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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

ACQUISITION OF 69.30% OF THE EQUITY INTEREST OF AVIC RENEWABLE ENERGY BY AVIC PLANNING

On 27 December 2017, AVIC Planning entered into the Equity Transfer Agreement with AVIC Heavy Machinery, pursuant to which, AVIC Heavy Machinery agreed to sell and AVIC Planning agreed to acquire, 69.30% of the equity interest in AVIC Renewable Energy. After completion of the Acquisition, AVIC Renewable Energy will become a subsidiary of AVIC Planning and thus a subsidiary of the Company, and the financial results of AVIC Renewable Energy will be consolidated into the consolidated financial statements of the Company.

As at the date of this announcement, AVIC Planning is a wholly-owned subsidiary of the Company. AVIC Heavy Machinery is a subsidiary of AVIC, the controlling shareholder of the Company, and therefore is a connected person of the Company. The entering into of the Equity Transfer Agreement between AVIC Planning and AVIC Heavy Machinery 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 requirement but is exempt from the independent Shareholders' approval requirement.

A. INTRODUCTION

Reference is made to the inside information announcement of the Company dated 13 December 2017 in relation to the proposed acquisition of 69.30% of the equity interest in AVIC Renewable Energy by AVIC Planning from AVIC Heavy Machinery.

On 27 December 2017, AVIC Planning entered into the Equity Transfer Agreement with AVIC Heavy Machinery, pursuant to which, AVIC Heavy Machinery agreed to sell and AVIC Planning agreed to acquire, 69.30% of the equity interest in AVIC Renewable Energy. After completion of the Acquisition, AVIC Renewable Energy will become a subsidiary of AVIC Planning and thus a subsidiary of the Company, and the financial results of AVIC Renewable Energy will be consolidated into the consolidated financial statements of the Company.

B. THE EQUITY TRANSFER AGREEMENT

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

1. Date

27 December 2017

2. Parties

- (1) Vendor: AVIC Heavy Machinery; and
- (2) Purchaser: AVIC Planning.

3. Target

69.30% of the equity interest in AVIC Renewable Energy

4. Consideration

The consideration is RMB413,571,300, which was determined based on the appraised value of the net assets of AVIC Renewable Energy as at 30 September 2017 (i.e. the Valuation Base Date), which was conducted by an independent qualified assets appraisal agency using the asset approach. As at the Valuation Base Date, the valuation of the net assets of AVIC Renewable Energy is RMB596,784,000, and the valuation of the 69.30% equity interest of AVIC Renewable Energy held by AVIC Heavy Machinery is RMB413,571,300.

The final consideration is subject to the valuation results filed with the relevant State-owned assets management department.

5. Terms of Payment

The parties agreed that the consideration in respect of the Acquisition shall be paid by cash in two instalments, details of which are as follows:

- (1) Within five days after the Equity Transfer Agreement becoming effective, AVIC Planning shall pay the first instalment (i.e. 50.01% of the consideration) to AVIC Heavy Machinery (the actual payment shall be rounded off into cents); and
- (2) AVIC Planning shall pay the remaining payment (i.e. 49.99% of the consideration) to AVIC Heavy Machinery no later than 30 June 2018.

6. Conditions Precedent of the Effectiveness of the Equity Transfer Agreement

The Equity Transfer Agreement will become effective upon fulfillment of, among other things, the following conditions:

- (1) The shareholders' general meeting of AVIC Heavy Machinery having approved the transfer of equity interest; and
- (2) The shareholder of AVIC Planning having approved the transfer of equity interest.

C. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT

AVIC Planning is mainly engaged in businesses in the whole industry chain and the whole value chain of engineering area, and the new energy industry is closely related to the engineering business. The Acquisition is beneficial to the integration of the businesses in new energy industry, will enhance the complementary relationship between the parties in businesses and employees in the whole industry chain, will create a whole industry chain in new energy industry for AVIC Planning and will further expand and develop the advanced engineering techniques in aerospace engineering held by AVIC Planning into civil area.

The Equity Transfer Agreement is entered into by the parties on normal commercial terms after arm's length negotiation. 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.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Planning is a wholly-owned subsidiary of the Company. AVIC Heavy Machinery is a subsidiary of AVIC, the controlling shareholder of the Company, and therefore is a connected person of the Company. The entering into of the Equity Transfer Agreement between AVIC Planning and AVIC Heavy Machinery 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 requirement but is exempt from the independent Shareholders' approval requirement.

Each of Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Wu Xiandong and Mr. Li Yao, Directors, who are chairman, general manager, vice general manager and chief accountant 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 other Directors has or is deemed to have a material interest in the Acquisition.

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 Planning

AVIC Planning is a limited liability company incorporated in the PRC, which is mainly engaged in aviation engineering services.

Information on AVIC Heavy Machinery

AVIC Heavy Machinery is a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange (stock code: 600765) and a subsidiary of AVIC, which is mainly engaged in businesses of forging, casting and high-end hydraulic integration.

Information on AVIC Renewable Energy

AVIC Renewable Energy was established on 26 January 1989 with the registered capital of RMB329,687,591.21. It is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses. As at the date of this announcement, AVIC Renewable Energy is held as to 69.30% and 30.70% by AVIC Heavy Machinery and AVIC, respectively.

Financial indicators <i>(Unit: RMB100 million)</i>	2015	2016	January to September 2017
Operating revenue	1.02	2.18	1.59
Gross profit	-0.38	0.47	-0.68
Net profit attributable to equity shareholders of the parent company	-0.40	0.59	-0.7
Net assets	5.69	6.26	6.10
Total assets	20.3	21.19	23.67

F. DEFINITIONS

“Acquisition”	the acquisition of 69.30% of the equity interest in AVIC Renewable Energy by AVIC Planning from AVIC Heavy Machinery
“AVIC”	China Aviation Industry Corporation* (中國航空工業集團公司), the controlling shareholder of the Company, holding 58.57% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Heavy Machinery”	AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司), a subsidiary of AVIC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600765)
“AVIC Planning”	China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“AVIC Renewable Energy”	AVIC Renewable Energy Investment Co., Ltd.* (中國航空工業新能源投資有限公司), a limited liability company established in the PRC, with 69.30% of its equity interest held by AVIC Heavy Machinery and 30.70% of its equity interest held by AVIC 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 Planning with AVIC Heavy Machinery on 27 December 2017, pursuant to which, AVIC Heavy Machinery agreed to sell, and AVIC Planning agreed to acquire, 69.30% of the equity interest in AVIC Renewable Energy
“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

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

Beijing, 27 December 2017

As at the date of this announcement, the Board comprises executive Director Mr. Lin Zuoming, non-executive Directors Mr. Tan Ruisong, Mr. Wu Xiandong, Mr. Li Yao, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Chi Wai.

** For identification purpose only*