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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

FORMATION OF A JOINT VENTURE COMPANY

On 22 April 2019, AviChina Intelligent entered into the Joint Venture Agreement with Jincheng Group and Nanjing Tianyue in relation to the proposed formation of AVIC Jinke. Pursuant to the Joint Venture Agreement, AviChina Intelligent agreed to make a capital contribution of RMB100.32 million in cash, representing 44% of the total capital contribution of AVIC Jinke.

As at the date of this announcement, AviChina Intelligent is a subsidiary of the Company. Jincheng Group is a subsidiary of AVIC, the controlling shareholder of the Company, and Jincheng Group is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Joint Venture 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 transaction under the Joint Venture Agreement is more than 0.1% but less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

A. INTRODUCTION

On 22 April 2019, AviChina Intelligent entered into the Joint Venture Agreement with Jincheng Group and Nanjing Tianyue in relation to the proposed formation of AVIC Jinke. Pursuant to the Joint Venture Agreement, AviChina Intelligent agreed to make a capital contribution of RMB100.32 million in cash, representing 44% of the total capital contribution of AVIC Jinke.

B. THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are summarized as follows:

1. Date

22 April 2019

2. Parties

- (1) Jincheng Group;
- (2) AviChina Intelligent; and
- (3) Nanjing Tianyue

3. Capital contribution

The registered capital of AVIC Jinke shall be RMB228 million, and the agreed capital contributions are as follows:

- (1) Jincheng Group shall contribute RMB104.88 million in cash, representing 46% of the registered capital;
- (2) AviChina Intelligent shall contribute RMB100.32 million in cash, representing 44% of the registered capital; and
- (3) Nanjing Tianyue shall contribute RMB22.8 million in cash, representing 10% of the registered capital.

The contributions by AviChina Intelligent and Jincheng Group shall be paid in two instalments, among which 50% shall be fully paid within 30 days from the issuance date of the business license of AVIC Jinke and the remaining 50% shall be fully paid within 12 months from the issuance date of the business license of AVIC Jinke. Nanjing Tianyue shall pay its contribution in three installments, namely: (i) the first installment, i.e. RMB5 million, shall be fully paid within 6 months from the issuance date of the business license of AVIC Jinke; (ii) the second installment, i.e. RMB8 million, shall be fully paid within 12 months from the issuance date of the business license of AVIC Jinke; and (iii) the remaining RMB9.8 million shall be fully paid within 30 months from the issuance date of the business license of AVIC Jinke. Upon establishment of AVIC Jinke, Jincheng Group, as the actual controller, will consolidate the financial statements of AVIC Jinke into those of Jincheng Group.

4. Board composition

The board of directors of AVIC Jinke will consist of five members, of which, each of Jincheng Group and AviChina Intelligent could nominate two directors, and the remaining one director will be an employee representative director.

5. Business scope and term of operation

The business scope of AVIC Jinke is expected to include design, manufacturing, assembly, delivery, sales and technical services support of aerospace vehicles and its power systems as well as ancillary products; design, manufacturing, system integration, technical consultation services and technology transfer services of aviation high-tech products, which is subject to final approval by the industrial and commercial administrative authorities. The term of operation of AVIC Jinke is expected to be 20 years, from the issuance date of the business license of AVIC Jinke.

C. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE JOINT VENTURE AGREEMENT

Upon establishment of AVIC Jinke, AVIC Jinke will be owned as to 46%, 44% and 10% by Jincheng Group, AviChina Intelligent and Nanjing Tianyue, respectively.

The entering into of the Joint Venture Agreement will help the Group to continuously expand its industrial investment in aviation high-tech industries such as unmanned aerial vehicles as well as obtain benefits from investment, which is in line with the business strategies of the Group, i.e. continually improving the related industry chains.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AviChina Intelligent is a subsidiary of the Company. Jincheng Group is a subsidiary of AVIC, the controlling shareholder of the Company, and Jincheng Group is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Joint Venture 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 transaction under the Joint Venture Agreement is more than 0.1% but less than 5%, the entering into of the Joint Venture 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 were the chairman, vice general manager, chief accountant and a department chief of AVIC as at the date of the board meeting approving the Joint Venture Agreement, respectively, had abstained from voting on the relevant Board resolution approving the Joint Venture Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of the Directors has or is deemed to have a material interest in the transaction under the Joint Venture Agreement.

The Joint Venture 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 Joint Venture Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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 and development, manufacture and sales of civil aviation products, and relevant engineering services.

Information on AviChina Intelligent

AviChina Intelligent is a limited liability company incorporated in the PRC. As at the date of this announcement, AviChina Intelligent is a subsidiary of the Company and is held as to 31.75% equity interest by the Company. AviChina Intelligent is mainly engaged in the technology development, technology transfer, technology consultancy, technology services in the aviation technology industry, data processing, and the research, development and sales of information products and aircraft products.

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 Jincheng Group

Jincheng Group 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 the research, development and products incubation of artificial intelligence and simulation control technologies, the research, manufacture and sales of products such as transportation equipment, the import and export trade and modern services industry, etc..

Information on Nanjing Tianyue

Nanjing Tianyue is a partnership enterprise incorporated in the PRC and an independent third party of the Company. It is established for the purpose of building a shareholding platform for the joint venture company, and all its operation activities are centered on the equity investment and execution of the shareholder's rights of the joint venture company.

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

“AVIC Jinke” AVIC Jinke Unmanned System Co., Ltd.* (中航金科無人系統有限公司) (subject to the final approval by the industrial and commercial administrative authorities), the limited liability company to be established in the PRC pursuant to the Joint Venture Agreement

“AviChina Intelligent”	AviChina Intelligent Surveying & Mapping Science & Technology Co., Ltd.* (中航科工智繪航空科技有限公司), a subsidiary of the Company with 31.75% equity interest held by 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
“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
“Jincheng Group”	Jincheng Group Limited* (金城集團有限公司), a limited liability company established in the PRC, and a subsidiary of AVIC as at the date of this announcement
“Joint Venture Agreement”	the joint venture agreement entered into by AviChina Intelligent with Jincheng Group and Nanjing Tianyue on 22 April 2019 in relation to the formation of AVIC Jinke
“Nanjing Tianyue”	Nanjing Tianyue Investment Partnership (Limited Partnership)* (南京天躍投資合夥企業(有限合夥)), a partnership incorporated in the PRC
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

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

Beijing, 22 April 2019

As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong, Mr. Chen Yuanxian and Mr. Wang Xuejun, non-executive Directors Mr. Li Yao, 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*