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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**

**NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL**

As at the date of this announcement, Nanjing Servo Control is a subsidiary of AVIC, which is held as to 53.33% by Nanjing Jincheng and 46.67% by the Company. Nanjing Servo Control proposed to carry out its mixed-ownership reform and implement its ESOP by introducing two to four strategic investors and ESOP platform.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Nanjing Servo Control, is entitled to the right of first refusal with respect to any increase in the capital contributions in Nanjing Servo Control 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 Nanjing Servo Control.

The Board announced that the Company will not exercise its right of first refusal in relation to the increase in the capital contributions in Nanjing Servo Control.

**HONG KONG LISTING RULES IMPLICATION**

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and Nanjing Servo Control is a subsidiary of AVIC. Therefore, Nanjing Servo Control is a connected person of the Company, and the non-exercise of the right of first refusal in relation to the increase of capital contributions in Nanjing Servo Control 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 in relation to the increase of capital contributions in Nanjing Servo Control 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.

#### **A. NON-EXERCISE OF THE RIGHT OF FIRST REFUSAL**

As at the date of this announcement, Nanjing Servo Control is a subsidiary of AVIC, which is held as to 53.33% by Nanjing Jincheng and 46.67% by the Company. Nanjing Servo Control proposed to carry out its mixed-ownership reform and implement its employee stock ownership plan (the “ESOP”) by introducing two to four strategic investors and ESOP platform.

Pursuant to the Company Law of the PRC, the Company, as a shareholder of Nanjing Servo Control, is entitled to the right of first refusal with respect to any increase in the capital contributions in Nanjing Servo Control 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 Nanjing Servo Control.

The Board announced that the Company will not exercise its right of first refusal in relation to the increase of capital contributions in Nanjing Servo Control.

#### **B. POSSIBLE CHANGES IN SHAREHOLDING STRUCTURE**

As of the date of this announcement, the registered capital of Nanjing Servo Control is RMB300 million, among which the paid-in capital of the Company is RMB140 million, holding 46.67% equity interests in Nanjing Servo Control. After the mixed-ownership reform of Nanjing Servo Control, the percentage of the Company's shareholdings in Nanjing Servo Control is expected to be approximately 35.26%. The Company will still be the second largest shareholder of Nanjing Servo Control and will have the same seats at the board meeting of Nanjing Servo Control, that the Company is entitled to appoint two out of a total of five directors in Nanjing Servo Control.

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

The mixed-ownership reform of Nanjing Servo Control is beneficial to motivate the management team and core technical staff of Nanjing Servo Control, and to optimize its shareholding structure, facilitating the long-term development of Nanjing Servo Control.

The non-exercise of the right of first refusal is considered on normal commercial terms. Having considered 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 contemplated thereunder are not in the ordinary and usual course of business of the Company, the non-exercise of the right of first refusal 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 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 Directors has or is deemed to have a material interest in the decision.

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

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and Nanjing Servo Control is a subsidiary of AVIC. Therefore, Nanjing Servo Control 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.

#### **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, 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 Nanjing Jincheng***

Nanjing Jincheng is a limited liability company incorporated in the PRC, and is mainly engaged in electromechanical hydraulic engineering research, aircraft control and control system, power transmission system, emergency power system, environmental control system, fuel system, starter system, hydraulic accessories related technology development, professional training and consulting services. As at the date of this announcement, Nanjing Jincheng is a subsidiary of AVIC and an institution which is ultimately controlled by AVIC.

### ***Information on Nanjing Servo Control***

Nanjing Servo Control is a limited liability company incorporated in the PRC, and is mainly engaged in research and manufacture, production, installation, test, sales and after-sales service of servo valve, controlling system and hydraulic pump products; the manufacture of general equipment (excluding special equipment); and the repairment of general equipment. As at the date of this announcement, Nanjing Servo Control is a subsidiary of AVIC, which is held as to 53.33% by Nanjing Jincheng and 46.67% by the Company.

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

	<i>Unit: RMB0'000</i>	
	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
<i>Net profit before taxation</i>	3,363.17	5,695.57
<i>Net profit after taxation</i>	3,319.43	5,032.33

The book value of the net assets of Nanjing Servo Control as at 31 December 2020 prepared in accordance with Chinese Accounting Standards for Business Enterprises was approximately RMB359.63 million.

### **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
“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

“Nanjing Jincheng”	AVIC Nanjing Engineering Institute of Aircraft Systems* (中國航空工業金城南京機電液壓工程研究中心), a limited liability company incorporated in the PRC and a subsidiary of the AVIC as at the date of this announcement
“Nanjing Servo Control”	AVIC Nanjing Servo Control Systems Co., Ltd. * (中航工業南京伺服控制系統有限公司), is a limited liability company incorporated in the PRC and held as to 53.33% by Nanjing Jincheng and 46.67% by the Company
“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, 13 July 2021

*As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, non-executive Directors Mr. Yan Lingxi, Mr. Lian Dawei, and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.*

*\* For identification purposes only*