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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

DISPOSAL OF 3.57% OF THE EQUITY INTEREST IN AVIC ELECTRIC MEASURING BY HONGDU AVIATION TO AVIC

On 28 November 2018, Hongdu Aviation entered into the Equity Transfer Agreement with AVIC, pursuant to which, Hongdu Aviation agreed to sell and AVIC agreed to acquire, 21,100,152 shares of AVIC Electric Measuring (representing 3.57% of its issued shares as at the date of this announcement) for a consideration of RMB184,837,331.52. Immediately upon completion of the Transfer, Hongdu Aviation will no longer hold any equity interest in AVIC Electric Measuring.

As at the date of this announcement, AVIC is the controlling shareholder of the Company, and therefore is a connected person of the Company. Hongdu Aviation is a non-wholly owned subsidiary of the Company as at the date of the announcement. The entering into of the Equity Transfer Agreement between Hongdu Aviation and AVIC 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 28 November 2018, Hongdu Aviation entered into the Equity Transfer Agreement with AVIC, pursuant to which, Hongdu Aviation agreed to sell and AVIC agreed to acquire, 21,100,152 shares of AVIC Electric Measuring (representing 3.57% of its issued shares as at the date of this announcement) for a consideration of RMB184,837,331.52. Immediately upon completion of the Transfer, Hongdu Aviation will no longer hold any equity interest in AVIC Electric Measuring.

B. REASONS FOR AND BENEFITS OF THE TRANSACTION

The disposal of the equity interest in AVIC Electric Measuring will help Hongdu Aviation increase its cash flow, improve its profit level and promote its operation and development.

C. THE EQUITY TRANSFER AGREEMENT

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

1. Date

28 November 2018

2. Parties

(1) Vendor: Hongdu Aviation; and

(2) Purchaser: AVIC

3. Target

21,100,152 shares of AVIC Electric Measuring (representing 3.57% of its total issued shares as at the date of this announcement)

4. Consideration

The transfer price is RMB8.76 per share of AVIC Electric Measuring, and the total consideration for the Transfer is RMB184,837,331.52. The total consideration was determined after arm's length negotiations between the parties, and calculated based on the arithmetic mean value of the daily weighted average price of the shares of AVIC Electric Measuring for the last 30 trading days prior to the date of this announcement.

5. Terms of Payment

The parties agreed that AVIC shall pay the consideration in cash in respect of the Transfer, i.e. RMB184,837,331.52, to Hongdu Aviation within 5 days commencing from the effective date of the Equity Transfer Agreement.

6. Conditions Precedent

The change of registration of the shares in respect of the Transfer shall be subject to the fulfillment of all the following conditions precedent:

- (1) Both Hongdu Aviation and AVIC Electronic Measuring have performed the necessary compliance procedures (including but not limited to the approval of the board of directors and the announcement) in respect of the Transfer in accordance with the relevant provisions of the securities regulatory laws and regulations and the listing rules of Shanghai Stock Exchange or Shenzhen Stock Exchange and their Articles of Association;
- (2) AVIC has fulfilled the necessary internal decision-making procedures for the Transfer;
- (3) The Transfer has been approved by the competent state-owned assets supervision and administration department; and
- (4) AVIC has paid the consideration in full.

D. CONSEQUENCE OF THE TRANSFER AND ITS IMPACTS ON FINANCIAL STATUS

Upon completion of the Transfer, Hongdu Aviation will no longer hold any equity interest in AVIC Electric Measuring. It is estimated that the Transfer will generate a book gain of approximately RMB172,887,005.64, being the difference between RMB11,950,325.88, the book value of 3.57% of the equity interest in AVIC Electric Measuring as at 30 June 2018 and the consideration of the Transfer, which will be proportionally credited into the equity account of the Company. The final amount is subject to calculation based on relevant data on the actual completion date. Hongdu Aviation intends to use the proceeds for supplementing its general working capital.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company, and therefore is a connected person of the Company. Hongdu Aviation is a non-wholly owned subsidiary of the Company as at the date of the announcement. The entering into of the Equity Transfer Agreement between Hongdu Aviation and AVIC 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.

Each of Mr. Tan Ruisong, Mr. Chen Yuanxian, Mr. Li Yao and Mr. Wang Xuejun, the Directors, who are chairman, vice general manager, chief accountant and a department director of AVIC, 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 other Directors has or is deemed to have a material interest in the transaction under the Equity Transfer Agreement.

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 the terms of the Equity Transfer Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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 Hongdu Aviation

Hongdu Aviation is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600316). As at the date of this announcement, Hongdu Aviation is held as to 43.77% by the Company. It is mainly engaged in the design, research, manufacturing, sales, maintenance and service support of series products of primary trainers, medium trainers and senior trainers and relevant parts and components.

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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on AVIC Electric Measuring

AVIC Electric Measuring is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shenzhen Stock Exchange (stock code: 300114). The current businesses and products of AVIC Electric Measuring mainly involve several directions and domains such as aircraft measuring and control products and power distribution system, resistance strain gages, strain sensors, weighing instruments and software, automobile detection system, driver intelligent training and examination system, precision measurement and control instruments. As at the date of this announcement, 21,100,152 shares of AVIC Electric Measuring is held by Hongdu Aviation (representing 3.57% of its total issued shares as at the date of this announcement).

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation) of AVIC Electric Measuring for the financial years ended 31 December 2016 and 31 December 2017 are set out below:

For the year ended 31 December 2016	For the year ended 31 December 2017
<i>(RMB)</i>	<i>(RMB)</i>
<i>(million)</i>	<i>(million)</i>

<i>Net profit before taxation</i>	147.60	175.12
<i>Net profit after taxation</i>	122.86	150.31

The book value of the net assets of AVIC Electric Measuring as at 30 June 2018 prepared in accordance with Chinese Accounting Standards for Business Enterprises was approximately RMB1,641.52 million.

G. 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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement
"AVIC Electric Measuring"	AVIC Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司), a joint stock limited liability company whose A shares are listed on the Shenzhen Stock Exchange
“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 by Hongdu Aviation with AVIC on 28 November 2018, pursuant to which, Hongdu Aviation agreed to sell, and AVIC agreed to acquire, 21,100,152 shares of AVIC Electric Measuring (representing 3.57% of its total issued shares as at the date of this announcement)
“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
“Hongdu Aviation”	Jiangxi Hongdu Aviation Industry Co., Ltd.* (江西洪都航空工業股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange, is held as to 43.77% by the Company directly as at the date of this announcement
“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 21,100,152 shares of AVIC Electric Measuring (representing 3.57% of its total issued shares as at the date of this announcement) by Hongdu Aviation to AVIC

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

Beijing, 28 November 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*