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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**

### **TRANSFER OF 26.77% OF THE EQUITY INTEREST IN SAVI AVIONICS BY AVIC KAITIAN TO AVIC AIRBORNE SYSTEMS**

On 27 December 2018, AVIC Kaitian entered into the Equity Transfer Agreement with AVIC Airborne Systems, pursuant to which, AVIC Kaitian agreed to sell and AVIC Airborne Systems agreed to acquire, 26.77% of the equity interest in SAVI Avionics for a consideration of RMB127,519,600. Immediately upon completion of the Transfer, AVIC Kaitian will no longer hold any equity interest in SAVI Avionics.

As at the date of this announcement, AVIC Kaitian is a subsidiary of the Company and AVIC is the controlling shareholder of the Company. AVIC Airborne Systems is a wholly-owned subsidiary of AVIC and is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Equity Transfer Agreement between AVIC Kaitian and AVIC Airborne Systems 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 27 December 2018, AVIC Kaitian entered into the Equity Transfer Agreement with AVIC Airborne Systems, pursuant to which, AVIC Kaitian agreed to sell and AVIC Airborne Systems agreed to acquire, 26.77% of the equity interest in SAVI Avionics for a consideration of RMB127,519,600. Immediately upon completion of the Transfer, AVIC Kaitian will no longer hold any equity interest in SAVI Avionics.

## **B. THE EQUITY TRANSFER AGREEMENT**

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

### **1. Date**

27 December 2018

### **2. Parties**

(1) Vendor: AVIC Kaitian; and

(2) Purchaser: AVIC Airborne Systems

### **3. Target**

26.77% of the equity interest in SAVI Avionics

### **4. Consideration**

The total consideration for the Transfer is RMB127,519,600, which was determined after arm's length negotiations between the parties with reference to the valuation report on the equity interest of SAVI Avionics as of 30 June 2018 which was prepared by a professional independent PRC valuer based on asset-based approach. Such valuation report is still subject to filing to AVIC.

### **5. Terms of Payment**

The parties agreed that AVIC Airborne Systems shall pay the consideration in a lump sum in respect of the Transfer, i.e. RMB127,519,600, to AVIC Kaitian within 15 business days commencing from the date on which the Transfer is approved by the general meeting of SAVI Avionics.

### **6. Conditions precedent**

The Equity Transfer Agreement shall become effective upon the fulfillment of, including but not limited to, the approval by relevant superior authority in respect of the Transfer.

## **C. REASONS FOR AND BENEFITS OF THE TRANSACTION**

The disposal of the equity interest in SAVI Avionics will help AVIC Kaitian focus on its core businesses and improve its profit level.

## **D. CONSEQUENCE OF THE TRANSFER AND ITS IMPACTS ON THE COMPANY'S FINANCIAL STATUS**

Upon completion of the Transfer, AVIC Kaitian will no longer hold any equity interest in SAVI Avionics. It is estimated that the difference between RMB 8.98 million, the book value of 26.77% of the equity interest in SAVI Avionics and the consideration of the Transfer will generate a gain of approximately RMB119 million. The final amount is subject to calculation based on relevant data on the actual completion date. AVIC Kaitian intends to use the proceeds to supplement its general working capital.

## **E. HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, AVIC Kaitian is a subsidiary of the Company and AVIC is the controlling shareholder of the Company. AVIC Airborne Systems is a wholly-owned subsidiary of AVIC and is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Equity Transfer Agreement between AVIC Kaitian and AVIC Airborne Systems 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 the 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 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 AVIC Kaitian*

AVIC Kaitian is a joint stock limited liability company incorporated in the PRC. As at the date of this announcement, the Company directly holds 1.56% equity interest

in AVIC Kaitian, and indirectly holds 86.74% equity interest in AVIC Kaitian through AVIC Avionics, a subsidiary of the Company. AVIC Kaitian is mainly engaged in the research, manufacturing and sale of air data system and various types of aviation instrument.

*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, directly and indirectly, 56.04% equity interest in the Company as at the date of this announcement.

*Information on AVIC Airborne Systems*

AVIC Airborne Systems 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, investment and management of various types of aircrafts and engine-supporting airborne electromechanical systems and equipment.

*Information on SAVI Avionics*

SAVI Avionics is a limited liability company incorporated in the PRC, and is mainly engaged in the technology development, technology services, technology consultancy, technology transfer, etc. As at the date of this announcement, SAVI Avionics is a subsidiary of AVIC, with 26.77% of its equity interest held by AVIC Kaitian.

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

	<b>For the year ended 31 December 2016</b> (RMB)	<b>For the year ended 31 December 2017</b> (RMB)
<i>Net profit before taxation</i>	2,604,528.93	3,053,240.53
<i>Net profit after taxation</i>	2,028,684.55	2,530,516.44

**C. 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 Airborne Systems”	AVIC Airborne Systems Company Limited* (中航機載系統有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of the announcement

“AVIC Avionics”	China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司), a non wholly-owned subsidiary of the Company with 43.22% equity interest held by the Company as at the date of this announcement
“AVIC Kaitian”	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary of the Company 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 by AVIC Kaitian with AVIC Airborne Systems on 27 December 2018, pursuant to which, AVIC Kaitian agreed to sell, and AVIC Airborne Systems agreed to acquire, 26.77% of the equity interest in SAVI Avionics
“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
"SAVI Avionics"	SAVI Avionics Technology Co., Ltd. * (賽維航電科技有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC, with 26.77% of its equity interest held by AVIC Kaitian as at the date of this announcement
“Transfer”	the transfer of 26.77% of the equity interest in SAVI Avionics by AVIC Kaitian to AVIC Airborne Systems

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

Beijing, 27 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*