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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)

**NON-PUBLIC ISSUANCE OF DOMESTIC SHARES
UNDER GENERAL MANDATE; AND
ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT**

ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 9 May 2023, the Company and National Industrial Investment Fund entered into the Share Subscription Agreement, pursuant to which the Company has agreed to issue and National Industrial Investment Fund has agreed to subscribe for an aggregate of 261,522,000 Domestic Shares at the Subscription Price of HK\$4.34 (equivalent to approximately RMB3.82) per Subscription Share.

The total number of 261,522,000 Domestic Shares to be issued under the Share Subscription Agreement, with an aggregate nominal value of RMB261,522,000, represents (i) approximately 17.43% of the total number of issued Domestic Shares of the Company and approximately 3.39% of the total number of issued Shares of the Company as at the date of this announcement; and (ii) approximately 14.84% of the enlarged total number of issued Domestic Shares after the Completion (assuming there will be no other changes to the total number of issued Domestic Shares from the date of this announcement to the Completion save for the issue of the Subscription Shares) and approximately 3.28% of the enlarged total number of issued Shares of the Company after the Completion (assuming there will be no other changes to the total number of issued Shares from the date of this announcement to the Completion save for the issue of the Subscription Shares). The Subscription Shares will be issued under the General Mandate.

Gross proceeds from the Non-public Issuance are HK\$1,135,005,480 (equivalent to RMB999,998,848). After deducting the issuance expenses, the net proceeds from the Non-public Issuance are expected to be approximately RMB999,798,848. The Company intends to use all the net proceeds from the Non-

public Issuance to replenish working capital.

ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 9 May 2023, the Company and National Industrial Investment Fund entered into the Share Subscription Agreement, pursuant to which the Company has agreed to issue and National Industrial Investment Fund has agreed to subscribe for an aggregate of 261,522,000 Domestic Shares at the Subscription Price of HK\$4.34 (equivalent to approximately RMB3.82) per Subscription Share. The principal terms of the Share Subscription Agreement are set out below:

Date

9 May 2023

Parties

- (1) the Company, as the issuer
- (2) National Industrial Investment Fund, as the subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, National Industrial Investment Fund and its ultimate beneficial owner are third parties independent of the Company and its connected persons under the Listing Rules as of the date of this announcement.

Upon the Completion, it is expected that National Industrial Investment Fund will not become a substantial shareholder of the Company under the Listing Rules.

Subscription Shares

The Company will issue 261,522,000 new Domestic Shares to National Industrial Investment Fund pursuant to the terms and conditions as set out in the Share Subscription Agreement.

The total number of 261,522,000 Domestic Shares to be issued under the Share Subscription Agreement, with an aggregate nominal value of RMB261,522,000, represents (i) approximately 17.43% of the total number of issued Domestic Shares of the Company and approximately 3.39% of the total number of issued Shares of the Company as at the date of this announcement; and (ii) approximately 14.84% of the enlarged total number of issued Domestic Shares after the Completion (assuming there will be no other changes to the total number of issued Domestic Shares from the date of this announcement to the Completion save for the issue of the Subscription Shares) and approximately 3.28% of the enlarged total number of issued Shares of the Company after the Completion (assuming there will be no other changes to the total number of issued Shares from the date of this announcement to the Completion save for the issue of the Subscription Shares). The Subscription Shares will be issued under the General Mandate.

Subscription Price

The Subscription Price was determined after arm's length negotiations between the Company and National Industrial Investment Fund on the basis of not lower than the latest audited net assets per Share of the Company and with reference to the closing price of H Shares on the date of the Share

Subscription Agreement or the average closing price of H Shares for the last five consecutive trading days prior to the date of the Share Subscription Agreement.

The Aggregate Subscription Price amounts to HK\$1,135,005,480 (equivalent to RMB999,998,848), and the Subscription Price is HK\$4.34 per Subscription Share (equivalent to approximately RMB3.82 per Subscription Share, based on the average closing conversion rate between RMB and Hong Kong dollars issued by the People's Bank of China for the five working days prior to the date of the Share Subscription Agreement), which:

- (i) represents a premium of approximately 0.93% to the closing price of HK\$4.30 per H Share as quoted on the Hong Kong Stock Exchange on 9 May 2023 (i.e. the date of the Share Subscription Agreement); and
- (ii) is equal to the average closing price of HK\$4.34 per H Share as quoted on the Hong Kong Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement.

After deducting the issuance expense, the net proceeds from the Non-public Issuance are expected to be approximately RMB999,798,848 and the net price per Subscription Share is estimated to be approximately RMB3.82.

Retained profits

Retained but not distributed profits of the Company prior to the Completion shall be jointly shared by new and existing shareholders after the Completion.

Payment

The Company will issue a written notice of payment to National Industrial Investment Fund, which shall pay the Aggregate Subscription Price in one lump sum to the account designated by the Company within 15 working days after receipt of the written notice of payment.

Completion

The Company shall register the Subscribed Shares in the name of National Industrial Investment Fund with the share registrar within 15 working days from the date on which National Industrial Investment Fund has paid in full the Aggregate Subscription Price.

Effectiveness of the Share Subscription Agreement

The Share Subscription Agreement shall become effective on the date when all of the following conditions are fulfilled: (1) the Company and National Industrial Investment Fund have fulfilled respective all necessary internal decision-making procedures in relation to the Non-public Issuance; and (2) the Non-public Issuance has received the necessary approvals from the competent authorities as required.

RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares, when issued, will rank *pari passu* in all respects among themselves and with the Company's existing Domestic Shares in issue at the time of issuance of such Subscription Shares.

GENERAL MANDATE TO ISSUE SUBSCRIPTION SHARES

Subscription Shares will be issued pursuant to the General Mandate. Pursuant to the General Mandate, the Company has been authorized to issue new Domestic Shares not exceeding 20% of the total number of issued Domestic Shares of the Company as at the date of the 2021 AGM held on 27 May 2022, being an aggregate of 300,133,881 new Domestic Shares. There was no issuance of any new Domestic Shares pursuant to the General Mandate since the date of the 2021 AGM until the date of this announcement. The Non-public Issuance therefore shall not be subject to the approval by the shareholders of the Company.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The below sets out the shareholding structure of the Company as at the date of this announcement and immediately after the Completion, assuming that there will be no other changes in the total number of issued Shares of the Company from the date of this announcement to the Completion save for the issue of the Subscription Shares:

Shareholders	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	Approximate percentage of the issued share capital	Number of Shares	Approximate percentage of the issued share capital
Holders of Domestic Shares				
AVIC Tianjin Free Trade Zone Investment National Industrial Investment Fund	1,250,899,906	16.22%	1,250,899,906	15.69%
	249,769,500	3.24%	249,769,500	3.13%
	-	-	261,522,000	3.28%
Sub-total	1,500,669,406	19.46%	1,762,191,406	22.10%
Holders of H Shares				
AVIC	3,297,780,902	42.77%	3,297,780,902	41.36%
AVIC Airborne Systems ¹	183,404,667	2.38%	183,404,667	2.30%
China Aviation Industry (HK) Company Limited ¹	18,346,000	0.24%	18,346,000	0.23%
AVIC Industry-Finance ¹	53,538,000	0.69%	53,538,000	0.67%
Mr. Yan Lingxi ²	267,740	0.003%	267,740	0.003%
Mr. Zheng Qiang ²	240,653	0.003%	240,653	0.003%
Mr. Zhao Zhuo ²	69,110	0.001%	69,110	0.001%
Public H Shareholders ³	2,657,015,764	34.46%	2,657,015,764	33.33%
Sub-total	6,210,662,836	80.54%	6,210,662,836	77.90%

	As at the date of this announcement		Immediately after the Completion	
Total	7,711,332,242	100.00%	7,972,854,242	100.00%

Notes:

1. As at the date of this announcement, AVIC Airborne Systems and China Aviation Industry (HK) Company Limited are wholly-owned subsidiaries of AVIC, and AVIC Industry-Finance is a non-wholly owned subsidiary of AVIC.
2. Mr. Yan Lingxi is the executive Director of the Company, and Mr. Zheng Qiang and Mr. Zhao Zhuo are supervisors of the Company. Among the 240,653 H Shares in which Mr. Zheng Qiang is interested, 239,687 H Shares are held by Mr. Zheng Qiang and 966 Shares are held by the spouse of Mr. Zheng Qiang.
3. This includes the 312,255,827 H Shares held by Airbus.

Based on information that is publicly available to the Company and to the knowledge of the Board, as at the date of this announcement, the public float of the Company complies with the relevant provisions of Rule 8.08 of the Listing Rules. Upon the Completion, the public float is expected to remain in compliance with Rule 8.08 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE NON-PUBLIC ISSUANCE

The Non-Public Offer will effectively replenish the working capital and strengthen the capital base for business development.

Having considered the above, the Directors consider that the terms of the Share Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROCEEDS AND ITS USE

Gross proceeds from the Non-public Issuance are HK\$1,135,005,480 (equivalent to RMB999,998,848). After deducting the issuance expenses, the net proceeds from the Non-public Issuance are expected to be approximately RMB999,798,848.

The Company intends to use all the net proceeds from the Non-public Issuance to replenish working capital.

FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activity involving issue of equity securities in the period of 12 months preceding the date of this announcement.

GENERAL INFORMATION

Information of the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange. The Company is mainly engaged in the research and

development, manufacture and sales of aviation products, and relevant engineering services. AVIC is the controlling Shareholder of the Company, holding approximately 62.30% of the share capital of the Company directly and indirectly as at the date of this announcement. 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.

Information of National Industrial Investment Fund

National Industrial Investment Fund is a limited liability company established in the PRC, and is mainly engaged in equity investment, investment consulting, project investment and assets management. As at the date of this announcement, National Industrial Investment Fund has thirty shareholders, and its largest shareholder is the Ministry of Finance of the PRC, which holds approximately 15.6863% of the equity interest of National Industrial Investment Fund, and none of the rest shareholders holds more than 10% equity interest in National Industrial Investment Fund.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2021 AGM”	the 2021 annual general meeting of the Company held on 27 May 2022 for the purpose of considering and approving, among other things, the General Mandate
“Aggregate Subscription Price”	HK\$1,135,005,480 (equivalent to RMB999,998,848), being the sum calculated by multiplying the Subscription Price by the number of Subscription Shares
“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 approximately 62.30% of the share capital of the Company as at the date of this announcement
“AVIC Airborne Systems”	AVIC Airborne Systems Company Limited* (中航機載系統有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC as at the date of this announcement
“AVIC Industry-Finance”	AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange (stock code:600705) and a non-wholly owned subsidiary of AVIC as at the date of this announcement
“Board”	the board of directors of the Company

“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“Completion”	The completion of the Non-public Issuance by registering the Subscription Shares in the name of National Industrial Investment Fund through the share registrar in accordance with the terms of the Share Subscription Agreement
“connected person(s)”	has the same meaning as defined in the Listing Rules
“controlling shareholder(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as fully paid in RMB by PRC nationals and/or PRC corporate entities
“General Mandate”	a general and unconditional mandate granted to the Directors at the 2021 AGM to exercise all powers of the Company to issue, allot or otherwise deal with Domestic Shares and/or H Shares not exceeding 20% of each of the total number of issued Domestic Shares and/or H Shares as at the date of the 2021 AGM
“Group”	the Company together with its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“National Industrial Investment Fund”	National Military-civilian Integration Industrial Investment Fund Co., Ltd.* (國家軍民融合產業投資基金有限責任公司), a limited liability company established in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Non-public Issuance”	the subscription of Subscription Shares by National Industrial Investment Fund in accordance with the terms and conditions of the Share Subscription Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	Domestic Shares and H Shares
“Share Subscription Agreement”	the conditional subscription agreement dated 9 May 2023 entered by the Company and National Industrial Investment Fund
“Shareholder(s)”	the shareholder(s) of the Company
“Subscription Price”	the subscription price of HK\$4.34 (equivalent to approximately RMB3.82) per Subscription Share
“Subscription Shares”	a total of 261,522,000 new Domestic Shares to be issued by the Company to National Industrial Investment Fund under the Share Subscription Agreement
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Tianjin Free Trade Zone Investment”	Tianjin Free Trade Zone Investment Company Limited* (天津保稅區投資有限公司), a limited liability company established in the PRC
“%”	per cent

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

Beijing, 9 May 2023

As at the date of this announcement, the Board comprises executive Director 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*