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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 HANGWEI HIGH-TECH**

As at the date of this announcement, Hangwei High-Tech is an indirect non-wholly-owned subsidiary of AVIC, with 96% of its equity interest indirectly held by AVIC (including the 38% equity interest held through the Company). Hangwei High-Tech proposed to increase its registered capital from RMB250,000,000 to not exceeding RMB407,000,000 at the price of approximately RMB1.50 per registered capital (subject to filing by related authorities on supervising state-owned assets), with not more than RMB65,000,000 to be contributed by an existing shareholder and the remaining to be contributed by not more than four newly introduced investors. Proceeds raised from such capital increase will be used for Hangwei High-Tech's procurement of equipment, construction of intelligent factory, expansion of leased plant, and replenishment of working capital.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Hangwei High-Tech, is entitled to the right of first refusal with respect to any increase in the capital contributions in Hangwei High-Tech 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 Hangwei High-Tech.

The Board has approved that the Company would not exercise its right of first refusal in relation to the capital increase of Hangwei High-Tech. After the capital increase, it is estimated that (i) Hangwei High-Tech will be held as to 24.17% by the Company, and (ii) Hangwei High-Tech will still be a subsidiary of AVIC with not less than 50% of its equity interest indirectly held by AVIC.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and Hangwei High-Tech is a subsidiary of AVIC. Therefore, Hangwei High-Tech 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 HANGWEI HIGH-TECH AND NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL BY THE COMPANY**

As at the date of this announcement, Hangwei High-Tech is an indirect non-wholly-owned subsidiary of AVIC, with 96% of its equity interest indirectly held by AVIC (including the 38% equity interest held through the Company). Hangwei High-Tech proposed to increase its registered capital from RMB250,000,000 to not exceeding RMB407,000,000 at the price of approximately RMB1.50 per registered capital (subject to filing by related authorities on supervising state-owned assets), with not more than RMB65,000,000 to be contributed by an existing shareholder and the remaining to be contributed by not more than four newly introduced investors. Proceeds raised from such capital increase will be used for Hangwei High-Tech's procurement of equipment, construction of intelligent factory, expansion of leased plant, and replenishment of working capital.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Hangwei High-Tech, is entitled to the right of first refusal with respect to any increase in the capital contributions in Hangwei High-Tech 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 Hangwei High-Tech.

The Board has approved that the Company would not exercise its right of first refusal in relation to the capital increase of Hangwei High-Tech. After the capital increase, it is estimated that (i) Hangwei High-Tech will be held as to 24.17% by the Company, and (ii) Hangwei High-Tech will still be a subsidiary of AVIC with not less than 50% of its equity interest indirectly held by AVIC.

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

In order to deepen the mixed-ownership reform and support the achievement of a more diversified and optimized shareholding structure of Hangwei High-Tech, the Company decided that it would not exercise the right of first refusal in the capital increase of Hangwei High-Tech.

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 Hangwei High-Tech 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 deputy 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 Hangwei High-Tech is a subsidiary of AVIC. Therefore, Hangwei High-Tech 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 Hangwei High-Tech*

Hangwei High-Tech is a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of AVIC. As at the date of this announcement, Hangwei High-Tech is held as to 40% by AVIC Manufacturing Technology Institute\* (中國航空製造技術研究院, an institute wholly-owned by the Ministry of Finance of PRC), as to 38% by the Company, as to 18% by AVIC Aviation High-Technology Co., Ltd.\* (中航航空高科技股份有限公司, a subsidiary of AVIC and a company listed on the Shanghai Stock Exchange (stock code: 600862)), and as to 4% by Beijing Hangyi Zhongchi Science and Technology Centre (Limited Partnership)\* (北京航藝眾持科技中心 (有限合夥)), a limited partnership formed as an employee stock ownership

platform by a group of employees of Hangwei High-Tech). Hangwei High-Tech is mainly engaged in aviation connection and assembly technology services; aviation standard parts engineering and technology research; software development; aviation standard parts technology consulting and technical services; aviation science and technology research; processing of aerospace parts; and sales of machinery and equipment, electronic products, mechanical parts, components, and civil aviation materials.

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

	<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Net profit before taxation</b>	1,498	2,930
<b>Net profit after taxation</b>	1,485	2,850

Pursuant to the unaudited financial statement of Hangwei High-Tech prepared in accordance with China Accounting Standards for Business Enterprises, the total assets and net assets of Hangwei High-Tech as at 30 June 2021 were RMB447,443,596 and RMB256,156,958, respectively.

## V. 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
“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
“Hangwei High-Tech”	Beijing Hangwei High-Technology Connection Technology Co., Ltd.*(北京航為高科連接技術有限公司), a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of AVIC as at the date of this announcement

“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, 10 December 2021

*As at the date of this announcement, the Board comprises executive Director Mr. Wang Xuejun, 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*