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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 53.635% OF THE EQUITY INTEREST IN CAPMC BY THE COMPANY TO AVIC**

On 21 August 2018, the Company entered into the Equity Transfer Agreement with AVIC, pursuant to which, the Company agreed to sell and AVIC agreed to acquire, 53.635% of the equity interest in CAPMC. Immediately upon completion of the Transaction, the Company will no longer hold any equity interest in CAPMC, and CAPMC will cease to be a subsidiary of the Company, and the financial results of CAPMC will cease to be consolidated into the consolidated financial statements of the Company.

As at the date of this announcement, AVIC is the controlling shareholder of the Company, and therefore is a connected person of the Company. The entering into of the Equity Transfer Agreement between the Company and AVIC constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

#### **A. INTRODUCTION**

On 21 August 2018, the Company entered into the Equity Transfer Agreement with AVIC, pursuant to which, the Company agreed to sell and AVIC agreed to acquire,

53.635% of the equity interest in CAPMC. Immediately upon completion of the Transaction, the Company will no longer hold any equity interest in CAPMC, and CAPMC will cease to be a subsidiary of the Company, and the financial results of CAPMC will cease to be consolidated into the consolidated financial statements of the Company.

## **B. THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are summarized as follows:

### **1. Date**

21 August 2018

### **2. Parties**

(1) Vendor: the Company; and

(2) Purchaser: AVIC

### **3. Target**

53.635% of the equity interest in CAPMC held by the Company

### **4. Consideration**

The consideration of the Transaction for the Target (i.e. 53.635% of the equity interest in CAPMC held by the Company) is RMB44.5704 million, which was determined after arm's length negotiations between the parties with reference to the following primary factors:

(1) appraised value of the 100% equity interest of CAPMC as at 31 December 2017, being RMB83.0994 million;

(2) net assets value of CAPMC as at 31 December 2017, being RMB95.7519 million; and

(3) the relevant policies and development prospects in the media industry.

### **5. Terms of Payment**

The parties agreed that AVIC shall pay 100% of the consideration in respect of the Transaction by cash, i.e. RMB44.5704 million, to the Company within 15 days commencing from the date of delivery (i.e. the date when all the precedent conditions are satisfied).

## **C. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Pursuant to the strategic target of the Company for building a flagship company of the high-tech aviation military-civilian dual use products and services, selling the equities in CAPMC, whose main businesses are book publication and periodical publication businesses, is beneficial to the Company to focus on the development of

high-tech aviation business and is in line with the strategic development direction of the Company. Meanwhile, as the business development of CAPMC is not progressed as expectation, and its profitability is relatively low, selling the equities in CAPMC is beneficial for the Company to improve its profit level.

The Equity Transfer Agreement is entered into by the parties on normal commercial terms after arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

#### **D. HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, AVIC is the controlling shareholder of the Company, and therefore is a connected person of the Company. The entering into of the Equity Transfer Agreement between the Company and AVIC constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the entering into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

Each of Mr. Tan Ruisong, Mr. Chen Yuanxian, Mr. Li Yao and Mr. Wang Xuejun, the Directors, who are general manager, vice general manager, chief accountant and a department director of AVIC, respectively, had abstained from voting on the relevant Board resolution approving the Equity Transfer Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save for disclosed above, none of the other Directors has or is deemed to have a material interest in the Transaction.

#### **E. 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 aviation products, and relevant engineering services.

##### *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. AVIC is the controlling shareholder of the Company, holding 58.66% equity interest in the Company directly and indirectly as at the date of this announcement.

##### *Information on CAPMC*

CAPMC is mainly engaged in the businesses of book publication, periodical publication, audio and video publication, advertising, public relation consultation and services, professional exhibitions and information development, etc., with

registered capital of RMB48,779,000. As at the date of this announcement, CAPMC is held as to 53.635% and 25.835% by the Company and AVIC, respectively.

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation) of CAPMC for the financial years ended 31 December 2016 and 31 December 2017 are set out below:

	<b>For the year ended 31 December 2016</b> <i>(RMB million)</i>	<b>For the year ended 31 December 2017</b> <i>(RMB million)</i>
<i>Net profit before taxation</i>	12.223	0.854
<i>Net profit after taxation</i>	13.71	0.4192

## F. DEFINITIONS

“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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement
“Board”	the board of directors of the Company
“CAPMC”	China Aviation Publishing & Media Co., Ltd.* (中航出版傳媒有限責任公司), a limited liability company established in the PRC, with 53.635% of its equity interest held by the Company and 25.835% of its equity interest held by 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
“connected person(s)”	has the same meaning as defined in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement entered into by the Company with AVIC on 21 August 2018, pursuant to which, the Company agreed to sell, and AVIC agreed to acquire, 53.635% of the equity interest in CAPMC
“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

“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Transaction”	the transfer of 53.635% of the equity interest in CAPMC from the Company to AVIC

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

Beijing, 21 August 2018

*As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong and Mr. Chen Yuanxian, non-executive Directors Mr. Li Yao, Mr. Wang Xuejun, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.*

*\* For identification purposes only*