

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

DISPOSAL OF 49% EQUITY INTEREST IN JIUJIANG AUTO

On 30 December 2014, the Company entered into the Share Transfer Agreement with CAIG, pursuant to which the Company has agreed to transfer, subject to certain conditions, 49% of the equity interest in Jiujiang Auto to CAIG, for a consideration of approximately RMB85,000,000 to be satisfied by CAIG in cash. Upon completion of the Share Transfer, the Company will no longer have any equity interest in Jiujiang Auto.

As at the date of this announcement, AVIC holds 51.26% equity interest in the Company, being the controlling shareholder of the Company, and CAIG is a wholly-owned subsidiary of AVIC. Pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC and CAIG are connected persons of the Company. Accordingly, the entering into of the Share Transfer Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in respect of the Share Transfer is more than 0.1% but less than 5%, the entering into the Share Transfer Agreement between the Company and CAIG is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement.

A. INTRODUCTION

On 30 December 2014, the Company entered into the Share Transfer Agreement with CAIG, pursuant to which the Company has agreed to transfer, subject to certain conditions, 49% of the equity interest in Jiujiang Auto to CAIG, for a consideration of approximately RMB85,000,000 to be satisfied by CAIG in cash. Upon completion of

the Share Transfer, the Company will no longer have any equity interest in Jiujiang Auto.

B. THE SHARE TRANSFER AGREEMENT

1. Date

30 December 2014

2. Parties

Transferor: the Company

Transferee: CAIG

3. Target

The 49% equity interest in Jiujiang Auto held by the Company

4. Consideration and terms of payment

The consideration for the Share Transfer, being approximately RMB85,000,000, was agreed upon arm's length negotiation between the Company and CAIG after taking into account various factors including, but not limited to, the net asset value of Jiujiang Auto as at the Valuation Date shown in a valuation report prepared by an independent qualified valuer. The consideration shall be satisfied by the CAIG in cash in one-off payment. The final consideration for the Share Transfer is subject to adjustment (if any) based on the filed valuation results of Jiujiang Auto confirmed by the state-owned assets supervision and administration authorized institutes, namely, AVIC.

5. Conditions precedent to the Share Transfer Agreement becoming effective

Pursuant to the Share Transfer Agreement, the Share Transfer will become effective upon fulfillment of, among other things, the following conditions:

- (1) the Share Transfer Agreement having been executed by the legal representatives or authorized persons of the parties, and affixed with company seal;
- (2) CAIG having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association;
- (3) the Company having completed and satisfied all necessary internal corporate approval procedures in accordance with the requirements of its articles of association and the relevant requirements of the Hong Kong Listing Rules, including but not limited to, the approval of the Board; and

(4) the Share Transfer having been approved by the state-owned assets supervision and administration authorized institutes, namely, AVIC.

C. CONSEQUENCE OF THE SHARE TRANSFER AND ITS IMPACTS ON FINANCIAL STATUS

Upon completion of the Share Transfer, the Company will no longer hold any equity interest in Jiujiang Auto.

It is expected that there will be a gain amounted to approximately RMB20 million derived from the Share Transfer, which represents the difference between the consideration and the book value of the 49% equity interest in Jiujiang Auto held by the Company. The final gain is to be determined upon completion of the Share Transfer. The sale proceeds from the Share Transfer will be used as working capital of the Company.

D. REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

The disposal of Jiujiang Auto will help the Company focus on the development of aviation business, and reduce the long term investment losses in Jiujiang Auto, therefore is in line with the Company's development strategy.

The transactions under the Share Transfer Agreement are determined on normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC holds 51.26% equity interest in the Company, being the controlling shareholder of the Company, and CAIG is a wholly-owned subsidiary of AVIC. Pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC and CAIG are connected persons of the Company. Accordingly, the entering into of the Share Transfer Agreement constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in respect of the Share Transfer is more than 0.1% but less than 5%, the entering into the Share Transfer Agreement between the Company and CAIG is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement.

Each of Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the

Company, who are general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the connected transactions contemplated under the Share Transfer Agreement and thus had abstained from voting on the relevant Board resolution approving the Share Transfer Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

F. 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 civil aviation 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. As at the date of this announcement, AVIC holds 51.26% equity interest in the Company and is the controlling shareholder of the Company.

Information on CAIG

CAIG is a limited liability company incorporated in the PRC, and is a wholly-owned subsidiary of AVIC as at the date of this announcement. CAIG is mainly engaged in manufacture and sales of non-civil helicopters and related aviation components.

Information on Jiujiang Auto

As at the date of this announcement, 51% equity interest in Jiujiang Auto is held by CAIG, and the remaining 49% equity interest is held by the Company. The registered capital of Jiujiang Auto is RMB115,540,000. Jiujiang Auto is mainly engaged in the development, manufacturing, sales and after-sale services of the components of mini-sized automobiles and the development, consultation and service in relation to the automobile-related projects.

Based on the audited financial statements of Jiujiang Auto as at 30 September 2014, the total assets and net assets of Jiujiang Auto amounted to approximately RMB117,900,300 and RMB113,560,000 respectively. Pursuant to the valuation report prepared by an independent qualified valuer, the assessed value of Jiujiang Auto as at the Valuation Date amounted to RMB172,991,000. For the nine months ended 30 September 2014, and the two financial years ended 31 December 2013, the audited revenue and net profits/losses (before and after taxation) of Jiujiang Auto are set out below:

in RMB'000

	Revenue	Net profits/losses before taxation (audited)	Net profits/losses after taxation (audited)
For the nine months ended 30 September 2014	4,990	-6,460	-3,680
2013	6,650	110	-30
2012	6,670	-5,580	-5,580

DEFINITIONS:

“AVIC”	Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company holding 51.26% equity interest in the Company as at the date of this announcement
“Board”	the board of directors of the Company
“CAIG”	Changhe Aircraft Industries Group Co., Ltd. (昌河飛機工業(集團)有限責任公司), a wholly-owned subsidiary of AVIC as at the date of this announcement
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司)
“Directors”	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

“Jiujiang Auto”	Jiujiang Changhe Automobile Co., Ltd. (九江昌河汽車有限公司), a non wholly-owned subsidiary of CAIG with its 51% equity interest being held by CAIG as at the date of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer”	the transfer (subject to certain conditions) of the 49% equity interest in Jiujiang Auto held by the Company to CAIG as agreed under the Share Transfer Agreement
“Share Transfer Agreement”	the agreement entered into between the Company and CAIG relating to the Share Transfer on 30 December 2014
“Valuation Date”	30 September 2014

By Order of the Board
AviChina Industry & Technology Company Limited*
Yan Lingxi
Company Secretary

Beijing, 30 December 2014

As at the date of this announcement, the Board comprises executive Directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Sheng Mingchuan and Mr. Maurice Savart as well as independent non-executive Directors Mr. Guo Chongqing, Mr. Lau Chung Man, Louis and Mr. Liu Renhuai.

** For identification purposes only.*