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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**

UPDATE ON THE PROPOSED RESTRUCTURING

Reference is made to the announcements (the “**Announcements**”) issued by AviChina Industry & Technology Company Limited* (the “**Company**”) dated 23 December 2022, 9 January 2023, 15 March 2023 and 18 July 2023 in relation to, among others, the Proposed Restructuring. Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as defined in the Announcements.

On 15 September 2023, AVIC and AVICOPTER entered into a profit undertaking agreement (the “**AVIC Profit Undertaking Agreement**”), pursuant to which AVIC agreed to compensate AVICOPTER under certain events. The principal terms of the AVIC Profit Undertaking Agreement are as follows:

Date: 15 September 2023

Parties: AVIC and AVICOPTER

Subject matter:

Pursuant to the AVIC Profit Undertaking Agreement,

- (1) AVIC 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) AVIC 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 AVIC shall compensate for the shortfall according to the terms of the AVIC 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 × The total value of consideration in respect of the Relevant Subject — The total amount compensated by AVIC 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 AVIC (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 AVIC cannot be reversed.

3. The amount of compensation in respect of each Applicable Period payable by AVIC shall be proportional to the equity interests held by AVIC 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 AVIC, AVICOPTER shall repurchase such shares from AVIC at a consideration of RMB1.00 and cancel such shares after fulfilling certain requirements as set out in the AVIC Profit Undertaking Agreement, such as issuing written notice to AVIC 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 AVIC 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 AVIC to AVICOPTER in respect of a Relevant Subject under the AVIC Profit Undertaking Agreement shall not exceed the respective amount of consideration received by AVIC in relation to the disposal of the Relevant Subject under the Acquisition of Assets by Issue of Shares, being approximately RMB0.4062 million, RMB6.0001 million and RMB18.4321 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 AVIC to AVICOPTER under the AVIC Profit Undertaking Agreement shall not exceed the number which represents the amount of Consideration received by AVIC in relation to the disposal of the Relevant Subject divided by the Issue Price.

Effectiveness of the AVIC Profit Undertaking Agreement:

The AVIC 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.

Reference is made to the section headed "Profit Forecast" in the announcement of the Company dated 18 July 2023 (the "**July Announcement**"). The Undertaken Values I and the Undertaken Values II under the Profit Undertaking Agreement as disclosed in the July Announcement, and the Undertaken Values I and the Undertaken Values II under the AVIC Profit Undertaking Agreement as disclosed above in this announcement are the same, as well as their basis.

As disclosed in the July Announcement, 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 to the July Announcement. Besides, as disclosed in the July Announcement, 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 to the July Announcement. Please also refer to the July Announcement for (i) the assumptions used in the respective Valuation Report in respect of the Undertaken Values I and the Undertaken Values II; (ii) the qualifications and information of each expert who has provided its conclusion or advice contained in the July Announcement; and (iii) the date of its conclusion or advice.

REASONS AND BENEFITS OF THE TRANSACTIONS UNDER THE ASSET ACQUISITION AGREEMENTS AND THE AVIC 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 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.

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.

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

Beijing, 15 September 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*