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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)

PLACING OF H SHARES UNDER GENERAL MANDATE

Placing Agent



On 14 December 2018, the Company entered into the Placing Agreement with the Placing Agent in relation to the Placing, on a fully underwritten basis, of an aggregate of 279,000,000 H Shares at the Placing Price of HK\$4.90 per Placing Share.

The Placing Shares represent approximately 4.68% of the total issued share capital of the Company as at the date of this announcement and represent approximately 4.47% of the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Agent will place the Placing Shares to [not less than 6 Placees who are professional, institutional and/or other investors, on a fully underwritten basis, subject to termination in certain events, as set out below under the heading "Conditions of the Placing".

The net proceeds of the Placing of the Placing Shares will be approximately HK\$1,346 million. The Company intends to use the net proceeds from the Placing Shares for investment in aviation businesses, the industrialization projects of aviation research institutes and military-civilian fund for aviation industry, the

funding of acquisitions of aviation equity interest or aviation assets in accordance with the Company's development strategy and for general corporate purposes.

The Placing Shares will be issued under the General Mandate.

Since completion of the Placing is subject to certain conditions mentioned herein, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

THE PLACING AGREEMENT

Date: 14 December 2018

Parties: (i) The Company

(ii) The Placing Agent

PLACING

Pursuant to the Placing Agreement, the Placing Agent agreed as the agent for the Company to procure, on a fully underwritten basis, professional, institutional and/or other investors to subscribe for and purchase an aggregate of 279,000,000 Placing Shares.

INDEPENDENCE OF THE PLACING AGENT

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner is not a connected person of the Company and is independent of any connected person of the Company.

PLACEES

The Placing Agent will place the Placing Shares to not less than 6 Placees who are professional, institutional and/or other investors. The Placing Agent shall use its reasonable endeavours to ensure that none of the Placing Shares will be placed to any connected person of the Company. It is expected that none of the Placees will become a substantial shareholder immediately after the Placing.

Airbus Group, an existing strategic shareholder of the Company, will be one of the Placees. It is expected that the Placing Agent will place 37,346,000 Placing Shares to Airbus Group, and immediately upon completion of the Placing, Airbus Group will hold a total of 312,255,827 H Shares, representing approximately 5.00% of the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

NUMBER OF PLACING SHARES

The Placing Shares represent approximately 4.68% of the total issued share capital of the Company as at the date of this announcement and represent approximately 4.47% of the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

The aggregate nominal value of the Placing Shares will be RMB279,000,000 (equivalent to approximately HK\$317,055,600, at the exchange rate of RMB1=HK\$1.1364, being the exchange rate prevailing on 13 December 2018).

PLACING PRICE

The Placing Price of HK\$4.90 per Placing Share represents:

- (i) a discount of approximately 8.24% to the closing price of HK\$5.34 per H Share as quoted on the Stock Exchange on 13 December 2018, being the last trading day prior to the entering into of the Placing Agreement;
- (ii) a discount of approximately 7.13% to the average closing price of HK\$5.276 per H Share as quoted on the Stock Exchange for the last 5 trading days up to and including 13 December 2018; and
- (iii) a discount of approximately 8.36% to the average closing price of HK\$5.347 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including 13 December 2018.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent which has taken into account recent market price of the H Shares and the current market conditions. The Directors consider that the Placing Price is fair and reasonable based on the current market conditions and that the Placing is in the interests of the Company and the Shareholders as a whole.

CONDITIONS OF THE PLACING

Completion of the Placing is conditional upon, among other things, the following conditions:

- (i) the approvals from CSRC and SASAC for the issue and placing of the Placing Shares being obtained and remaining in full force and effect on the Closing Date, and the delivery to the Placing Agent of a certified true copy of each approval;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (the "**Listing Approval**") (and the Listing Approval not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares under the Placing Agreement), and the delivery to the Placing Agent of a copy of the Listing Approval; and

If any of such conditions shall not have been fulfilled on or prior to 8:00 a.m. on 31 December 2018 or such later time as may be agreed between the Company and the Placing Agent, the obligations and liabilities of the Placing Agent and the Company

under the Placing shall be null and void and neither the Company nor the Placing Agent shall have any claim against the other for costs, damages, compensation or otherwise.

TERMINATION

If at any time prior to 8:00 a.m. on the Closing Date, any of the specific events provided in the Placing Agreement, such as on the grounds of breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 8:00 a.m. on the Closing Date.

COMPLETION OF THE PLACING

The Placing is expected to be completed on the Closing Date.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of the Placing Agreement and immediately after completion of the Placing on the Closing Date (assuming that there will be no other change in the issued share capital of the Company from the date of the Placing Agreement to the completion of the Placing on the Closing Date except for the allotment and issue of the Placing Shares pursuant to the Placing Agreement):

Name of Shareholders	As at the date of the Placing Agreement		After completion of the Placing on the Closing Date	
	Number of Shares *	Percentage of issued share capital (%)	Number of Shares	Percentage of issued share capital (%)
AVIC**	3,499,531,569	58.66	3,499,531,569	56.04
Tan Ruisong	563,811	0.009	563,811	0.009
Chen Yuanxian	255,687	0.004	255,687	0.004
Li Yao	174,910	0.003	174,910	0.003
Shi Shiming	35,984	0.0006	35,984	0.0006
Airbus Group	274,909,827	4.61	312,255,827	5.00
Other Placees	-	-	241,654,000	3.87
Other public shareholders	2,190,650,048	36.72	2,190,650,048	35.08
Total	5,966,121,836	100.00	6,245,121,836	100.00

Notes:

** On 9 May 2018, CSRC approved the application of the Company in respect of participation in the H share full circulation pilot project. On 15 June 2018, 3,609,687,934 domestic shares of the Company were converted into H Shares, and were listed on the Stock Exchange from 9:00 a.m. on 19 June 2018. As such, all issued shares of the Company are H shares as at the date of this announcement.*

*** Among the 3,499,531,569 H Shares held by AVIC, 3,297,780,902 H Shares were directly held by it as 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.*

LOCK UP UNDERTAKINGS

The Company has undertaken to the Placing Agent that, except for (i) the Placing Shares, (ii) the possible consideration shares which may be issued by the Company for the acquisition of AVIC Helicopter Co., Ltd. (for details, please refer to the announcement of the Company dated 12 October 2018), and (iii) any H Shares or other securities or rights to be issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of H Shares in lieu of the whole or part of a dividend on H Shares in accordance with its articles of association or on the exercise of rights existing at the date of the Placing Agreement, for a period from the date of this Placing Agreement up to 90 days after the Closing Date, neither the Company nor any of its subsidiaries over which it exercises management or voting control, nor any person acting on its or their behalf (without first having obtained the prior written consent of the Placing Agent), will, (1) sell, transfer, dispose of, allot or issue or offer to sell, transfer, dispose of, allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any H Shares or interest in H Shares; or (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (1) above; or (3) announce any intention to enter into or effect any such transaction described in (1) or (2) above without first having obtained the written consent of the Placing Agent.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be issued and allotted by the Company under the General Mandate. Pursuant to the General Mandate, the Directors are authorized to allot and issue, among other things, up to 1,193,224,366 new H Shares. As at the date of this announcement, the Company has not issued any H Shares pursuant to the General Mandate.

REGULATORY AND CORPORATE APPROVALS

The Company has obtained all necessary PRC regulatory approvals for the Placing, being the approvals from CSRC and SASAC, as well as the General Mandate and Board approval. The Placing is not subject to the approval of the Shareholders.

Pursuant to the approval from CSRC, the Company is authorised to issue up to 471,286,780 new H Shares.

RANKING OF THE PLACING SHARES

The Placing Shares will rank *pari passu* in all respects with the other HShares then in issue free from all liens, charges and encumbrances, and together with all rights attaching to them as at the date of issue of the Placing Shares, including the right to receive all dividends declared, made or paid on or after the date of issue of the Placing Shares.

REASONS FOR THE PLACING

The Directors consider that the Placing raises capital for the business development of the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider that the Placing of the Placing Shares is in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) of approximately HK\$1,346 million from the placing of the Placing Shares is intended to be used for investment in aviation businesses, the industrialization projects of aviation research institutes and military-civilian fund for aviation industry, the funding of acquisitions of aviation equity interest or aviation assets in accordance with the Company's development strategy and for general corporate purposes. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per Placing Share upon completion of the Placing will be approximately HK\$4.83.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities during the past 12 months immediately preceding the date of this announcement.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

Since completion of the Placing is subject to certain conditions mentioned herein, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

DEFINITIONS

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

“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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement
“Board”	the board of directors of the Company
“Business Day”	any day (excluding Saturday, Sunday and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“Closing Date”	the Business Day after the date on which the conditions of the Placing are fulfilled but in any event no later than 31 December 2018, or such other date as the Company and the Placing Agent may agree in writing
“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
“connected person(s)”	has the same meaning as defined in the Listing Rules
“CSRC”	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 29 June 2018 to issue, allot or otherwise deal with H Shares representing up to 20% of the aggregate nominal value of the H Shares in issue as at 29 June 2018
“H Share(s)”	overseas listed foreign invested share(s) with a nominal value of RMB1 each in the ordinary share capital of the Company, which are traded on the Stock Exchange in Hong Kong dollars
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Placee(s)”	any professional, institutional and/or other investor(s) procured by the

	Placing Agent to subscribe for or purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placement of Placing Shares pursuant to the Placing Agreement
“Placing Agent”	China International Capital Corporation Hong Kong Securities Limited
“Placing Agreement”	the placing agreement dated 14 December 2018 between the Company and the Placing Agent in respect of the Placing
“Placing Price”	the price payable for the Placing Shares at HK\$4.90 per H Share
“Placing Shares”	279,000,000 H Shares to be allotted and issued by the Company pursuant to the General Mandate
“PRC”	the People's Republic of China
“SASAC”	Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
“Shareholder(s)”	holder(s) of the H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as defined in the Listing Rules

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

Beijing, 14 December 2018

As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong and Mr. Chen Yuanxian, non-executive Directors Mr. Li Yao, Mr. Wang Xuejun, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purposes only*