

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
DEEMED DISPOSAL OF EQUITY INTERESTS IN
AVIC RENEWABLE ENERGY**

SUBSCRIPTION BY EXTERNAL INDEPENDENT INVESTORS AND XUNENG DEVELOPMENT

AVIC Renewable Energy (a non-wholly owned subsidiary of the Company) had solicited three independent investors to subscribe for approximately 15% equity interests in AVIC Renewable Energy through public tender at CBEX; and Xuneng Development (one of the existing shareholders of AVIC Renewable Energy) agreed to subscribe for approximately 6.76% equity interests in AVIC Renewable Energy. AVIC CAPDI (one of the existing shareholders of AVIC Renewable Energy) would not exercise its pre-emptive right in relation to the Subscription.

On 11 December 2022, AVIC Renewable Energy has entered into the Subscription Agreement with AVIC CAPDI, Xuneng Development, Jilin Zhongkai, Anhui Zhongcheng and the External Independent Investors. Pursuant to the Subscription Agreement, Xuneng Development and the External Independent Investors have agreed to subscribe for the equity interests in AVIC Renewable Energy at the Subscription Price. The capital contribution amount of the External Independent Investors is RMB169,881,488, and the capital contribution amount of Xuneng Development is RMB217,567,036. Upon Completion, AVIC Renewable Energy will cease to be accounted as a subsidiary of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xuneng Development is a company owned as to 50% by AVIC Trust and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, the controlling shareholder of the Company. Besides, AVIC Renewable Energy is a subsidiary of the Company and is directly owned more than 10% by Xuneng Development. Therefore, Xuneng Development is a connected person of the Company and AVIC Renewable

Energy is a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Xuneng Development's Subscription, which also constitutes a deemed disposal, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) for Xuneng Development's Subscription is more than 0.1% but less than 5%, Xuneng Development's Subscription is subject to the reporting and announcement requirements, but is exempt from the circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Furthermore, upon Completion, the shareholding of AVIC CAPDI in AVIC Renewable Energy will reduce from approximately 48.0% to approximately 31.58%. Therefore, the Subscription constitutes a Deemed Disposal of AVIC Renewable Energy. As none of the applicable percentage ratios for the Deemed Disposal exceed 5%, the Deemed Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

SUBSCRIPTION BY EXTERNAL INDEPENDENT INVESTORS AND XUNENG DEVELOPMENT

AVIC Renewable Energy (a non-wholly owned subsidiary of the Company) had solicited three independent investors to subscribe for approximately 15% equity interests in AVIC Renewable Energy through public tender at CBEX, and Xuneng Development (one of the existing shareholders of AVIC Renewable Energy) agreed to subscribe for approximately 6.76% equity interests in AVIC Renewable Energy ("**Xuneng Development's Subscription**"). AVIC CAPDI (one of the existing shareholders of AVIC Renewable Energy) would not exercise its pre-emptive right in relation to the Subscription.

On 11 December 2022, AVIC Renewable Energy has entered into the Subscription Agreement with AVIC CAPDI, Xuneng Development, Jilin Zhongkai, Anhui Zhongcheng and the External Independent Investors. Pursuant to the Subscription Agreement, Xuneng Development and the External Independent Investors have agreed to subscribe for the equity interests in AVIC Renewable Energy at the Subscription Price. The capital contribution amount of the External Independent Investors is RMB169,881,488, and the capital contribution amount of Xuneng Development is RMB217,567,036. Upon Completion, AVIC Renewable Energy will cease to be accounted as a subsidiary of the Group.

The principal terms of the Subscription Agreement are summarised as follows:

Date: 11 December 2022

Parties: (1) AVIC Renewable Energy;
(2) AVIC CAPDI;
(3) Xuneng Development;
(4) Jilin Zhongkai;
(5) Anhui Zhongcheng;
(6) Chengdu Green (as one of the External Independent Investors);

- (7) TBEA Technology (as one of the External Independent Investors); and
- (8) Zhuhai Deqing (as one of the External Independent Investors).

Subject
Matter:

- (1) Chengdu Green agreed to make a capital contribution of RMB56,627,238 at the Subscription Price and will own approximately 5% equity interests in AVIC Renewable Energy upon Completion;
- (2) TBEA Technology agreed to make a capital contribution of RMB100,025,114 at the Subscription Price and will own approximately 8.83% equity interests in AVIC Renewable Energy upon Completion;
- (3) Zhuhai Deqing agreed to make a capital contribution of RMB13,229,136 at the Subscription Price and will own approximately 1.17% equity interests in AVIC Renewable Energy upon Completion; and
- (4) Xuneng Development agreed to make a capital contribution of RMB217,567,036 at the Subscription Price and its equity interests in AVIC Renewable Energy will increase from 36.40% to 43.16% upon Completion.

Payment:

The parties agree that upon signing of the Subscription Agreement, the security deposit paid by the External Independent Investors to CBEX shall become part of the subscription amount. The External Independent Investors shall transmit the balance of the subscription amount (after deducting the security deposit) to the designated bank account of AVIC Renewable Energy within five (5) working days after the day following the signing of the Subscription Agreement.

Xuneng Development shall transmit the subscription amount to the designated bank account of AVIC Renewable Energy within five (5) working days after the day following the signing of the Subscription Agreement.

Use of
proceeds:

The proceeds from the Subscription shall be used for the construction and operation of integrated energy service projects and the construction of smart energy management system, and the expansion of the installed capacity of clean energy, as well as for supplementing working capital. AVIC Renewable Energy shall not change the use of proceeds without authorisation.

Based on the result of the public tender, the Subscription Price is approximately RMB2.26 to RMB1 registered capital of AVIC Renewable Energy, which is determined with reference to the appraised value of all shareholders' equity of AVIC Renewable Energy as at 31 May 2022 of RMB744,906,500, as determined based on asset-based approach by a professional independent PRC valuer.

Upon Completion, the registered capital of AVIC Renewable Energy will be increased from RMB329,687,600 to RMB501,125,000. AVIC Renewable Energy will be owned as to approximately: (i) 43.16% by Xuneng Development; (ii) 31.58% by AVIC CAPDI; (iii) 8.83% by TBEA Technology; (iv) 6.84% by Jilin Zhongkai; (v) 5% by Chengdu Green; (vi) 3.42% by Anhui Zhongcheng; and (vii) 1.17% by Zhuhai Deqing.

INFORMATION OF THE GROUP

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 and development, manufacture and sales of aviation products, and relevant engineering services.

AVIC is a controlling Shareholder of the Company, holding 62.30% equity interest in the Company directly and indirectly as at the date of this announcement. 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 CAPDI is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement. AVIC CAPDI is mainly engaged in aviation engineering services.

INFORMATION OF AVIC RENEWABLE ENERGY

AVIC Renewable Energy is a limited liability company established in the PRC. As at the date of this announcement, it is a non-wholly owned subsidiary of the Company and is owned as to 48.0% by AVIC CAPDI, 36.40% by Xuneng Development, 10.40% by Jilin Zhongkai and 5.20% by Anhui Zhongcheng. AVIC Renewable Energy is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses.

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

	For the year ended 31 December 2020	For the year ended 31 December 2021
	(RMB)	(RMB)
Net profit before taxation	30,500,190.53	69,552,869.32
Net profit after taxation	14,690,117.03	55,685,536.76

As at 31 May 2022, the audited consolidated net assets of AVIC Renewable Energy prepared under the China Accounting Standards for Business Enterprises amounted to approximately RMB1,037,756,755.92, and the audited owners' equity attributable to the parent company in the consolidated statements of AVIC Renewable Energy was RMB731,421,771.46.

INFORMATION OF THE OTHER PARTIES TO THE SUBSCRIPTION AGREEMENT

Xuneng Development

Xuneng Development is a limited liability company established in the PRC and is mainly engaged

in technical services, technology development and research and development of new energy technology. As at the date of this announcement, it is owned as to 50% by AVIC Trust and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, the controlling shareholder of the Company.

Jilin Zhongkai

Jilin Zhongkai is a limited liability company established in the PRC. It is mainly engaged in new energy technology development, consulting, exchange, transfer and promotion services. As at the date of this announcement, Jilin Zhongkai is owned as to 60% by Mr. Li Zhi (the general manager of Jilin Zhongkai), 20% by Mr. Chen Weiping (the director of Jilin Zhongkai) and 20% by Ms. Dong Li (the supervisor of Jilin Zhongkai), respectively.

Anhui Zhongcheng

Anhui Zhongcheng is a limited liability company established in the PRC engaged in construction engineering design and new energy technology development. As at the date of this announcement, it is owned as to 50.85% by China Cities New Urbanisation Fund Management Co., Ltd.* (中城新型城鎮化基金管理有限責任公司) (“**China Cities New Urbanisation Fund**”) and 49.15% by Zhongcheng State Grid (Beijing) Integrated Energy Co., Ltd. * (中城國網(北京)綜合能源有限公司) (“**Zhongcheng State Grid (Beijing)**”), respectively.

China Cities New Urbanisation Fund is a registered private equity fund established in the PRC, and is ultimately controlled by National Development and Reform Commission Urban and Small Town Reform and Development Center* (國家發展和改革委員會城市和小城鎮改革發展中心), which is a direct business unit under the National Development and Reform Commission (中華人民共和國國家發展和改革委員會). Zhongcheng State Grid (Beijing) is a limited liability company established in the PRC and is ultimately controlled by China Cities New Urbanization Fund, State Grid Corporation of China (國家電網有限公司) and Shanghai Electric Group Company Limited (上海電氣集團股份有限公司) (a company listed on both the Stock Exchange, stock code: 02727, and Shanghai Stock Exchange, stock code: 601727).

Chengdu Green

Chengdu Green is a limited liability company established in the PRC mainly engaged in investment activities; sales of new energy power equipment; recycling and secondary utilization of waste power storage batteries for new energy vehicles (excluding hazardous waste operation); energy storage technology services; research and development of emerging energy technologies, etc. As at the date of this announcement, it is owned as to 51% and 49% by Chengdu Industry Investment Co., Ltd.* (成都產業投資集團有限公司) and Chengdu Environment Investment Group Company Limited* (成都環境投資集團有限公司), respectively. Chengdu Industry Investment Co., Ltd.* (成都產業投資集團有限公司) and Chengdu Environment Investment Group Company Limited * (成都環境投資集團有限公司) are majority-owned by the Chengdu State-owned Assets Supervision and Administration Commission.

TBEA Technology

TBEA Technology is a limited liability company established in the PRC engaged in investment activities, technical services, technology development, technical consulting, technical exchanges,

technology transfer and technology promotion. As at the date of this announcement, it is wholly-owned by TBEA Co., Ltd., a joint stock company incorporated in the PRC with limited liability with its shares listed on the Shanghai Stock Exchange (stock code: 600089).

Zhuhai Deqing

Zhuhai Deqing is a limited partnership established under the laws of the PRC engaged in equity investment, investment management, and asset management. According to publicly available information, the executive partner (general partner) of Zhuhai Deqing is Zhuhai Huiyin Deqing Equity Investment Fund Management Company Limited* (珠海市匯垠德擎股權投資基金管理有限公司) (“**Huiyin Deqing**”), who subscribed for 1.32% of the total capital contribution of Huiyin Deqing. Huiyin Deqing is held as to 40% by Guangzhou Huiyin Tianyue Equity Investment Fund Management Company Limited* (廣州匯垠天粵股權投資基金管理有限公司) (“**Huiyin Tianyue**”) and 35% by Beijing Mingsheng Chengda Investment Consulting Company Limited.* (北京明盛誠達投資諮詢有限公司) (“**Mingsheng Chengda**”). Huiyin Tianyue is indirectly held as to 90% by the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government and 10% by the Department of Finance of Guangdong Province. Mingsheng Chengda is held as to approximately 91.43% by Zhuhai Deqing Qing Meng Enterprise Management Partnership (Limited Partnership)* (珠海德擎清盟企業管理合夥企業 (有限合夥)) (“**Deqing Qingmeng**”), and Hong Weidong, Xu Changzhong (the executive partner), Yang Sheng, Dong Fang, Zhang Qian, Sichuan Oriental Logistics Group Co., Ltd.* (四川東方物流集團有限公司) and Henan New Future Investment Co., Ltd.* (河南新未來投資有限公司) subscribed for 20.3390%、18.6441%、16.9492%、13.5593%、13.5593%、8.4746% and 8.4746% of the total capital contributions of Deqing Qingmeng respectively. The other four limited partners of Huiyin Deqing are Xu Changzhong, Zhou Guanrong, Zhou Shihong and Harbin Jiuzhou Group Co., Ltd.* (哈爾濱九州集團股份有限公司) (a company whose shares are listed on the Shenzhen Stock Exchange, stock code 300040), who subscribed for 13.16%, 6.58%, 19.74% and 59.21% of the total capital contribution of Huiyin Deqing, respectively.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the External Independent Investors and their ultimate beneficial owners are independent third parties of the Company and its connected persons as at the date of this announcement.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

As at the date of this announcement, AVIC CAPDI holds approximately 48.0% equity interest in AVIC Renewable Energy which is a subsidiary of the Company. Upon Completion, AVIC CAPDI will only hold approximately 31.58% equity interest in AVIC Renewable Energy and AVIC Renewable Energy will cease to be accounted as a subsidiary of the Group.

It is expected that the Group will recognize a loss of approximately RMB4.14 million in the consolidated income statement as a result of the Deemed Disposal, which is estimated based on the difference between (i) the fair value of the approximately 31.58% equity interest in AVIC Renewable Energy held by AVIC CAPDI upon Completion of approximately RMB365,642,200; and (ii) the book value of net assets of AVIC Renewable Energy calculated continuously from the purchase date according to the proportion of AVIC CAPDI's original equity of AVIC Renewable Energy, being RMB 369,782,400. After auditing, the actual amount of gain or loss to be recognized by the Group from the Deemed Disposal may be different from the amount mentioned above.

REASONS AND BENEFITS OF THE SUBSCRIPTION

Upon Completion, AVIC Renewable Energy will cease to be accounted as a subsidiary of the Group. The Subscription will facilitate the Group to further focus on the development of its core aviation business.

Having considered the above, the Directors (including the independent non-executive Directors) is of the view that although the Subscription (including Xuneng Development's Subscription) is not conducted in the ordinary and usual course of business of the Group, the Subscription (including Xuneng Development's Subscription) and the Subscription Price thereof are on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xuneng Development is a company owned as to 50% by AVIC Trust and 50% by Anhui Zhongcheng, respectively. AVIC Trust is owned as to approximately 73.56% by AVIC Industry-Finance, which is a non-wholly owned subsidiary of AVIC, a controlling shareholder of the Company. Besides, AVIC Renewable Energy is a subsidiary of the Company and is owned more than 10% by Xuneng Development. Therefore, Xuneng Development is a connected person of the Company and AVIC Renewable Energy is a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Xuneng Development's Subscription, which also constitutes a deemed disposal, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) for Xuneng Development's Subscription is more than 0.1% but less than 5%, Xuneng Development's Subscription is subject to the reporting and announcement requirements, but is exempt from the circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Furthermore, upon Completion, the shareholding of AVIC CAPDI in AVIC Renewable Energy will reduce from approximately 48.0% to approximately 31.58%. Therefore, the Subscription constitutes a Deemed Disposal of AVIC Renewable Energy. As none of the applicable percentage ratios for the Deemed Disposal exceed 5%, the Deemed Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Subscription (including Xuneng Development's Subscription) has been 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 then non-executive Director, who is a vice general manager of AVIC Industry-Finance had abstained from voting on the relevant Board resolution approving the transaction(s) contemplated under the Subscription Agreement 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

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“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 62.30% equity interest in the Company directly and indirectly as at the date of this 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 Industry-Finance”	AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司), a limited liability company established in the PRC with its shares listed on the Shanghai Stock Exchange and a non-wholly owned subsidiary of AVIC
“AVIC Trust”	AVIC Trust Co., Ltd.* (中航信託股份有限公司), a joint stock limited liability company incorporated in the PRC and a non-wholly owned subsidiary of AVIC
“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 subsidiary of the Company as at the date of this announcement
“Board”	the board of directors of the Company
“CBEX”	China Beijing Equity Exchange (北京產權交易所)
“Chengdu Green”	Chengdu Green Low Carbon Industry Investment Group Co., Ltd.* (成都綠色低碳產業投資集團有限公司), a limited liability company established in the PRC
“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”	completion of the Subscription
“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
“Deemed Disposal”	the deemed disposal of the shareholding interest in AVIC Renewable Energy as a result of the dilution of shareholding interest of AVIC

	CAPDI in AVIC Renewable Energy due to the Subscription
“Director(s)”	the director(s) of the Company
“External Independent Investor(s)”	Chengdu Green, TBEA Technology and Zhuhai Deqing
“Group”	The Company together with its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Hong Kong Stock Exchange (as amended from time to time)
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Subscription”	the subscription of equity interests in AVIC Renewable Energy by the External Independent Investors and Xuneng Development
“Subscription Agreement”	the capital contribution agreement dated 11 December 2022 entered into by AVIC CAPDI, AVIC Renewable Energy, Xuneng Development, Jilin Zhongkai, Anhui Zhongcheng and the External Independent Investors
“Subscription Price”	the consideration per registered capital of AVIC Renewable Energy for the Subscription
“TBEA Technology”	TBEA Technology Investment Co., Ltd. (特變電工科技投資有限公司), a limited liability company established in the PRC
“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
“Zhuhai Deqing”	Zhuhai Deqing Green Energy Industry Equity Investment Partnership (Limited Partnership)*(珠海德擎綠色能源產業股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

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

Beijing, 11 December 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. Liu Bingjun, 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 purposes only*