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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)

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES BY THE COMPANY'S
SUBSIDIARY JONHON OPTRONIC**

THE JONHON OPTRONIC ISSUANCE

Reference is made to the announcement of the Company dated 17 May 2021 in relation to the proposed non-public issuance of A shares by JONHON Optronics, a non-wholly-owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002179).

The board of directors of JONHON Optronics approved the JONHON Optronics Issuance, pursuant to which JONHON Optronics shall issue new A shares to raise proceeds of no more than RMB3.4 billion to facilitate its daily operations and construction of industrialization projects.

As part of the JONHON Optronics Issuance, JONHON Optronics entered into the Subscription Agreement with AVIC Industry Investment and the Subscription Agreement with the Company on 9 July 2021. Pursuant to such agreements, JONHON Optronics has conditionally agreed to allot and issue, and each of AVIC Industry Investment and the Company has conditionally agreed to subscribe for new A shares with RMB190 million and RMB200 million in cash, respectively.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Industry Investment is a subsidiary of AVIC. Therefore, AVIC Industry Investment is a connected person of the Company and the Proposed Subscription by AVIC Industry Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Subscription by AVIC Industry Investment exceeds 0.1% but is less than 5%, the Proposed Subscription by AVIC Industry Investment is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Following the completion of the JONHON Optronics Issuance, the Company's shareholding percentage in JONHON Optronics may be diluted, which constitutes a deemed disposal of the Company's equity interest in JONHON Optronics under Rule 14.29 of the Hong Kong Listing Rules. However, the JONHON Optronics Issuance will not result in any change of control of JONHON Optronics, and JONHON Optronics will remain a subsidiary of the Company following the completion of the Issuance.

As the highest applicable percentage ratio in respect of the deemed disposal of the Company's equity interest in JONHON Optronics is less than 5%, such deemed disposal is not subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The proposal for the JONHON Optronics Issuance is subject to, among others, the approval from CSRC and is therefore subject to uncertainty. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

A. INTRODUCTION

Reference is made to the announcement of the Company dated 17 May 2021 in relation to the proposed non-public issuance of A shares by JONHON Optronics, a non-wholly-owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002179).

The board of directors of JONHON Optronics approved the JONHON Optronics Issuance, pursuant to which JONHON Optronics shall issue new A shares (the "New A shares") to raise proceeds of no more than RMB3.4 billion to facilitate its daily operations and construction of industrialization projects.

As part of the JONHON Optronics Issuance, JONHON Optronics entered into the Subscription Agreement with AVIC Industry Investment and the Subscription Agreement with the Company on 9 July 2021. Pursuant to such agreements, JONHON Optronics has conditionally agreed to allot and issue, and each of AVIC Industry Investment and the Company has conditionally agreed to subscribe for the New A shares with RMB190 million and RMB200 million in cash, respectively.

Following the completion of the JONHON Optronics Issuance, the Company's shareholding percentage in JONHON Optronics may be diluted, which constitutes a deemed disposal of the Company's equity interest in JONHON Optronics under Rule 14.29 of the Hong Kong Listing Rules. However, the JONHON Optronics Issuance will not result in any change of control of JONHON Optronics, and JONHON Optronics will remain a subsidiary of the Company following the completion of the Issuance.

B. PROPOSAL FOR THE JONHON OPTRONIC ISSUANCE

The major terms of the JONHON Optronics Issuance (including the Proposed Subscription by AVIC Industry Investment) are set out as follows.

1. Class and nominal value of shares to be issued

Shares to be issued under the JONHON Optronics Issuance are domestic-listed RMB ordinary shares (A shares) with a nominal value of RMB1.00 per share.

2. Method and timing of issuance

The JONHON Optronics Issuance will be conducted entirely by way of non-public issuance to specific subscribers. JONHON Optronics will conduct the issuance at an opportune timing during the validity period approved by CSRC.

3. Subscribers and method of Subscription

The JONHON Optronics Issuance will be a non-public issuance targeted at specific investors, including the Company and AVIC Industry Investment and not exceeding 35 specific investors (including 35 specific investors). Apart from the Company and AVIC Industry Investment, other investors need to be qualified investors that meet relevant requirements of CSRC, which include securities investment and fund management companies, securities companies, finance companies, insurance institutional investors, trust companies, qualified foreign institutional investors (including the above-mentioned investors' self-operated accounts or managed investment product accounts), and other legal persons, natural persons and other qualified investors. A securities investment and fund management company subscribing through two or more funds under its management shall be deemed as one single subscriber. A trust company, as a subscriber, can only subscribe with its self-owned funds.

Apart from the Company and AVIC Industry Investment, all the other subscribers shall be determined by the board and the authorized person of JONHON Optronics under the mandate granted by the general meeting of JONHON Optronics in consultation with the sponsor (lead underwriter) of the Issuance based on the outcome of price bidding in accordance with pertinent provisions and regulations after receiving approval documents from CSRC.

All subscribers shall subscribe for shares in cash under the JONHON Optronics Issuance.

4. Pricing benchmark date, issue price and pricing principle

The pricing benchmark date of the JONHON Optronics Issuance is the first day on which the period of issuance of shares under the JONHON Optronics Issuance commences.

Pricing principle: the issue price shall be not lower than 80% of the average trading price of the A shares of JONHON Optronics for the 20 trading days immediately before the pricing benchmark date. (Average trading price of shares for the 20 trading days immediately before the pricing benchmark date = total amount of shares traded for the 20 trading days immediately

before the pricing benchmark date/total volume of shares traded for the 20 trading days immediately before the pricing benchmark date) (the “**Minimum Issue Price**”).

Based on the aforesaid Minimum Issue Price, the exact issue price shall be determined by the board and the authorized person of JONHON Optronic under the mandate granted by the general meeting of JONHON Optronic in consultation with the sponsor (lead underwriter) based on the outcome of price bidding and principles such as price priority in accordance with pertinent laws and regulations of relevant authorities after receiving approval documents from CSRC.

The Company and AVIC Industry Investment will not participate in the price bidding for the JONHON Optronic Issuance, but have undertaken to accept the outcome of price bidding by other target investors and will subscribe at the same price as other target investors. If there is no effective outcome from the price bidding, the Company and AVIC Industry will subscribe the shares under the JONHON Optronic Issuance with the Minimum Issue Price.

If JONHON Optronic carries out ex-entitlement and ex-dividend activities such as distribution of dividends, bonus share issue, conversion of capital reserve into share capital, the issue price under the JONHON Optronic Issuance shall be adjusted accordingly.

5. Issuance volume

The number of shares to be issued under the JONHON Optronic Issuance will be determined by dividing the total amount of gross proceeds by the issue price, subject to a maximum of 329,983,515 shares (namely, not more than 30% of the total share capital of JONHON Optronic prior to the JONHON Optronic Issuance) to be issued under the non-public issuance and to the approval documents issued by CSRC. If the number of the shares obtained is not a whole number, the remaining shares of less than one share shall be processed according to the principle of rounding down. Subject to the aforesaid range, the final issuance volume shall be determined by the board and the authorized person of JONHON Optronic under the mandate granted by the general meeting of JONHON Optronic in consultation with the sponsor (lead underwriter) in accordance with pertinent provisions and regulations of CSRC and the actual subscription condition.

During the period from the date of the board resolution approving the JONHON Optronic Issuance to the issuance date, if the total number of the JONHON Optronic shares changes due to ex-entitlement and ex-dividend activities such as distribution of dividends, bonus share issue, conversion of capital reserve into share capital, or due to share award scheme, share repurchase scheme and other reasons, the maximum number of shares to be issued under the JONHON Optronic Issuance shall be adjusted accordingly.

6. Arrangements for lock-up period

Upon completion of the JONHON Optronic Issuance, if the Company and AVIC Industry Investment and their concert parties increase their shareholding of no more than 2% of the total issued shares of JONHON Optronic within 12 months prior to the date of completion of the JONHON Optronic Issuance, shares subscribed by them under the JONHON Optronic Issuance shall be subject to a lock-up period for 18 months from the date of completion of the JONHON Optronic Issuance. On the other hand, if the Company and AVIC Industry Investment and their

concert parties increase their shareholding to more than 2% of the total issued shares of JONHON Optronics within 12 months prior to the date of completion of the JONHON Optronics Issuance, shares subscribed by them under the JONHON Optronics Issuance shall be subject to a lock-up period for 36 months from the date of completion of the JONHON Optronics Issuance. Shares subscribed by the other subscribers under the JONHON Optronics Issuance shall be subject to a lock-up period for 6 months from the date of completion of the JONHON Optronics Issuance.

In addition, upon completion of the JONHON Optronics Issuance, if the Company and AVIC Industry Investment and their concert parties increase their shareholding of JONHON Optronics prior to the JONHON Optronics Issuance, shares of JONHON Optronics held by them prior to the JONHON Optronics Issuance shall be subject to a lock-up period for 18 months from the date of completion of the JONHON Optronics Issuance.

In the event of any changes in respect of lock-up period under the relevant laws, regulations and regulatory documents, the lock-up period under the JONHON Optronics Issuance will be adjusted accordingly. During the lock-up period, shares derive from bonus share issue or conversion of capital reserve into share capital by JONHON Optronics, such extra shares shall also be subject to the aforesaid lock-up arrangement.

7. Place of listing

The shares under the JONHON Optronics Issuance will be listed and traded on the Shenzhen Stock Exchange.

8. Arrangements for retained undistributed profit

Upon completion of the JONHON Optronics Issuance, the retained undistributed profit of JONHON Optronics prior to its issuance shall be shared among its existing and new shareholders in proportion to their shareholding percentages after the completion of the JONHON Optronics Issuance.

9. Validity period of the resolution

The resolution on the JONHON Optronics Issuance shall remain valid for a period of 12 months from the date on which the resolution is considered and approved at the general meeting of JONHON Optronics.

10. Use of proceeds

The total amount of proceeds from the JONHON Optronics Issuance will not exceed RMB3.4 billion (inclusive). Net proceeds after the deduction of issue expenses shall be applied in full in the following items:

Project	Investment amount	Proposed use of proceeds
JONHON Optronics (Guangdong) Huanan Industry Base	225,554.87	110,000.00

Unit: RMB0'000

JONHON Optronic Industrial Centre of Fundamental Equipment and Instruments (Phase I)	167,250.00	130,000.00
Supplemental Working Capital	100,000.00	100,000.00
Total	492,794.87	340,000.00

C. PROPOSED SUBSCRIPTION BY AVIC INDUSTRY INVESTMENT

1. New A shares to be subscribed by AVIC Industry Investment

As part of the JONHON Optronic Issuance, JONHON Optronic entered into the Subscription Agreement with AVIC Industry Investment on 9 July 2021. Pursuant to which, JONHON Optronic has conditionally agreed to allot and issue, and AVIC Industry Investment has conditionally agreed to subscribe for the New A shares with RMB190 million in cash.

2. Subscription price and pricing principle

The subscription price of the New A shares to be issued to AVIC Industry Investment under the JONHON Optronic Issuance shall be the same as that of the New A shares to be issued to the other target subscribers, subject to the same pricing principle as set out under the paragraph headed “ 4. Pricing benchmark date, issue price and pricing principle” under the section headed “ Proposal for the JONHON Optronic issuance” in this announcement.

3. Conditions precedent

The Proposed Subscription by AVIC Industry Investment is subject to, among others, the approval from relevant authorities such as CSRC.

4. Implications under the Hong Kong Listing Rules

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Industry Investment is a subsidiary of AVIC. Therefore, AVIC Industry Investment is a connected person of the Company and the Proposed Subscription by AVIC Industry Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Subscription by AVIC Industry Investment exceeds 0.1% but is less than 5%, the Proposed Subscription by AVIC Industry Investment is subject to the reporting and announcement requirements but is exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

D. EFFECT OF THE JONHON OPTRONIC ISSUANCE OF ITS SHAREHOLDING STRUCTURE

As at the date of this announcement, the total number of shares of JONHON Optronic in issue amounts to 1,099,945,053 shares. The Company is the controlling shareholder of JONHON Optronic with a shareholding of 425,744,386 shares, representing 38.71% of its total share capital.

Following the completion of the JONHON Optronic Issuance, the Company's shareholding percentage in JONHON Optronic may be diluted, which constitutes a deemed disposal of the Company's equity interest in JONHON Optronic under Rule 14.29 of the Hong Kong Listing Rules. However, the JONHON Optronic Issuance will not result in any change of control of JONHON Optronic, and JONHON Optronic will remain a subsidiary of the Company following the completion of the Issuance.

As the highest applicable percentage ratio in respect of the deemed disposal of the Company's equity interest in JONHON Optronic is less than 5%, such deemed disposal is not subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

E. REASONS FOR AND BENEFITS OF THE JONHON OPTRONIC ISSUANCE

The JONHON Optronic Issuance is to facilitate its daily operations and construction of industrialization projects.

The terms of the Proposed Subscription by AVIC Industry Investment are made upon normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that although the Subscription Agreement with AVIC Industry Investment and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Proposed Subscription by AVIC Industry Investment are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Mr. Li Xichuan, the Director, who is a department chief of AVIC, had abstained from voting on the relevant Board resolution approving the Proposed Subscription by AVIC Industry Investment in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save for disclosed above, none of the other Directors has or is deemed to have a material interest in such transactions.

F. GENERAL INFORMATION

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 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, directly and indirectly, 61.60% equity interest in the Company as at the date of this announcement.

Information on AVIC Industry Investment

AVIC Industry Investment is a limited liability company incorporated in the PRC, and is mainly engaged in project investment, asset management, investment management, investment consultant and finance consultant. As the date of the announcement, AVIC Industry Investment is a non-wholly-owned subsidiary of AVIC, and is 100% held by AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司), an A-share listed company. AVIC Industry Investment is ultimately controlled by AVIC through AVIC Industry-Finance Holdings Co., Ltd.

Information on JONHON Optronic

JONHON Optronic is a joint stock limited liability company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 002179), and is a non-wholly owned subsidiary held by the Company as to 38.71% as at the date of this announcement. It is mainly engaged in research and development, production, sales and provision of services of high-end optical, electrical, and fluid connectors and relevant equipment.

According to the audited financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net profits (before and after taxation) of JONHON Optronic for the financial year ended 31 December 2019 and 31 December 2020 are set out below:

	For the year ended 31 December 2019 (RMB)	For the year ended 31 December 2020 (RMB)
<i>Profit before taxation</i>	1,254,416,196.00	1,681,077,792.79
<i>Profit after taxation</i>	1,162,569,223.38	1,531,372,795.39

According to the audited financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises, the book value of net assets of JONHON Optronic amounted to RMB10,494,634,415.33 as at 31 December 2020.

Shareholders and potential investors should be aware that the JONHON Optronic Issuance is subject to, among others, the approval from CSRC and is therefore subject to uncertainty. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

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 61.60% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Industry Investment”	China Aviation Emerging Industry Investment Co., Ltd.* (中航資本產業投資有限公司), 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
“connected person(s)”	has the same meaning as defined in the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JONHON Optronic”	AVIC JONHON Optronic Technology Co., Ltd.* (中航光電科技股份有限公司), a non-wholly-owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange as at the date of this announcement
“JONHON Optronic Issuance”	the proposed non-public issuance of A shares by JONHON Optronic and the proceeds of which shall be no more than RMB3.4 billion
“Proposed Subscription by AVIC Industry Investment”	the proposed subscription by AVIC Industry Investment with RMB190 million in cash as part of the JONHON Optronic Issuance
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Subscription Agreement with AVIC Industry Investment”	the conditional share subscription agreement dated 9 July 2021 entered into between JONHON Optronic and AVIC Industry Investment in relation to the Proposed Subscription by AVIC Industry Investment

“Subscription Agreement with the Company” the conditional share subscription agreement dated 9 July 2021 entered into between JONHON Optronics and the Company in relation to the Proposed Subscription by the Company

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

Beijing, 9 July 2021

As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, 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 purposes only*