 92.43% and indirectly interested in approximately 53.62%<sup>(Note)</sup> in Changhe Aircraft, respectively; (ii) the Company shall be directly interested in approximately 80.79% and indirectly interested in approximately 53.62%<sup>(Note)</sup> in Harbin Aircraft, respectively. Upon Completion, Changhe Aircraft and Harbin Aircraft shall remain as subsidiaries of the Company and shall continue to be consolidated into the Group's accounts.

As the transactions contemplated under the Asset Acquisition Agreements involve (i) a disposal of a majority interest in Changhe Aircraft and Harbin Aircraft by the Company; and (ii) an acquisition of the same by AVICOPTER (being a subsidiary of the Company), they are in substance a group reorganisation which will result in an effective net disposal of approximately 38.81% and 27.17% equity interest in Changhe Aircraft and Harbin Aircraft, respectively, to the minority shareholders of AVICOPTER. Application has been made to, and approval has been obtained from, the Stock Exchange for the adoption of the Alternative Tests in respect of the Net Disposals pursuant to Rule 14.20 of the Listing Rules.

As the highest of the relevant percentage ratios (after adopting the Alternative Tests) in respect of the Net Disposals are less than 25%, the Net Disposals constitute a discloseable transaction of the Company and is

subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Acquisition of shares in AVICOPTER arising from the issue of an aggregate of 120,850,378 Consideration Shares to the Company**

As at the date of this announcement, AVICOPTER was a subsidiary of the Company and was held directly and indirectly as to 49.30% in aggregate by the Company. Immediately upon Completion, the Company shall be directly and indirectly interested in approximately 53.62%<sup>(Note)</sup> of the total issued shares of AVICOPTER. Therefore, the issue of 120,850,378 Consideration Shares to the Company shall constitute an acquisition by the Company under Chapter 14 of the Listing Rules.

As the highest of the relevant percentage ratios in respect of the acquisition are less than 5%, the acquisition does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

*Note: Assuming there is no change in the number of total issued shares of AVICOPTER between the date of this announcement and the date of Completion, (i) immediately prior to Completion, the Company shall be directly and indirectly interested in approximately 49.30% of the total issued shares of AVICOPTER, out of which approximately 3.25% shall be indirectly held through Harbin Aircraft; (ii) immediately upon Completion, the Company shall be directly and indirectly interested in approximately 53.62% of the total issued shares of AVICOPTER, which does not take into account the shares held through Harbin Aircraft because Harbin Aircraft shall become a wholly-owned subsidiary of AVICOPTER upon Completion, hence Harbin Aircraft itself shall not be a shareholder of AVICOPTER according to the Rule of Shanghai Stock Exchange for Stock Listing. Therefore, subject to further approvals by the Shanghai Stock Exchange and/or the relevant government authority, Harbin Aircraft intends to dispose its shares held in AVICOPTER upon completion of the Proposed Restructuring.*

**Acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC in consideration for an aggregate of 21,278,892 Consideration Shares**

As at the date of this announcement, AVIC was the controlling Shareholder of the Company and it held approximately 60.25% equity interests in the Company directly and indirectly.

The acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft, respectively, by AVICOPTER from AVIC constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the acquisition of 7.57% and 19.21% equity interests in Changhe Aircraft and Harbin Aircraft by AVICOPTER is more than 0.1% but less than 5%, the acquisition 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.

Besides, as at the date of this announcement, other than the interests held by the Group in AVICOPTER, AVIC was indirectly interested in approximately 0.95% of the total issued shares of AVICOPTER. Immediately upon Completion, AVIC will be directly and indirectly interested in approximately 3.67% of the total issued shares of AVICOPTER (other than the interests held by the Group in AVICOPTER). As the Company's interests in AVICOPTER will be diluted upon the issue of an aggregate of 21,278,892 Consideration Shares to AVIC, such issue of an aggregate of 21,278,892 Consideration Shares constitutes deemed disposal of interests in AVICOPTER and a connected transaction of the Company under Rule 14A.24 of the Listing Rules. As the highest of the relevant percentage ratios (other than the profit ratio) for the issue of an aggregate of 21,278,892 Consideration Shares to AVIC is more than 0.1% but less than 5%, such issue of Consideration Shares 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.

## General

The relevant Board resolution approving the Proposed Restructuring was passed. Mr. Zhang Minsheng, the then executive Director and the then chairman of the Board, who was also a chief accountant of AVIC; and Mr. Liu Bingjun, a non-executive Director, who was also a vice director of the Capital Operation Department of AVIC, had abstained from voting on the relevant Board resolution approving the Proposed Restructuring in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of other Directors had or was deemed to have a material interest in the Proposed Restructuring.

The Directors (including the independent non-executive Directors) are of the view that despite the Proposed Restructuring are not in the ordinary and usual course of business of the Group, the terms of the Proposed Restructuring are fair and reasonable, on normal commercial terms or better, and is in the interests of the Company and the Shareholder as a whole.

### **THE SUPPLEMENTAL AGREEMENT I OF SHARE SUBSCRIPTION AGREEMENT I AND THE SUPPLEMENTAL AGREEMENT I OF SHARE SUBSCRIPTION AGREEMENT II**

Pursuant to the Supplemental Agreement I of Share Subscription Agreement I and the Supplemental Agreement I of Share Subscription Agreement II, the principal amendments (which are underlined for ease of reference) to the Share Subscription Agreements are set out as follows:

- (A) As disclosed in the Announcements, 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 AVIOPTER, 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. Pursuant to the Supplemental Share Subscription Agreements, after the vetting and approval of the Shanghai Stock Exchange and the registration with 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.
- (B) As disclosed in the Announcements, the Share Subscription Agreements will take effect upon fulfillment of certain conditions. Pursuant to the Supplemental Share Subscription Agreements, the Share Subscription Agreements will take effect upon fulfillment of all of the following conditions:
- (1) *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;*
  - (2) *the relevant subscribers have performed their internal decision-making procedures in accordance with their articles of association in relation to the subscription of shares of AVICOPTER;*
  - (3) *the Proposed Restructuring has been approved by the competent industry governing authority(ies);*
  - (4) *the Proposed Restructuring has been approved by the competent state-owned assets supervision authority;*
  - (5) *the Proposed Restructuring has been vetted and approved by the Shanghai Stock Exchange;*
  - (6) *the Proposed Restructuring has been registered with the CSRC; and*

(7) *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.*

Save as disclosed above, other material terms and conditions of the Share Subscription Agreements shall remain unchanged.

## **WARNING**

**The Assets Acquisition Agreements and the Share Subscription Agreements shall become effective after the fulfillment of all the aforementioned conditions. As at the date of this announcement, the Assets Acquisition Agreements and the Share Subscription Agreements are not yet effective. The Company will issue further announcements in relation to the Proposed Restructuring in accordance with the Listing Rules as and when appropriate.**

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

## **DEFINITIONS**

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

“Acquisition of Assets by Issue of Shares”	Acquisition of the Target Assets by AVICOPTER from the Company and AVIC by way of issuing an aggregate of 142,129,270 Consideration Shares
“Agreement on the Acquisition of Assets by Issue of Shares”	the indicative agreement dated 9 January 2023 and entered into by the Company, AVIC and AVICOPTER in relation to the Acquisition of Assets by Issue of Shares
“Alternative Tests”	the alternative tests adopted for the purpose of classifying a transaction under Chapters 14 and 14A of the Listing Rules
“Announcements”	the announcements of the Company dated 23 December 2022, 9 January 2023 and 15 March 2023 in relation to the Proposed Restructuring
“Applicable Period”	each of the financial years during the Compensation Period
“Appraised Value”	the appraised value of the Changhe Aircraft and Harbin Aircraft according to the Valuation Reports
“Asset Acquisition Agreements”	the Agreement on the Acquisition of Assets by Issue of Shares, the Asset Acquisition Supplemental Agreement I, and the Asset Acquisition Supplemental Agreement II
“Asset Acquisition Supplemental Agreement I”	the supplemental agreement I to the Agreement on the Acquisition of Assets by Issue of Shares dated 15 March 2023 and entered into by the Company, AVIC and AVICOPTER

“Asset Acquisition Supplemental Agreement II”	the supplemental agreement II to the Agreement on the Acquisition of Assets by Issue of Shares dated 18 July 2023 and entered into by the Company, AVIC and AVICOPTER
“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), the controlling shareholder of the Company holding directly and indirectly 60.25% of all issued Shares as at the date of this announcement
“AVIC Airborne Systems”	AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司), a limited company established in the PRC and is a wholly-owned subsidiary of AVIC as at the date of this announcement
“AVICOPTER”	AVICOPTER PLC* (中航直升機股份有限公司), a joint stock limited company established in the PRC and a subsidiary of the Company with its A shares are listed and traded on the Shanghai Stock Exchange (stock code: 600038)
“Board”	the board of Directors
“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 subsidiary of the Company as at 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 Stock Exchange
“Compensation Period”	being 2023, 2024 and 2025 if the transfer of the Target Assets from the Company and AVIC to AVICOPTER shall be completed on or prior to 31 December 2023; or being 2024, 2025 and 2026 if the transfer of the Target Assets from the Company and AVIC to AVICOPTER shall be completed after 31 December 2023
“Completion”	completion of the Acquisition of Assets by Issue of Shares
“Consideration”	the consideration for the purchase of the Target Assets by AVICOPTER, being RMB5,078.2788 million in aggregate
“Consideration Shares”	an aggregate of 142,129,270 shares of AVICOPTER issued to the Company and AVIC in consideration for the transfer of the Target Assets to AVICOPTER
“controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission

“Directors”	the directors of the Company
“Supplemental Agreement I of Share Subscription Agreement I”	the supplemental agreement I to the Share Subscription Agreement I dated 18 July 2023 and entered into by the Company and AVICOPTER
“Supplemental Agreement I of Share Subscription Agreement II”	the supplemental agreement I to the Share Subscription Agreement II dated 18 July 2023 and entered into by the Company and AVIC Airborne Systems
“Supplemental Share Subscription Agreements”	the Supplemental Agreement I of Share Subscription Agreement I and the Supplemental Agreement I of Share Subscription Agreement II
“Group”	the Company and 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 subsidiary of the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	the issue price per Consideration Share, being RMB35.73 as at the date of this announcement
“Jinjiang Engineering Company”	Tianjin Zhonghang Jinjiang Aircraft Maintenance Engineering Co., Ltd.* (天津中航錦江航空維修工程有限責任公司), a limited liability company established in the PRC and a subsidiary of Harbin Aircraft as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Net Disposals”	the acquisitions and disposals of the same equity interests in the Target Companies between the Company and AVICOPTER
“PRC”	the People’s Republic of China
“Profit Undertaking Agreement”	the agreement dated 18 July 2023 and entered into by the Company and AVICOPTER pursuant to which the Company agreed to compensate AVICOPTER under certain events
“Proposed Restructuring”	the Acquisition of Assets by Issue of Shares and the Raising of Supporting Funds
“Raising of Supporting Funds”	the proposed raising of funds of not more than RMB3 billion by



AVICOPTER by issue of shares to the Company, AVIC Airborne Systems and not more than 33 other third parties

“Relevant Subject”	(1) the patented technology and software copyright owned by Changhe Aircraft; (2) the patented technology and software copyright owned by Harbin Aircraft; or (3) 81% equity interests in Jinjiang Engineering Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Share Subscription Agreement I”	the indicative share subscription agreement dated 9 January 2023 and entered into by the Company and AVICOPTER in relation to the Raising of Supporting Funds
“Share Subscription Agreement II”	the indicative share subscription agreement dated 9 January 2023 and entered into by the Company and AVIC Airborne Systems in relation to the Raising of Supporting Funds
“Share Subscription Agreements”	the Share Subscription Agreement I, the Share Subscription Agreement II, the Supplemental Agreement I of Share Subscription Agreement I and the Supplemental Agreement I of Share Subscription Agreement II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Assets”	100% equity interests of the Target Companies
“Target Companies”	Changhe Aircraft and Harbin Aircraft
“Transitional Period”	the period commencing from the day immediately after the Valuation Date and up to and including the date of completion of transfer of the Target Assets to AVICOPTER
“Valuation Date”	30 November 2022
“Valuation Report(s)”	the valuation report dated 16 June 2023 in relation to the valuation of the equity interests of Changhe Aircraft as at 30 November 2022, and the valuation report dated 16 June 2023 in relation to the valuation of the equity interests of Harbin Aircraft as at 30 November 2022, prepared by 中發國際資產評估有限公司 (DeveChina International Appraisals Co.,

Ltd.\*)"

“0%”

per cent

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

Beijing, 18 July 2023

*As at the date of this announcement, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, 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*

## ***APPENDIX I- REPORT FORM THE REPORTING ACCOUNTANT***

The following is the text of a report received from the reporting accountant, Da Hua Certified Public Accountants (Special General Partnership), Certified Public Accountants, for inclusion in this announcement.

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF THE PATENTED TECHNOLOGY AND SOFTWARE COPYRIGHT OF HARBIN AIRCRAFT INDUSTRY GROUP CO., LTD.\* (哈爾濱飛機工業集團有限責任公司) AND CHANGHE AIRCRAFT INDUSTRIES (GROUP) CO., LTD.\* (昌河飛機工業（集團）有限責任公司) AND THE VALUATION OF THE ENTIRE EQUITY INTEREST IN TIANJIN ZHONGHANG JINJIANG AIRCRAFT MAINTENANCE ENGINEERING CO., LTD.\* (天津中航錦江航空維修工程有限責任公司)**

### **To the Directors of AviChina Industry & Technology Company Limited\***

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 16 June 2023 prepared by Beijing DeveChina International Appraisals Co., Ltd.\*(中發國際資產評估有限公司) in respect of the market value of the patented technology and software copyright of Harbin Aircraft Industry Group Co., Ltd.\* (哈爾濱飛機工業集團有限責任公司) and Changhe Aircraft Industries (Group) Co., Ltd.\* (昌河飛機工業（集團）有限責任公司) and the valuation of entire equity interest in Tianjin Zhonghang Jinjiang Aircraft Maintenance Engineering Co., Ltd.\* (天津中航錦江航空維修工程有限責任公司) (the “**Target**”) as at 30 November 2022 is based. The valuation is set out in the announcement of AviChina Industry & Technology Company Limited (the “**Company**”) dated 18 July 2023 (the “**Announcement**”) in relation to the proposed restructuring of the Company. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### **Directors’ Responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Profit Forecast” of the Announcement.

## **Our Independence and Quality Control**

We have complied with the ethical requirements for Chinese Certified Public Accountant as well as the relevant professional ethics. We have observed the principles of independence, objectivity and impartiality, maintained professional competence and due care.

Our firm applies the *Quality Control Standards of Accounting Firms No. 5101 – Business Quality Control* (《會計師事務所質量管理準則第5101號—業務質量控制》), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with the *Other Standards for Assurance Engagements of China Certified Public Accountants No.3101-Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (《中國註冊會計師其他鑒證業務准則第3101號-歷史財務信息審計或審閱以外的鑒證業務》). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with China Standards on Auditing. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast is based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose.

## **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Dahua Certified Public Accountants (Special General Partnership)

Beijing, the PRC

18 July 2023

*\*For identification purpose only*

**APPENDIX II- LETTER FROM THE BOARD**

18 July 2023

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square,  
8 Connaught Place, Central  
Hong Kong

Dear Sirs,

We refer to the valuation report dated 16 June 2023 in relation to the valuation of the equity interests of Changhe Aircraft Industries (Group) Co., Ltd.\* (昌河飛機工業（集團）有限責任公司) (“**Changhe Aircraft**”) as at 30 November 2022, and the valuation report dated 16 June 2023 in relation to the valuation of the equity interests of Harbin Aircraft Industry Group Co., Ltd.\* (哈爾濱飛機工業集團有限責任公司) (“**Harbin Aircraft**”) as at 30 November 2022, prepared by DeveChina International Appraisals Co., Ltd.\* (中發國際資產評估有限公司) (the “**Independent Valuer**”) which contains, among others, the valuation of the net profits deriving from the patented technology and software copyright owned by Changhe Aircraft and Harbin Aircraft, and the valuation of the net profits attributable to 81% equity interests in Tianjin Zhonghang Jinjiang Aircraft Maintenance Engineering Co., Ltd.\* (天津中航錦江航空維修工程有限責任公司) (collectively, the “**Valuations**”):

Since the Valuations adopt the value of the discounted cash flow method which is a type of income approach, the Valuations constitute profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and accordingly, Rule 14.62 of the Listing Rules is applicable.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuations have been prepared, and reviewed the Valuations for which the Independent Valuer is responsible. We have also considered the reports from our reporting accountant, Da Hua Certified Public Accountants (Special General Partnership), regarding whether the Valuations were compiled properly so far as the calculations are concerned. Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuations prepared by the Independent Valuer have been made after due and careful enquiry.

The Board of Directors  
**AviChina Industry & Technology Company Limited**

Beijing, 18 July 2023

*\*For identification purposes only*