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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)

**ANNOUNCEMENT
MAJOR AND CONNECTED TRANSACTIONS:
PROPOSED ACQUISITION OF THE TARGET EQUITY AND
PROPOSED ISSUANCE OF CONSIDERATION SHARES
UNDER THE SPECIFIC MANDATE**

I. INTRODUCTION

References are made to the announcements of the Company dated 12 October 2018 and 13 October 2019 in relation to the proposed acquisition of 100% equity interests of AVIC Helicopter. On 12 October 2018, the Company, AVIC and Tianjin Free Trade Zone Investment entered into a share transfer framework agreement.

II. THE EQUITY ACQUISITION AND SHARE ISSUANCE AGREEMENT

The Board is pleased to announce that, on 28 November 2019, the Company entered into the Equity Acquisition and Share Issuance Agreement with AVIC and Tianjin Free Trade Zone Investment, pursuant to which, the Company conditionally agreed to acquire (i) 68.75% and 31.25% equity interests in AVIC Helicopter held by AVIC and Tianjin Free Trade Zone Investment, respectively; (ii) 10.21% equity interests in Harbin Aircraft held by AVIC; and (iii) 47.96% equity interests in Changhe Aircraft held by AVIC, at a total consideration of approximately RMB5,687,537,050.94 (equivalent to approximately HK\$6,296,103,515.39). Upon completion of the Proposed Acquisition, each of

AVIC Helicopter, Harbin Aircraft and Changhe Aircraft will become a wholly-owned subsidiary of the Company.

The above consideration will be settled by the Company through issuance of the Consideration Shares. The parties to the Equity Acquisition and Share Issuance Agreement agreed that the Issue Price of the Consideration Shares is HK\$4.19 per Consideration Share (when the Consideration Shares are H Shares) or RMB3.79 (equivalent to approximately HK\$4.19) per Consideration Share (when the Consideration Shares are Domestic Shares). As confirmed by relevant regulatory authorities in the PRC and each party to the Equity Acquisition and Share Issuance Agreement, the consideration for the Proposed Acquisition is proposed to be settled by issuance of the Domestic Shares to AVIC and Tianjin Free Trade Zone Investment.

Based on the consideration of the Target Equity and the Issue Price as elaborated above, the total number of the Consideration Shares is 1,500,669,406, representing 24.03% of the total issued share capital of the Company as at the date of this announcement and 19.37% of the total issued share capital of the Company as enlarged by the Proposed Issuance (assuming there is no other change in the share capital of the Company).

The respective number of the Consideration Shares to be issued and allotted to AVIC and Tianjin Free Trade Zone Investment is as follows:

- (i) for AVIC: 1,250,899,906, representing 20.03% of the total issued share capital of the Company as at the date of this announcement and 16.15% of the total issued share capital of the Company as enlarged by the Proposed Issuance (assuming there is no other change in the share capital of the Company) ; and
- (ii) for Tianjin Free Trade Zone Investment: 249,769,500, representing 4.00% of the total issued share capital of the Company as at the date of this announcement and 3.22% of the total issued share capital of the Company as enlarged by the Proposed Issuance (assuming there is no other change in the share capital of the Company).

III. SPECIFIC MANDATE

The Consideration Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

IV. LISTING RULES IMPLICATION

As the highest of the applicable size test percentage ratios in relation to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder constitute major transactions under Chapter 14 of the Listing Rules, and are subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and thus it is a connected person of the Company. The Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder are connected transactions of the Company under the Listing Rules. Therefore, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder also are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. INDEPENDENT BOARD COMMITTEE AND IFA

An Independent Board Committee comprising all of the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transactions contemplated under the Equity Acquisition and Share Issuance Agreement.

Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders on the connected transactions mentioned above. Somerley is a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

VI. EGM

The EGM will be convened by the Company to consider and, if thought fit, approve, among other matters, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance).

As more time is required for the preparation of the information to be contained in a circular to the Shareholders, the circular containing, among other things, (1) information relating to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance); (2) a letter from the Independent Board Committee containing its opinion and recommendations on the Equity

Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance); (3) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM, will be despatched to the Shareholders on or before 30 December 2019.

As the completion of the Proposed Acquisition and the Proposed Issuance is subject to the fulfilment of conditions precedent of the Equity Acquisition and Share Issuance Agreement, and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares of the Company.

I. INTRODUCTION

References are made to the announcements of the Company dated 12 October 2018 and 13 October 2019 in relation to the proposed acquisition of 100% equity interests of AVIC Helicopter. On 12 October 2018, the Company, AVIC and Tianjin Free Trade Zone Investment entered into a share transfer framework agreement.

II. THE EQUITY ACQUISITION AND SHARE ISSUANCE AGREEMENT

The major terms of the Equity Acquisition and Share Issuance Agreement are summarized as follows:

Date	28 November 2019 (after trading hours)
Parties	(i) the Company, as the purchaser of the Target Equity and the issuer of the Consideration Shares; (ii) AVIC and Tianjin Free Trade Zone Investment, each as the seller of the Target Equity and the subscriber for the Consideration Shares.
Target Equity	(i) 68.75% and 31.25% equity interests in AVIC Helicopter held by AVIC and Tianjin Free Trade Zone Investment, respectively; (ii) 10.21% equity interests in Harbin Aircraft held by AVIC; and (iii) 47.96% equity interests in Changhe Aircraft held by AVIC.
Consideration	The total consideration for the Target Equity is approximately RMB5,687,537,050.94 (equivalent to approximately HK\$6,296,103,515.39), among which:

- (i) in respect of acquisition of 100% equity interests in AVIC Helicopter, the total consideration is approximately RMB4,951,877,168.61 (equivalent to approximately HK\$5,481,728,025.65) comprising the consideration to be paid by the Company to AVIC and Tianjin Free Trade Zone Investment of RMB4,005,250,762.69 (equivalent to approximately HK\$4,433,812,594.30) and RMB946,626,405.92 (equivalent to approximately HK\$1,047,915,431.35), respectively;
- (ii) in respect of acquisition of 10.21% equity interests in Harbin Aircraft, the consideration to be paid by the Company to AVIC is approximately RMB147,654,910.06 (equivalent to approximately HK\$163,453,985.44); and
- (iii) in respect of acquisition of 47.96% equity interests in Changhe Aircraft, the consideration to be paid by the Company to AVIC is approximately RMB588,004,972.27 (equivalent to approximately HK\$650,921,504.30).

The above consideration is determined upon arm's length negotiations between the parties with reference to various factors including but not limited to the financial position, historical performance and future business outlook and potential of the Target Group, economic and industrial situation, valuation results of the Target Equity as set out in the valuation report prepared by a qualified and independent PRC valuer using asset-based approach as at the Valuation Benchmark Date.

Consideration Shares

The above consideration will be settled by the Company through issuance of the Consideration Shares.

Issue Price

The parties to the Equity Acquisition and Share Issuance Agreement agreed that the Issue Price of the Consideration Shares is HK\$4.19 per Consideration Share (when the Consideration Shares are H Shares) or RMB3.79 (equivalent to approximately HK\$4.19) per Consideration Share (when the Consideration Shares are Domestic Shares).

As confirmed by relevant regulatory authorities in the PRC and each party to the Equity Acquisition and Share Issuance Agreement, the consideration for the Proposed Acquisition is

proposed to be settled by issuance of the Domestic Shares to AVIC and Tianjin Free Trade Zone Investment.

The Issue Price is determined by the parties after arm's length negotiations and with reference to the recent average closing prices of H Share on the Hong Kong Stock Exchange.

The Issue Price per Consideration Share represents:

- (a) a premium of approximately 19.71% over the closing price of HK\$3.50 per H Share on the Hong Kong Stock Exchange on the date of the Equity Acquisition and Share Issuance Agreement (the "**Agreement Date**");
- (b) a premium of approximately 18.83% over the average closing price of HK\$3.53 per H Share on the Hong Kong Stock Exchange for five (5) trading days prior to and including the Agreement Date; and
- (c) a premium of approximately 16.36% over the average closing price of HK\$3.60 per H Share on the Hong Kong Stock Exchange for twenty (20) trading days prior to and including the Agreement Date.

Note: The comparison of value above is provided for investors' convenience and for reference only. The Company's Domestic Shares, to be issued and allotted as the Consideration Shares, are non-listed Shares.

Number of Consideration Shares

Based on the consideration of the Target Equity and the Issue Price as elaborated above, the total number of the Consideration Shares is 1,500,669,406, representing 24.03% of the total issued share capital of the Company as at the date of this announcement and 19.37% of the total issued share capital of the Company as enlarged by the Proposed Issuance (assuming there is no other change in the share capital of the Company).

The respective number of the Consideration Shares to be issued and allotted to AVIC and Tianjin Free Trade Zone Investment is as follows:

- (i) for AVIC: 1,250,899,906, representing 20.03% of the total issued share capital of the Company as at the date of this announcement and 16.15% of the total issued share capital of the Company as enlarged by the

Proposed Issuance (assuming there is no other change in the share capital of the Company); and

- (ii) for Tianjin Free Trade Zone Investment: 249,769,500, representing 4.00% of the total issued share capital of the Company as at the date of this announcement and 3.22% of the total issued share capital of the Company as enlarged by the Proposed Issuance (assuming there is no other change in the share capital of the Company).

Ranking of the Consideration Shares to be issued

The Consideration Shares shall rank *pari passu* in all respect among themselves and with the existing Shares of the same class (if any) pursuant to the articles of association of the Company.

Effectiveness of the Agreement

The Equity Acquisition and Share Issuance Agreement shall become effective upon satisfaction of all the following conditions:

- (1) the Equity Acquisition and Share Issuance Agreement has been duly executed by each party;
- (2) all the pre-approvals in relation to the transactions under the Equity Acquisition and Share Issuance Agreement have been obtained from the relevant governmental authorities by each party according to laws;
- (3) the Equity Acquisition and Share Issuance Agreement has been approved by the internal decision authorities (including the board (or executive director(s)) and the shareholders (shareholders' meeting)) of each Transferor; and
- (4) the Equity Acquisition and Share Issuance Agreement and the transactions thereunder (including the Proposed Acquisition and the Proposed Issuance) have been approved by the Board and the Independent Shareholders of the Company.

Completion

The completion of the Proposed Acquisition and the Proposed Issuance shall take place on the Completion Date upon satisfaction (or waiver, if applicable) of the following conditions precedent:

- (1) the transfer of 100% equity interests in AVIC Helicopter has been approved by the shareholders' meeting of AVIC Helicopter;
- (2) the transfer of 10.21% equity interests in Harbin Aircraft has been approved by the shareholders' meeting of Harbin Aircraft;
- (3) the transfer of 47.96% equity interests in Changhe Aircraft has been approved by the shareholders' meeting of Changhe Aircraft;
- (4) the consent, authorization and approval (if required) of any third party (including but not limited to financial creditors) in relation to the transfer of the Target Equity have been obtained, and there is no pledge, freeze or any third party rights over the Target Equity that may restrict or impede the implementation of the Equity Acquisition and Share Issuance Agreement;
- (5) each party's warranties given on the date of the Equity Acquisition and Share Issuance Agreement shall remain true and accurate, and shall not be misleading in all material respects on the Completion Date with reference to the facts and circumstances of the Target Equity/ the Consideration Shares (as the case may be);
- (6) all relevant legal documents for the transactions under the Equity Acquisition and Share Issuance Agreement have been completed to the satisfaction of all parties;
- (7) the Target Group has completed the divestment of relevant business involved in Special Management Measures for Admittance of Foreign Investment (Negative List), including but not limited to the exclusion in the business scope involving such business;
- (8) certain subsidiaries and/or branches of the Target Group have improved procedures in relation to the change of industrial and commercial registration or cancellation of registration to the satisfaction of the Company;
- (9) subject to compliance with the relevant laws and regulations and the rules of the stock exchanges by AVIC Helicopter, the registration procedures for the transfer of 6% equity

interests in AVICOPTER held by AVIC Helicopter to Tianjin Binjiang Helicopter Co., Ltd.* (天津濱江直升機有限責任公司) have been completed;

- (10) the ownership of the assets (including land and real estate) of the Target Group has been further improved as required to the satisfaction of the Company; and
- (11) there is no occurrence of any matters in accordance with the Equity Acquisition and Share Issuance Agreement which will trigger the termination of the Equity Acquisition and Share Issuance Agreement.

Except for conditions precedent (8) and (10) (which can be waived by the Company), the above conditions precedent cannot be waived.

**Transitional
Period
Arrangement**

The Company shall be entitled to the accumulated undistributed profit of the Target Group as of the Valuation Benchmark Date and during the period from the Valuation Benchmark Date to the Completion Date. The existing shareholders of the Target Group shall be entitled to the profit of the Target Group (paid or unpaid) generated before the Valuation Benchmark Date and declared during the period from the Valuation Benchmark Date to the Agreement Date in proportion to respective equity interest in the Target Group, on the assumption that the Target Group and the Transferors have fully disclosed such distribution to the Company timely in good faith and such distribution is reflected in the accountants' report and valuation report of the Target Group accordingly.

III. SPECIFIC MANDATE

The Consideration Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Except for the placing of 279,000,000 H Shares as disclosed in the announcement of the Company dated 14 December 2018, the Company has not engaged in any other fund raising activities involving issuance of the Company's equity securities in the past 12 months immediately prior to the date of this announcement.

IV. EFFECTS ON SHAREHOLDING STRUCTURE UPON COMPLETION OF THE PROPOSED ACQUISITION AND PROPOSED ISSUANCE

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Proposed Issuance (assuming that there is no other change in the issued share capital and shareholding structure of the Company from the date of this announcement to the Completion Date):

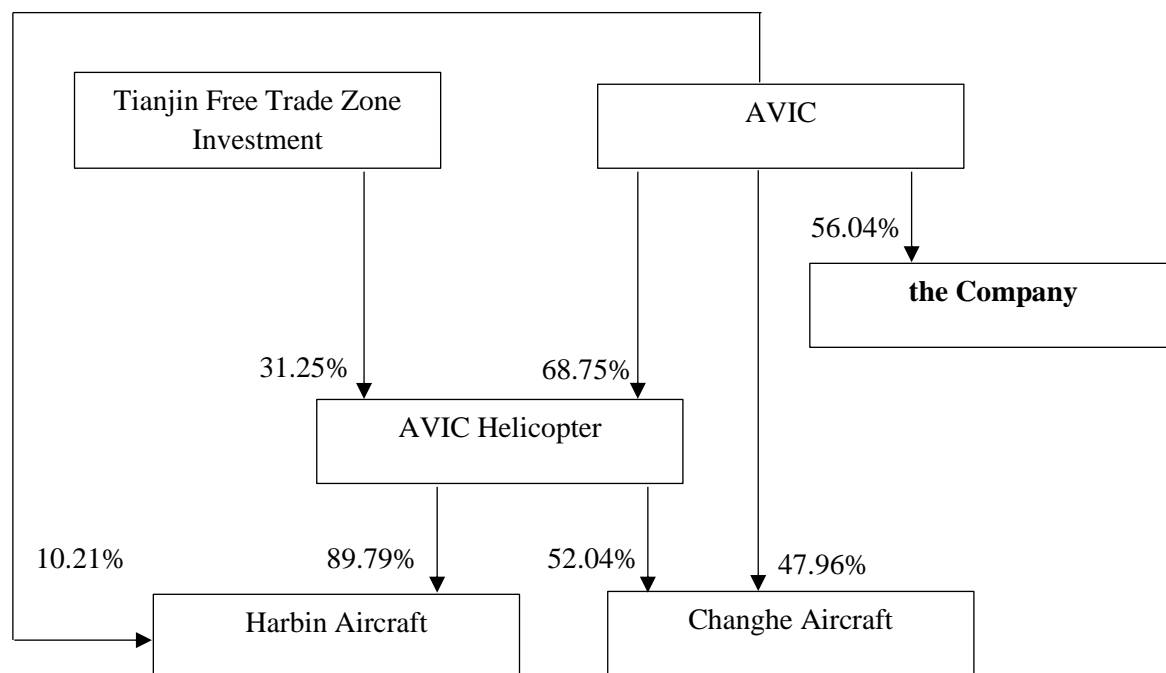
Shareholder	As at the date of this announcement		Immediately upon completion of the Proposed Issuance	
	Number of Shares	Approximate % to the total issued share capital of the Company	Number of Shares	Approximate % to the total issued share capital of the Company
AVIC <i>Note 1</i>	3,499,531,569	56.04	4,750,431,475	61.33
Airbus Group	312,255,827	5.00	312,255,827	4.03
Tianjin Free Trade Zone Investment <i>Note 2</i>	0	0.00	249,769,500	3.22
Other Shareholders	2,433,334,440	38.96	2,433,334,440	31.41
Total issued Shares <i>Note 3</i>	6,245,121,836	100	7,745,791,242	100

Note:

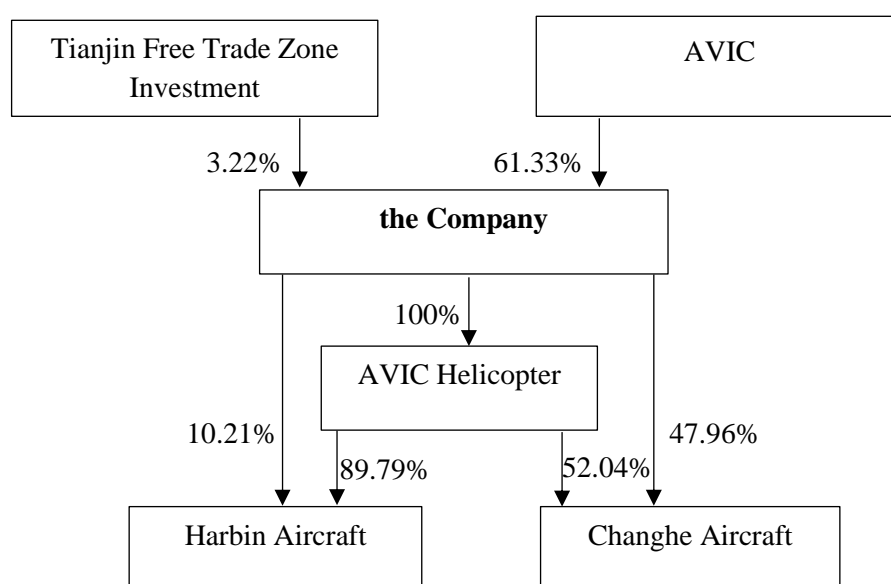
1. As at the date of this announcement, among the 3,499,531,569 H Shares currently held by AVIC, 3,297,780,902 H Shares were directly held by it as a beneficial owner, 183,404,667 H Shares were held through AVIC Airborne Systems Company Limited, and 18,346,000 H Shares were held through China Aviation Industry (Hong Kong) Company Limited, each being its wholly-owned subsidiary. Immediately upon completion of the Proposed Issuance, except for the above 3,499,531,569 H Shares, AVIC will also hold 1,250,899,906 Domestic Shares.
2. Immediately upon completion of the Proposed Issuance, Tianjin Free Trade Zone Investment will hold 249,769,500 Domestic Shares.
3. As at the date of this announcement, the total issued Shares refer to 6,245,121,836 H Shares of the Company in issue. Immediately upon completion of the Proposed Issuance, the total issued Shares include 6,245,121,836 H Shares and 1,500,669,406 Domestic Shares of the Company in issue.

The diagram below sets out the simplified shareholding structure of the Target Group and the parties as at the date of this announcement and the Completion Date:

As at the date of this announcement:



As at the Completion Date:



Note: As at the date of this announcement, the 10.21% equity interest in Harbin Aircraft and the 47.96% equity interest in Changhe Aircraft held by AVIC is under the process of change in industrial and commercial registration.

As at the date of this announcement, AVIC holds over 10% equity interest in AVICOPTER, a non-wholly owned subsidiary of the Company, through AVIC Helicopter and Harbin Aircraft, each being a subsidiary of AVIC. Thus, AVICOPTER is a connected subsidiary of the Company. Upon completion of the

Proposed Acquisition, in light of the fact that each of AVIC Helicopter and Harbin Aircraft will become a wholly-owned subsidiary of the Company, the shareholding percentage of the Company in AVICOPTER will be increased from 34.77% to 50.80% and the shareholding percentage of AVIC in AVICOPTER (excluding the equity interest indirectly held by AVIC through the Company) will be decreased to less than 10%. Thus, AVICOPTER will cease to be a connected subsidiary of the Company.

V. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION AND PROPOSED ISSUANCE

Upon completion of the Proposed Acquisition, each of AVIC Helicopter, Harbin Aircraft and Changhe Aircraft will become a wholly-owned subsidiary of the Company.

The acquisition of AVIC Helicopter is in line with the development strategy plan of the Company's helicopter industry. Upon completion of the Proposed Acquisition, the entire helicopter business chain of the Company will be more complete, further promoting the development of the helicopter business of the Company. The Proposed Acquisition can optimize the asset structure of the Company, and enhance the income level and profitability of the Company.

The terms of the Equity Acquisition and Share Issuance Agreement are agreed by the parties after arm's length negotiations and made upon normal commercial terms. The Directors are of the view that the terms of the Equity Acquisition and Share Issuance Agreement are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary or usual course of business of the Group due to its nature.

Each of Mr. Chen Yuanxian and Mr. Yan Lingxi, the Directors, who are the vice general manager and a department chief of AVIC, respectively, had abstained from voting on the relevant Board resolution approving the Equity Acquisition and Share Issuance Agreement in accordance with the Company Law of the PRC and the Listing Rules. Save for disclosed above, none of the other Directors has or is deemed to have a material interest in the transactions under the Equity Acquisition and Share Issuance Agreement.

VI. INFORMATION ON TARGET GROUP

AVIC Helicopter is a limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of this announcement. It is mainly engaged in research and development, production, sales and maintenance of helicopters, other aircrafts and aviation components.

Harbin Aircraft is a limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of this announcement. It is owned as to 89.79% by AVIC Helicopter and 10.21% by AVIC. It is mainly engaged in research and development, manufacture and sales of multiple helicopters and general aircraft.

Changhe Aircraft is a limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of this announcement. It is owned as to 52.04% by AVIC Helicopter and 47.96% by AVIC. It is mainly engaged in research and development, manufacture and sales of helicopters and aviation parts.

Each of Harbin Aircraft and Changhe Aircraft is a subsidiary of AVIC Helicopter. According to the International Financial Reporting Standards, the audited consolidated net profits (before and after taxation and extraordinary items) of the Target Equity for the two years ended 31 December 2017 and 31 December 2018 are set out below:

	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(million)</i>	<i>(million)</i>
<i>Net profit before taxation and extraordinary items</i>	431.17	391.18
<i>Net profit after taxation and extraordinary items</i>	364.14	318.16

The audited book value of the net assets of the Target Equity as at 30 September 2019 prepared in accordance with International Financial Reporting Standards was approximately RMB2,962.71 million. The appraised value of the Target Equity as at the Valuation Benchmark Date was approximately RMB5,687.54 million as set out in the valuation report using asset-based approach.

The original costs for the Target Equity represents the amount invested by AVIC and Tianjin Free Trade Zone Investment in the Target Equity over the years. The Directors are of the view that the original costs invested by AVIC and Tianjin Free Trade Zone Investment in AVIC Helicopter, Harbin Aircraft and Changhe Aircraft are not directly related to the determination of the consideration for the Proposed Acquisition.

VII. IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable size test percentage ratios in relation to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder constitute major transactions under Chapter 14 of the Listing Rules, and are subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and thus it is a connected person of the Company. The Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder are connected transactions of the Company under the Listing Rules. Therefore, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder also are subject to the reporting, announcement and

Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. INDEPENDENT BOARD COMMITTEE AND IFA

An Independent Board Committee comprising all of the independent non-executive Directors will be established to advise the Independent Shareholders on the connected transactions contemplated under the Equity Acquisition and Share Issuance Agreement.

Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders on the connected transactions mentioned above. Somerley is a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

IX. 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 Hong Kong Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

Information on AVIC

AVIC is held and 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 56.04% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on Tianjin Free Trade Zone Investment

Tianjin Free Trade Zone Investment is a limited liability company incorporated in the PRC. It is an important investment and financing platform for Tianjin Free Trade Zone, and is mainly engaged in investment and financing activities to promote regional development and construction and economic restructuring. Tianjin Free Trade Zone Investment is wholly owned by Tianjin Free Trade Zone Investment Holding Group Co., Ltd* (天津保稅區投資控股集團有限公司), a state-owned enterprise incorporated in the PRC.

X. EGM

The EGM will be convened by the Company to consider and, if thought fit, approve, among other matters, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance).

As more time is required for the preparation of the information to be contained in a circular to the Shareholders, the circular containing, among other things, (1) information relating to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance); (2) a letter from the Independent Board Committee containing its opinion and recommendations on the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder (including the Proposed Acquisition and Proposed Issuance); (3) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM, will be despatched to the Shareholders on or before 30 December 2019.

As the completion of the Proposed Acquisition and the Proposed Issuance is subject to the fulfilment of conditions precedent of the Equity Acquisition and Share Issuance Agreement, and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares of the Company.

Further announcement in relation to the Proposed Acquisition and the Proposed Issuance will be published by the Company when and where applicable pursuant to the Listing Rules.

XI. DEFINITIONS

"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 56.04% equity interest in the Company directly and indirectly as at the date of this announcement
"AVIC Helicopter"	AVIC Helicopter Co., Ltd.* (中航直升機有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement
"AVICOPTER"	AVICOPTER PLC.*, a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange, being held as to 34.77% by the Company directly and indirectly as at the date of this announcement
"Board"	the board of directors of the Company
"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 incorporated in the PRC and a subsidiary of AVIC 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 Hong Kong Stock Exchange

"Completion Date"	the date on which all the conditions precedent of completion under the Equity Acquisition and Share Issuance Agreement are satisfied or waived (if applicable), or other date as agreed by the parties in writing
"connected person(s)"	has the same meaning as defined in the Listing Rules
"Consideration Shares"	the Domestic Shares to be issued by the Company to the Transferors under the Equity Acquisition and Share Issuance Agreement as the consideration of the Proposed Acquisition, which have been confirmed by relevant regulatory authorities in the PRC and each party to the Equity Acquisition and Share Issuance Agreement
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the domestic share(s) to be issued by the Company and subscribed for in RMB, with a nominal value of RMB1.00 each
"EGM"	the extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder
"Equity Acquisition and Share Issuance Agreement"	the equity acquisition and share issuance agreement dated 28 November 2019 entered into between the Company, AVIC and Tianjin Free Trade Zone Investment in relation to the Proposed Acquisition and Proposed Issuance
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas-listed foreign invested share(s) in the Company's share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK\$
"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 incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement
"HK\$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFA" or "Sommerley"	Sommerley Capital Limited, the independent financial advisor of the Company to advise the Independent Board Committee and Independent Shareholders in respect of the connected transactions contemplated under the Equity Acquisition and Share Issuance Agreement

"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin, to advise the Independent Shareholders in respect of the Proposed Acquisition and Proposed Issuance
"Independent Shareholders"	Shareholders (other than AVIC and its associates) who are not required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder
"Issue Price"	the issue price of the Consideration Shares
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"PRC"	the People's Republic of China
"Proposed Acquisition"	the proposed acquisition of the Target Equity by the Company from the Transferors pursuant to the Equity Acquisition and Share Issuance Agreement, the consideration for which is to be settled by the issuance of the Consideration Shares to the Transferors
"Proposed Issuance"	the issuance of Consideration Shares by the Company to the Transferors as the consideration for the Proposed Acquisition pursuant to the Equity Acquisition and Share Issuance Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"Share(s) "	the share(s) of the Company
"Shareholder(s) "	the shareholders of the Company
"Specific Mandate"	the specific mandate in relation to the Proposed Issuance to be sought at the EGM
"subsidiary(ies) "	has the same meaning ascribed thereto under the Listing Rules
"Target Group"	AVIC Helicopter and its subsidiaries (including Harbin Aircraft and Changhe Aircraft)
"Target Equity"	68.75% and 31.25% equity interests in AVIC Helicopter held by AVIC and Tianjin Free Trade Zone Investment, respectively, 10.21% equity interests in Harbin Aircraft held by AVIC and 47.96% equity interests in Changhe Aircraft held by AVIC
"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 incorporated in the PRC

"Transferor(s)" AVIC and/or Tianjin Free Trade Zone Investment
"Valuation Benchmark Date" being 30 September 2018
"%" per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1 = HK\$1.107 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

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

Beijing, 28 November 2019

As at the date of this announcement, the Board comprises executive Directors Mr. Chen Yuanxian and Mr. Wang Xuejun, non-executive Directors Mr. Yan Lingxi, Mr. Lian Dawei, and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purposes only*