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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 TRANSACTIONS

DISPOSAL OF EQUITY INTERESTS IN CERTAIN SUBSIDIARIES

THE DISPOSALS

The Board announces that on 15 June 2022, AVIC Renewable Energy has succeeded in the public tender at BPX to acquire the Target Equity Interests (Public Tender Companies) at a total consideration of approximately RMB27.44 million. In this regard, AVIC Construction (a wholly-owned subsidiary of the Company) will enter into property transfer agreement(s), pursuant to which AVIC Construction will sell, and AVIC Renewable Energy will acquire, the Target Equity Interests (Public Tender Companies) at the Bidding Price.

The final consideration is approximately RMB27.44 million in aggregate which is determined with reference to: (i) the net assets value of the relevant Target Companies as at 30 September 2021 as determined by an independent and qualified PRC valuer using the asset based approach in its valuation report; and (ii) the value of Jilin Energy Debt and Shaanxi Energy Debt.

Upon Completion, the Company will continue to hold indirect interest in Jiangsu Energy, Shanghai Energy, Jilin Energy and Shaanxi Energy and these Target Companies will remain as subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Construction is a wholly-owned subsidiary of the Company. AVIC Renewable Energy is a connected subsidiary of the Company by virtue of being owned as to over 10% by AVIC (i.e. the controlling Shareholder of the Company) indirectly through its indirect non-wholly-owned subsidiary, i.e., Xuneng Development. Therefore, the Disposals constitute connected transactions under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of the Disposals exceeds 0.1% but is less than 5%, the Disposals are subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(A) DISPOSALS OF TARGET EQUITY INTERESTS (PUBLIC TENDER COMPANIES)

The Board announces that on 15 June 2022, AVIC Renewable Energy has succeeded in the public tender at BPX to acquire the Target Equity Interests (Public Tender Companies) at a total consideration of approximately RMB27.44 million. In this regard, AVIC Construction (a wholly-owned subsidiary of the Company) will enter into the property transfer agreement(s), pursuant to which AVIC Construction will sell, and AVIC Renewable Energy will acquire, the Target Equity Interests (Public Tender Companies) at the Bidding Price.

The major terms of the Disposals of the Target Equity Interests (Public Tender Companies) are as follows:

Target Companies	:	(i) Jiangsu Energy (ii) Shanghai Energy (iii) Jilin Energy (iv) Shaanxi Energy
Target Equity Interests (Public Tender Companies)	:	(i) 100% equity interests in Jiangsu Energy (ii) 100% equity interests in Shanghai Energy (iii) 100% equity interests in Jilin Energy and the Jilin Energy Debt (iv) 100% equity interests in Shaanxi Energy and the Shaanxi Energy Debt
Base Price	:	(i) Jiangsu Energy: approximately RMB1.85 million (ii) Shanghai Energy: approximately RMB3.32 million (iii) Jilin Energy: approximately RMB 1.33 million (for 100% equity interest) and RMB 1.42 million (for the Jilin Energy Debt) (iv) Shaanxi Energy: approximately RMB0.38 million (for the 100% equity interest) and approximately RMB19.15 million (for the Shaanxi Energy Debt) Aggregate: approximately RMB27.44 million
Bidding Price	:	(i) Jiangsu Energy: RMB 1.85 million (ii) Shanghai Energy: RMB 3.32 million (iii) Jilin Energy: RMB 2.75 million (iv) Shaanxi Energy: RMB 19.53 million Aggregate: approximately RMB 27.44 million

Conditions Precedent

AVIC Construction shall complete all legally required approval and necessary registration procedures under the relevant laws, regulations and policies and complete the public tender process in BPX for the Disposals. AVIC Renewable Energy shall complete all necessary approvals and complete all authorisation process under the relevant laws and regulations and its articles of association for the Disposals.

Besides, Jiangsu Energy and Jilin Energy have outstanding bank loans (in which AVIC Construction is a joint borrower and AVIC CAPDI is a guarantor) of approximately RMB 4.65 million and RMB 2.82 million, respectively. AVIC Renewable Energy shall advance a loan respectively to Jiangsu Energy and Jilin Energy for the one-off payment of the aforementioned outstanding bank loans and interest, within five (5) working days after signing of the relevant property transfer agreement(s).

The transfer of Target Equity Interest (Public Tender Companies) shall be subject to the fulfilment of the aforementioned conditions precedent.

Payment of the Bidding Price

AVIC Renewable Energy shall transmit the Bidding Price to the account designated by BPX within three (3) working days from the effective date (i.e. the date when AVIC Construction and AVIC Renewable Energy sign and affix their common seals to the property transfer agreement(s)) of the property transfer agreement(s).

Completion

The date of Completion shall be the date of completion of the registration procedures for the Disposals and the issue of the new business registration certificate of the Target Companies.

Basis of Determination of the Bidding Price

The final consideration is approximately RMB27.44 million in aggregate, which is determined with the reference to: (i) the net assets value of the relevant Target Companies as at 30 September 2021 as determined by an independent and qualified PRC valuer using the asset based approach in its valuation report; and (ii) the value of Jilin Energy Debt and Shaanxi Energy Debt. The net assets value of Jiangsu Energy, Shanghai Energy, Jilin Energy and Shaanxi Energy was RMB1.85 million, RMB 3.32 million, RMB 1.33 million and RMB0.38 million, respectively. The value of Jilin Energy Debt and Shaanxi Energy Debt was approximately RMB 1.42 million and RMB19.15 million, respectively.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Disposals of Target Equity Interests (Public Tender Companies) (including the Bidding Price) were transacted on an arm's length basis and are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

(B) FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Companies will remain as subsidiaries of the Company. It is expected that the Group's equity attributable to shareholders of the parent company may be affected as a result of the Disposals. Shareholders should note that the actual financial effects of the Disposals will be assessed based on the financial position of the Target Companies as at Completion, which will be audited, and eventually be recognised in the consolidated financial statements of the Company upon Completion.

The Board intends to apply the net proceeds from the Disposals as general working capital to support and enhance the business development of the Company.

(C) REASONS FOR AND BENEFITS OF THE DISPOSALS

The Board believes that the Disposals would be beneficial in integrating the professional development of energy business.

(D) GENERAL INFORMATION

Information of 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 61.60% equity interest in the Company directly and indirectly as at the date of this announcement.

Information of the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

Information of AVIC Construction

AVIC Construction is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. It is mainly engaged in engineering investment, industrial and civil engineering construction supervision and related consultancy services, general contracting of aviation and civil and industrial construction projects.

Information of AVIC Renewable Energy

AVIC Renewable Energy is a limited liability company established in the PRC. It is a non wholly-owned subsidiary of the Company and is owned as to 48% by AVIC CAPDI, 36.40% by Xuneng Development, 10.40% by Jilin Zhongkai and 5.20% by Anhui Zhongcheng. Xuneng Development is an indirect non wholly-owned subsidiary of AVIC. To the best of the Director's information having made all reasonable enquiries, Anhui Zhongcheng, Jilin Zhongkai and their respective ultimate beneficial owners are Independent Third Parties. AVIC Renewable Energy is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses.

Information of the Target Companies

(i) Jiangsu Energy

Jiangsu Energy is a limited liability company established in the PRC, which is mainly engaged in the provision of development, consulting and other related technical services of distributed photovoltaic power generation technology.

The net profits (before and after taxation and extraordinary items) of Jiangsu Energy prepared under the China Accounting Standards for Business Enterprises for the financial year ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
Net profit before taxation and extraordinary items	57,719.45	188,591.41
Net profit after taxation and extraordinary items	64,541.87	183,478.71

The book value of the net assets of Jiangsu Energy as at 31 December 2021 prepared under China Accounting Standards for Business Enterprises was approximately RMB4.84 million.

(ii) Shanghai Energy

Shanghai Energy is a limited liability company established in the PRC, which is mainly engaged in the provision of development, consulting and other related technical services of distributed photovoltaic power generation technology.

The net profits (before and after taxation and extraordinary items) of Shanghai Energy prepared under the China Accounting Standards for Business Enterprises for the financial year ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
Net profit before taxation and extraordinary items	55,860.52	126,975.70
Net profit after taxation and extraordinary items	105,795.32	124,807.29

The book value of the net assets of Shanghai Energy as at 31 December 2021 prepared under China Accounting Standards for Business Enterprises was approximately RMB3.23 million.

(iii) Jilin Energy

Jilin Energy is a limited liability company established in the PRC, which is mainly engaged in the provision of development, consulting and other related technical services of distributed photovoltaic power generation technology.

The net profits (before and after taxation and extraordinary items) of Jilin Energy prepared under the China Accounting Standards for Business Enterprises for the financial year ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
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Net profit before taxation and extraordinary items	25,262.52	83,422.30
Net profit after taxation and extraordinary items	71,719.97	59,816.56

The book value of the net assets of Jilin Energy as at 31 December 2021 prepared under China Accounting Standards for Business Enterprises was approximately RMB3.11 million.

(iv) Shaanxi Energy

Shaanxi Energy is a limited liability company established in the PRC, which is mainly engaged in the provision of development, consulting and other related technical services of distributed photovoltaic power generation technology.

The net profits (before and after taxation and extraordinary items) of Shaanxi Energy prepared under the China Accounting Standards for Business Enterprises for the financial year ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
Net profit before taxation and extraordinary items	40,361.78	544,856.25
Net profit after taxation and extraordinary items	222,429.23	407,031.32

The book value of the net assets of Shaanxi Energy as at 31 December 2021 prepared under China Accounting Standards for Business Enterprises was approximately RMB2.13 million.

(E) LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Construction is a wholly-owned subsidiary of the Company. AVIC Renewable Energy is a connected subsidiary of the Company by virtue of being owned as to over 10% by AVIC (i.e. the controlling Shareholder of the Company) indirectly through its indirect non wholly-owned subsidiary, i.e., Xuneng Development. Therefore, the Disposals constitute connected transactions under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of the Disposals exceeds 0.1% but is less than 5%, the Disposals are subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Disposals and the relevant property transfer agreement(s) were approved by the Board. Mr. Zhang Minsheng, an executive Director and chairman of the Board, who is a chief accountant of AVIC, and Mr. Li Xichuan, a non-executive Director, who is a deputy department chief of AVIC Industry-Finance Holdings Co., Ltd.*, had abstained from voting on the relevant Board resolution approving the Disposals and the relevant property transfer agreement(s) in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transactions.

DEFINITIONS

“Anhui Zhongcheng”	Anhui Zhongcheng Dadi Energy Development Co., Ltd.* (安徽中城大地能源發展有限公司), a limited liability company established in the PRC
“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 the announcement
“AVIC CAPDI”	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, a wholly owned subsidiary of the Company
“AVIC Construction ”	AVIC International Construction Co., Ltd.* (中國航空國際建設投資有限公司), a limited liability company established in the PRC and a subsidiary of the Company
“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, a connected subsidiary of the Company
“Board”	the board of directors of the Company
“Bidding Price”	the final total consideration of approximately RMB27.44 million for the Target Equity Interests (Public Tender Company) payable by AVIC Renewable Energy
“BPX”	Beijing Property and Equity Exchange* (北京產權交易所股份有限公司)
“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 Stock Exchange
“Completion”	the completion of the transfer of Target Equity Interest (Public Tender Companies) pursuant to the Disposals
“connected person”	has the same meaning as defined in the Listing Rules

“connected subsidiary (ies)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director of the Company
“Disposals”	the disposals of the Target Equity Interests (Public Tender Company)
“Jiangsu Energy”	AVIC Construction Energy Technology Jiangsu Co., Ltd.* (中航建投能源科技江蘇有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC Construction as at the date of the announcement
“Jilin Energy”	Jilin AVIC Construction Energy Technology Co., Ltd.* (吉林中航建投能源科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC Construction as at the date of the announcement
“Jilin Energy Debt”	the right to the debt of RMB1.42 million owing by Jilin Energy to AVIC Construction at the date of this announcement
“Jilin Zhongkai”	Jilin Zhongkai New Energy Development and Utilization Co., Ltd.*(吉林省中愷新能源開發利用有限責任公司), a limited liability company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Energy”	Shaanxi AVIC Construction Energy Technology Co., Ltd.* (陝西中航建投能源科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC Construction as at the date of the announcement
“Shaanxi Energy Debt”	the right to the debt of RMB19.15 million owing by Shaanxi Energy to AVIC Construction at the date of this announcement
“Shanghai Energy”	Shanghai AVIC Construction Energy Technology Co., Ltd.* (上海中航建投能源科技有限公司), a limited liability company established in the PRC

	and a wholly-owned subsidiary of AVIC Construction as at the date of the announcement
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as defined in the Listing Rules
“Target Companies”	Jiangsu Energy, Jilin Energy, Shaanxi Energy and Shanghai Energy
“Target Equity Interests (Public Tender Companies)”	the 100% equity interests in Jiangsu Energy, Jilin Energy, Shaanxi Energy and Shanghai Energy, Jilin Energy Debt and Shaanxi Energy Debt
“Xuneng Development”	Beijing Xuneng Development Technology Co., Ltd.* (北京旭能發展科技有限責任公司), a limited liability company established in the PRC, an indirect non-wholly-owned subsidiary of AVIC

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

Beijing, 15 June 2022

As at the date of this notice, the Board comprises executive Directors Mr. Zhang Minsheng and Mr. Yan Lingxi, 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 purpose only*