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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)**

**POSSIBLE CONNECTED TRANSACTION  
DISPOSAL OF 21.30% EQUITY INTEREST  
IN AVIC RENEWABLE ENERGY**

**THE DISPOSAL**

The Board is pleased to announce that AVIC (a controlling shareholder of the Company) and AVIC CAPDI (a wholly owned subsidiary of the Company), as vendors, are planning to enter into the Equity Transfer Agreement at the same time with (i) Xuneng Development; (ii) Jilin Zhongkai; and (iii) Anhui Zhongcheng, pursuant to which AVIC agreed to transfer its 30.70% equity interest in AVIC Renewable Energy, and AVIC CAPDI agreed to transfer its 21.30% equity interest in AVIC Renewable Energy at a total consideration not less than RMB383.89 million. As at the date of this announcement, the above matters have been approved by the Board, and the Parties have yet to finalise and sign the Equity Transfer Agreement.

As at the date of this announcement, AVIC Renewable Energy is owned as to 69.30% by AVIC CAPDI and 30.70% by AVIC, respectively. Upon completion of the Equity Transfer Agreement, AVIC CAPDI will hold approximately 48.0% equity interest in AVIC Renewable Energy and AVIC Renewable Energy shall remain as a subsidiary of the Group.

**IMPLICATIONS UNDER THE LISTING RULES**

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. Therefore, Xuneng Development is a connected person to the Company pursuant to Chapter 14A of the Listing Rules and the 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 the Disposal is more than 0.1% but less than 5%, it is expected that the Disposal 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.

## **THE DISPOSAL**

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The principal terms of the Equity Transfer Agreement as agreed by the Parties as at the date of this announcement are set out as follows:

### **Parties**

#### **Vendors:**

1. AVIC; and
2. AVIC CAPDI

#### **Purchasers:**

1. Xuneng Development;
2. Jilin Zhongkai; and
3. Anhui Zhongcheng

### **Subject Matter**

AVIC agreed to transfer its 30.70% equity interest in AVIC Renewable Energy, and AVIC CAPDI agreed to transfer its 21.30% equity interest in AVIC Renewable Energy to the Purchasers at a total consideration not less than RMB383.89 million.

### **Consideration**

The total consideration pursuant to the Equity Transfer Agreement should be not less than RMB383.89 million, which is determined based on the appraised value of the net asset value of AVIC Renewable Energy as at 31 December 2020 as set out in the valuation report issued by an independent and qualified PRC valuer using the asset-based approach. As at 31 December 2020, the appraised value and the book value of AVIC Renewable Energy is RMB738.25

million and RMB632.42 million, respectively. Based on the said appraised value, the consideration for the disposal of 21.30% equity interest in AVIC Renewable Energy by AVIC CAPDI (the “**Consideration**”) shall be approximately RMB157.24 million.

## **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 CAPDI is a limited liability company established in the PRC and a wholly owned subsidiary of the Company. 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. It is a non-wholly owned subsidiary of the Company and is owned as to 69.30% by AVIC CAPDI and 30.70% by AVIC. AVIC Renewable Energy is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses.

On 31 December 2021, the total assets and the net assets of AVIC Renewable Energy amounted to RMB3,814.25 million and RMB996.85 million, respectively. The financial information of the AVIC Renewable Energy (audited by the Company) prepared under PRC GAAP for the years ended 31 December 2020 and 31 December 2021 is set out below, respectively:

	<b>For the year ended 31 December 2020</b> <i>(RMB' million)</i>	<b>For the year ended 31 December 2021</b> <i>(RMB' million)</i>
Revenue	355.52	484.43
Net profit before taxation and extraordinary items	30.50	69.56
Net profit after taxation and extraordinary items	14.69	55.69

## **INFORMATION OF THE PURCHASERS**

### ***Beijing Xuneng***

Beijing Xuneng 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. 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, a controlling shareholder of the Company. 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.

### ***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, with Mr. Wei Shaokun, the executive director of China Cities New Urbanisation Fund, as the general manager. China Cities New Urbanisation Fund 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).

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.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

Upon completion of the Equity Transfer Agreement, AVIC CAPDI will hold approximately 48.0% equity interest in AVIC Renewable Energy and AVIC Renewable Energy shall remain as a subsidiary of the Group.

It is expected that the Group will realise gain on the Disposal of approximately RMB14.73 million, which is calculated based on (i) the Consideration; and (ii) the book value of the 21.30% equity interest in AVIC Renewable Energy held by AVIC CAPDI. Shareholders should note that the financial effects are shown for reference only and the actual amount of gain or loss as a result of the Disposal will be assessed based on the financial position of AVIC Renewable Energy as at completion of the Equity Transfer Agreement, which will be audited, and eventually be recognised in the consolidated financial statements of the Company upon completion of the Equity Transfer Agreement.

Based on the Consideration, the Group estimates the net proceeds of the Disposal will be approximately RMB151.17 million (after deducting the relevant tax expenses). 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 AND BENEFITS OF THE DISPOSAL**

The Disposal is an important part of the mixed-ownership reform. The introduction of the Purchasers as the strategic investors of AVIC Renewable Energy would enhance the implementation of marketisation and resolve the business development constraint of AVIC Renewable Energy. Furthermore, the net proceeds from the Disposal would improve the liquidity of the Group and provide additional capital for the business development of the Group.

Having considered the above, the Directors (including the independent non-executive Directors) is of the view that the Disposal and the consideration thereof are on normal commercial terms or better, and are fair and reasonable, and the Equity Transfer Agreement is on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

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. Therefore, Xuneng Development is a connected person to the Company pursuant to Chapter 14A of the Listing Rules and the 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 the Disposal is more than 0.1% but less than 5%, it is expected that the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BOARD'S APPROVAL**

The Disposal and the Equity Transfer Agreement 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, had abstained from voting on the relevant Board resolution approving the Disposal and the Equity Transfer 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.

## WARNING

Shareholders and potential investors of the Company should be aware that the Parties have yet to finalise and sign the Equity Transfer Agreement. Therefore, the Disposal may or may not proceed. Further announcement(s) in relation to the Disposal and the Equity Transfer Agreement will be made by the Company as and when appropriate.

**Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## 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 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 (stock code: 600705) 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 Energy”	Renewable	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
“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 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 the 21.30% equity interest in AVIC Renewable Energy held by AVIC CAPDI pursuant to the Equity Transfer Agreement
“Equity Agreement”	Transfer	an equity transfer agreement to be entered into amongst AVIC, AVIC CAPDI and the Purchasers in respect of the Disposal
“Group”		The Company together with its subsidiaries
“Independent Third Party”		part(ies) not connected with the Company or its subsidiaries within the meaning of the Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“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 (as amended from time to time)
“Parties”		AVIC, AVIC CAPDI and the Purchasers
“PRC”		the People's Republic of China
“PRC GAAP”		the generally accepted accounting principles in the PRC
“Purchaser(s)”		Beijing Xuneng, Anhui Zhongcheng and Jilin Zhongkai

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

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

Beijing, 21 March 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 purposes only*