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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
DISPOSAL OF 7.063% SHARES IN AVIC CABIN**

DISPOSAL OF 7.063% SHARES IN AVIC CABIN

On 30 September 2022 (after trading hours), (i) the Company has entered into the Sale and Purchase Agreement 1 with AVIC; and (ii) AviChina Hong Kong has entered into the Sale and Purchase Agreement 2 with China Aviation Industry (Hong Kong). Pursuant to the Sale and Purchase Agreements, the Company agreed to sell 0.724% shares in AVIC Cabin to AVIC at a consideration of RMB341,199.10, and AviChina Hong Kong agreed to sell 6.339% shares in AVIC Cabin to China Aviation Industry (Hong Kong) (a non-wholly owned subsidiary of AVIC) at a consideration of RMB2,987,412.27. Upon Completion, the Company and AviChina Hong Kong will cease to have any shareholding in AVIC Cabin and AVIC Group will hold approximately 98.82% shares in AVIC Cabin.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, AviChina Hong Kong is a wholly-owned subsidiary of the Company, AVIC is the controlling shareholder of the Company and China Aviation Industry (Hong Kong) is a wholly-owned subsidiary of AVIC. Therefore, AVIC and China Aviation Industry (Hong Kong) are connected persons of the Company under Chapter 14A of the Listing Rules, and the Disposal contemplated under the Sale and Purchase Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirement.

DISPOSAL OF 7.063% SHARES IN AVIC CABIN

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The principal terms of the Sale and Purchase Agreements are summarised as follows:

1. Date

30 September 2022

2. Parties

- i. Sale and Purchase Agreement 1:
The Company, as vendor; and
AVIC, as purchaser
- ii. Sale and Purchase Agreement 2:
AviChina Hong Kong, as vendor; and
China Aviation Industry (Hong Kong), as purchaser.

3. Target Shares

- i. Sale and Purchase Agreement 1:
15,777,395 shares of AVIC Cabin owned by the Company, representing 0.724% shares in AVIC Cabin.
- ii. Sale and Purchase Agreement 2:
138,140,997 shares of AVIC Cabin owned by AviChina Hong Kong, representing 6.339% shares in AVIC Cabin.

4. Consideration

The total consideration for the Disposal is RMB3,328,611.37. The consideration for Sale and Purchase Agreement 1 (the “**Consideration I**”) and Sale and Purchase Agreement 2 (the “**Consideration II**”) is RMB341,199.10 and RMB2,987,412.27, respectively. The abovementioned consideration was determined after arm’s length negotiations between the parties with reference to: (i) the filed appraised value of net assets of AVIC Cabin as at 31 March 2022, i.e. RMB47,127,450.84 using the asset based approach as stated in the valuation report prepared by an independent and professional PRC valuer and; (ii) the respective shareholdings in AVIC Cabin by the Company and AviChina Hong Kong.

5. Terms of Payment

Consideration I and Consideration II shall be satisfied by AVIC and China Aviation Industry (Hong Kong) by making one-time payment to the designated accounts by 30 November 2022,

respectively.

6. Conditions Precedent

Unless filing and approval from the authority is required pursuant to the relevant laws and regulations for the Sale and Purchase Agreements to become effective, the Sale and Purchase Agreements shall become effective at the date when all parties affix their seals and their legal representatives or authorised representatives signed the Sale and Purchase Agreements.

7. Completion

The date of completion of the Sale and Purchase Agreements shall be the date when all parties affix their seals and their legal representatives or authorised representatives signed the Sale and Purchase Agreements.

Upon Completion, the Company and AviChina Hong Kong will cease to have any shareholding in AVIC Cabin and AVIC Group will hold approximately 98.82% shares in AVIC Cabin.

FINANCIAL EFFECT OF THE DISPOSAL CONTEMPLATED UNER THE SALE AND PURCHASE AGREEMENTS

The shares of AVIC Cabin held by the Company and AviChina Hong Kong are classified as investments in other equity instruments in the Group's consolidated financial statements. The Disposal is expected to result in a loss of approximately RMB3.52 million, representing the difference between the total consideration for the Disposal and the book value of the 0.724% and 6.339% shares in AVIC Cabin held by the Company and AviChina Hong Kong as at 30 September 2022. Such loss will be included in the equity account of the Group. Shareholders should note that the financial effect shown above is for reference only and the actual amount of gain or loss resulting from the Disposal will eventually be recognised in the consolidated financial statements of the Group.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

Due to the impact of the Covid-19 epidemic and the downturn and turmoil of the international civil aviation market, AVIC Cabin's operating performance was under pressure and it has suffered continued losses. Therefore, the Company believes that the Disposal is in the interests of the Company.

Considering the above, the Directors (including the independent non-executive Directors) are of view that the Disposal and the terms of the Sale and Purchase Agreements are determined after arm's length basis, on normal commercial terms, fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

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 62.30% 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 Hong Kong Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

Information of AviChina Hong Kong

AviChina Hong Kong is a limited liability company incorporated in Hong Kong. It is a wholly-owned subsidiary of the Company. It is mainly engaged in the development, design and sales of aviation product, the importation and exportation of aviation products and technologies, finance and investment.

Information of China Aviation Industry (Hong Kong)

China Aviation Industry (Hong Kong) is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of AVIC as at the date of this announcement. It is mainly engaged in aviation products sales and development, industrial investment, equity investment and securities investment, etc.

Information of AVIC Cabin

AVIC Cabin is a limited liability company incorporated in Hong Kong and is a subsidiary of AVIC as at the date of the announcement. Its main business includes aircraft cabin interior decoration system products.

The net loss (before and after taxation) of AVIC Cabin prepared under the China Accounting Standards for Business Enterprises for the financial years ended 31 December 2021 and 31 December 2020 are set out below:

	For the year ended 31 December 2021 (RMB)	For the year ended 31 December 2020 (RMB)
Net loss before taxation	1,587,153,865.75	3,407,913,238.53
Net loss after taxation	1,609,085,592.21	3,380,796,329.60

The net assets of AVIC Cabin as at 31 December 2021 amounted to approximately RMB247.2 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AviChina Hong Kong is a wholly-owned subsidiary of the Company, AVIC is the controlling shareholder of the Company and China Aviation Industry (Hong Kong) is a wholly-owned subsidiary of AVIC. Therefore, AVIC and China Aviation Industry (Hong Kong) are connected persons of the Company under Chapter 14A of the Listing Rules, and the Disposal contemplated under the Sale and Purchase Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirement.

The Disposal is 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 and a vice general manager of AVIC Industry Finance Co., Ltd.* (中航工業產融控股股份有限公司), had abstained from voting on the relevant Board resolution approving the transaction(s) contemplated under the Sale and Purchase Agreements 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

“AVIC”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a controlling shareholder of the Company holding directly and indirectly 62.30% equity interest of the Company as at the date of this announcement
“AVIC Cabin”	AVIC Cabin System Co., Ltd. (中航客艙系統有限公司), a limited liability company incorporated in Hong Kong, a subsidiary of AVIC as at the date of this announcement
“AVIC Group”	AVIC and its subsidiaries
“AviChina Hong Kong”	AviChina Hong Kong Limited.* (中航科工香港有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Board”	the board of the Company
“China Aviation Industry (Hong Kong)”	China Aviation Industry (Hong Kong) Company Limited* (中國航空工業集團(香港)有限公司), a limited liability company incorporated in Hong Kong and 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), a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“Completion”	the completion of the Disposal pursuant to the Sale and Purchase Agreements
“connected person(s)”	has the same meaning as defined in the Listing Rules
“controlling shareholder(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 7.063% Shares in AVIC Cabin by the Company and

	AviChina Hong Kong
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“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
“Sale and Purchase Agreements”	Sale and Purchase Agreement 1 and Sale and Purchase Agreement 2
“Sale and Purchase Agreement 1”	The sale and purchase agreement entered into between the Company and AVIC on 30 September 2022, pursuant to which the Company agreed to sell 0.724% shares in AVIC Cabin to AVIC at a consideration of approximately RMB341,199.10
“Sale and Purchase Agreement 2”	The sale and purchase agreement entered into between the AviChina Hong Kong and China Aviation Industry (Hong Kong) on 30 September 2022, pursuant to which AviChina Hong Kong agreed to sell 6.339% shares in AVIC Cabin to China Aviation Industry (Hong Kong) at a consideration of RMB2,987,412.27
“Shareholder(s)”	the shareholders of the Company
“subsidiary(ies)”	has the same meaning as defined in the Listing Rules
“%”	per cent

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

Beijing, 30 September 2022

As at the date of this announcement, 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*