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中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2357)

CONNECTED TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN BEIJING YINYAN BY AVIC CAPDI FROM AVIC CONSTRUCTION AND DEVELOPMENT TECHNOLOGY

On 10 May 2021, AVIC CAPDI, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with AVIC Construction and Development Technology, pursuant to which, AVIC Construction and Development Technology agreed to sell, and AVIC CAPDI agreed to acquire, 100% equity interest in Beijing Yinyan at the consideration of RMB68,361,300. Upon completion of the Transfer, AVIC CAPDI will hold 100% equity interest in Beijing Yinyan and AVIC Construction and Development Technology will no longer hold any equity interest in Beijing Yinyan.

As at the date of this announcement, AVIC CAPDI is a wholly-owned subsidiary of the Company and AVIC is the controlling Shareholder of the Company. AVIC Construction and Development Technology is a wholly-owned subsidiary of AVIC and is therefore a connected person of the Company. The acquisition of 100% equity interest in Beijing Yinyan by AVIC CAPDI from AVIC Construction and Development Technology contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

A. INTRODUCTION

On 10 May 2021, AVIC CAPDI, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with AVIC Construction and Development Technology, pursuant to which, AVIC Construction and Development Technology agreed to sell, and AVIC CAPDI agreed to acquire, 100% equity interest in Beijing Yinyan at the consideration of RMB68,361,300. Upon completion of the Transfer, AVIC CAPDI will hold 100% equity interest in Beijing Yinyan and AVIC Construction and Development Technology will no longer hold any equity interest in Beijing Yinyan.

B. THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

1. Date

10 May 2021

2. Parties

- (1) Vendor: AVIC Construction and Development Technology; and
- (2) Purchaser: AVIC CAPDI

3. Target

100% equity interest in Beijing Yinyan

4. Consideration

The total consideration for the Transfer is RMB68,361,300, which was determined after arm's length negotiations between the parties with reference to the appraised value of Beijing Yinyan as of 31 December 2020, i.e. RMB 69,662,600 (the final consideration shall be in accordance with the valuation result as filed with and approved by the State-owned Asset Administration Department) as set out in the valuation report of which was prepared by a professional independent PRC valuer based on asset-based approach, and the deduction of the profits proposed to be distributed in 2021, i.e. RMB1,301,300.

5. Terms of Payment

The parties agreed that the payment will be made in cash by two instalments. For the first instalment, AVIC CAPDI shall pay 50.01% of the total consideration for the Transfer to AVIC Construction and Development Technology within 5 business days after the Equity Transfer Agreement takes effect. For the second instalment, AVIC CAPDI shall pay 49.99% of the total consideration for the Transfer to AVIC Construction and Development Technology within 6 months after payment of the first instalment.

6. Conditions precedent

The Equity Transfer Agreement shall become effective after (1) it is signed and sealed by the legal representatives or the authorized representatives of the parties; and (2) it is approved by AVIC in respect of the Transfer.

C. REASONS FOR AND BENEFITS OF THE TRANSFER

The acquisition of the 100% equity interest in Beijing Yinyan will facilitate AVIC CAPDI to carry on its professional consolidation and integration, thus promoting its continuous development.

The Equity Transfer Agreement is entered into by the parties on normal commercial terms after arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that although the Equity Transfer Agreement and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Equity Transfer Agreement are fair and reasonable, and the Transfer is in the interests of the Company and its Shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC CAPDI is a wholly-owned subsidiary of the Company and AVIC is the controlling Shareholder of the Company. AVIC Construction and Development Technology is a wholly-owned subsidiary of AVIC and is therefore a connected person of the Company. The acquisition of 100% equity interest in Beijing Yinyan by AVIC CAPDI from AVIC Construction and Development contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

Mr. Yan Lingxi and Mr. Lian Dawei, the Directors, who are a department chief of AVIC and the legal representative of AVIC CAPDI, respectively, had abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save for disclosed above, none of the Directors has or is deemed to have a material interest in the transaction under the Equity Transfer Agreement.

E. 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 CAPDI

AVIC CAPDI is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement, which is mainly engaged in aviation engineering services.

Information on AVIC Construction and Development Technology

AVIC Construction and Development Technology is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of AVIC as at the date of the announcement. It is mainly engaged in technology promotion, technical services, technical advice, technology development and other business.

Information on Beijing Yinyan

Beijing Yinyan is a limited liability company incorporated in the PRC, and is mainly engaged in manufacture and process of electronic and plastic products as well as property management of self-owned properties. As at the date of this announcement, Beijing Yinyan is a wholly-owned subsidiary of AVIC Construction and Development Technology. Upon Completion of the Transfer, AVIC CAPDI will hold 100% equity interest in Beijing Yinyan and AVIC Construction and Development Technology will no longer hold any equity interest in Beijing Yinyan.

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation and extraordinary items) of Beijing Yinyan 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>Net profit before taxation and extraordinary items</i>	283,705.99	779,119.68
<i>Net profit after taxation and extraordinary items</i>	212,397.39	615,947.32

The book value of the net assets of Beijing Yinyan as at 31 December 2020 prepared in accordance with Chinese Accounting Standards for Business Enterprises was approximately RMB46,124,844.05. As set out in the valuation report prepared by a professional independent PRC valuer based on asset-based approach, the appraised value of Beijing Yinyan as of 31 December 2020 was approximately RMB69,662,600.

F. 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 CAPDI”	China Aviation Planning and Design Institute (Group) Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“AVIC Construction and Development Technology”	AVIC Construction and Development (Beijing) Technology Co., Ltd.* (中航建發（北京）科技有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of AVIC as at the date of this announcement
“Beijing Yinyan”	Beijing Yinyan Enterprise Co., Ltd.* (北京銀燕實業有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of AVIC Construction and Development Technology 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
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between AVIC CAPDI and AVIC Construction and Development Technology on 10 May 2021, pursuant to which, AVIC Construction and Development Technology agreed to sell, and AVIC CAPDI agreed to acquire, 100% equity interest in Beijing Yinyan
“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
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Transfer”	the transfer of 100% equity interest in Beijing Yinyan by AVIC Construction and Development Technology to AVIC CAPDI

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

Xu Bin
Company Secretary

Beijing, 10 May 2021

As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, 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*