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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  
NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL IN  
CAPITAL INCREASE OF ANJI CASTING**

As at the date of this announcement, Anji Casting is a subsidiary of AVIC, with 87.52% of its equity interest directly and indirectly held by AVIC. The Company currently holds 9.05% equity interest of Anji Casting. Anji Casting proposed to increase its registered capital from RMB284,714,896 to not exceeding RMB530,096,576 at the price of approximately RMB2.62 per registered capital (dependent on filing by related authorities) by introducing not more than eight investors. Proceeds raised from such capital increase will be used for Anji Casting's production capacity enhancement projects, repayment of bank loans, and supplement of working capital, etc.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Anji Casting, is entitled to the right of first refusal with respect to any increase in the capital contributions in Anji Casting in proportion to its paid-in capital contribution (unless otherwise agreed by all shareholders), pursuant to which the Company has a pre-emptive right to increase its capital contributions in Anji Casting.

The Board has approved that the Company would not exercise its right of first refusal in relation to the capital increase of Anji Casting. After the capital increase, it is estimated that (i) Anji Casting will be held as to 4.86% by the Company (assuming no existing shareholders of Anji Casting participating in the capital increase except for AVIC), and (ii) Anji Casting will still be a subsidiary of AVIC with not less than 50% of its equity interest directly and indirectly held by AVIC.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and Anji Casting is a subsidiary of AVIC. Therefore, Anji Casting is a connected person of the Company and the non-exercise of the right of first refusal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the non-exercise of the right of first refusal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **I. CAPITAL INCREASE OF ANJI CASTING AND NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL BY THE COMPANY**

As at the date of this announcement, Anji Casting is a subsidiary of AVIC, with 87.52% of its equity interest directly and indirectly held by AVIC. The Company currently holds 9.05% equity interest of Anji Casting. Anji Casting proposed to increase its registered capital from RMB284,714,896 to not exceeding RMB530,096,576 at the price of approximately RMB2.62 per registered capital (dependent on filing by related authorities) by introducing not more than eight investors. Proceeds raised from such capital increase will be used for Anji Casting's production capacity enhancement projects, repayment of bank loans, and supplement of working capital, etc.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Anji Casting, is entitled to the right of first refusal with respect to any increase in the capital contributions in Anji Casting in proportion to its paid-in capital contribution (unless otherwise agreed by all shareholders), pursuant to which the Company has a pre-emptive right to increase its capital contributions in Anji Casting.

The Board has approved that the Company would not exercise its right of first refusal in relation to the capital increase of Anji Casting. After the capital increase, it is estimated that (i) Anji Casting will be held as to 4.86% by the Company (assuming no existing shareholders of Anji Casting participate in the capital increase except for AVIC), and (ii) Anji Casting will still be a subsidiary of AVIC with not less than 50% of its equity interest directly and indirectly held by AVIC.

## **II. REASONS FOR AND BENEFITS OF NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL**

In order to support the achievement of a more diversified and optimized shareholding structure of Anji Casting for purpose of accelerating its establishment of market-oriented operation mechanism, the Company decided that it would not exercise the right of first refusal in the capital increase of Anji Casting.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that although the non-exercise of the right of first refusal in the capital increase of Anji Casting is not in the ordinary and usual course of business of the Company, it is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Mr. Li Xichuan, the Director, who is a department chief of AVIC, had abstained from voting on the relevant Board resolution approving the non-exercise of the right of first refusal 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 this matter.

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

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and Anji Casting is a subsidiary of AVIC. Therefore, Anji Casting is a connected person of the Company and the non-exercise of the right of first refusal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the non-exercise of the right of first refusal is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

### **IV. 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 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 Anji Casting*

Anji Casting is a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of AVIC, and is mainly engaged in the R&D, manufacture, sales and after-sales services of precision castings with complicated non-standard structure for aviation and aerospace purpose. As at the date of this announcement, AVIC directly holds 37.12% equity interest in Anji Casting and indirectly holds 50.40% equity interest in Anji Casting through its subsidiaries (i.e. holding 9.05%, 18.11%, 9.13% and 14.11% equity interest in Anji Casting through the Company, AVIC Heavy Machinery Co., Ltd.\* (中航重機股份有限公司), China Guizhou Aviation Industry (Group) Co., Ltd.\* (中國貴州航空工業(集團)有限責任公司)

and AVIC Aviation Industry Investment Co., Ltd.\* (中航航空產業投資有限公司), respectively).

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation) of Anji Casting for the two financial years ended 31 December 2019 and 31 December 2020 are set out below:

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Net profit before taxation</b>	22,300	20,520
<b>Net profit after taxation</b>	19,870	17,700

Pursuant to the unaudited financial statement of Anji Casting prepared in accordance with China Accounting Standards for Business Enterprises, the total assets and net assets of Anji Casting as at 30 June 2021 were RMB1,462,641,900 and RMB608,897,823, respectively.

## V. DEFINITIONS

“Anji Casting”	Guizhou Anji Aviation Precision Casting Co., Ltd.*(貴州安吉航空精密鑄造有限責任公司), a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of AVIC as at the date of this announcement
“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
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules
“%”	per cent.

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

Beijing, 8 October 2021

*As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.*

*\* For identification purposes only*