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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**

### **ENTERING INTO THE JOINT VENTURE AGREEMENT**

On 28 April 2020, Tianjin Aviation entered into the Joint Venture Agreement with Tianjin Shunying Investment and Tianjin Jindian Feiyue in relation to the proposed formation of AVIC Surface. Pursuant to the Joint Venture Agreement, Tianjin Aviation agreed to make a capital contribution of RMB27.2 million in cash, representing 34% of the total capital contribution of AVIC Surface.

As at the date of this announcement, Tianjin Aviation is a wholly-owned subsidiary of the Company and AVIC is the controlling shareholder of the Company. Therefore, Tianjin Shunying Investment is a connected person of the Company by virtue of AVIC's partnership interest and management power in Tianjin Shunying Investment pursuant to the Hong Kong Listing Rules. The formation of AVIC Surface constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Given that Tianjin Aviation, at the request of Tianjin Shunying Investment, may purchase the initial 17% equity interest held by Tianjin Shunying Investment in AVIC Surface under the Joint Venture Agreement, it constitutes a grant of option to a connected person under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratios in respect of each of the aforementioned transactions under the Joint Venture Agreement is more than 0.1% but less than 5%, each of them is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

## **A. INTRODUCTION**

On 28 April 2020, Tianjin Aviation entered into the Joint Venture Agreement with Tianjin Shunying Investment and Tianjin Jindian Feiyue in relation to the proposed formation of AVIC Surface. Pursuant to the Joint Venture Agreement, Tianjin Aviation agreed to make a capital contribution of RMB27.2 million in cash, representing 34% of the total capital contribution of AVIC Surface.

## **B. THE JOINT VENTURE AGREEMENT**

The principal terms of the Joint Venture Agreement are summarized as follows:

### **1. Date**

28 April 2020

### **2. Parties**

- (1) Tianjin Aviation;
- (2) Tianjin Shunying Investment; and
- (3) Tianjin Jindian Feiyue.

### **3. Capital contribution**

The registered capital of AVIC Surface shall be RMB80 million, and the agreed capital contributions are as follows:

- (1) Tianjin Aviation shall contribute RMB27.2 million in cash, representing 34% of the registered capital;
- (2) Tianjin Shunying Investment shall contribute RMB13.6 million in cash, representing 17% of the registered capital; and
- (3) Tianjin Jindian Feiyue shall contribute RMB39.2 million in cash, representing 49% of the registered capital.

The contributions shall be paid by each party to the designated bank account of AVIC Surface within 15 days upon the approval of board resolution in relation to the capital contribution by the board of directors of AVIC Surface and can be paid in several instalments according to the progress of the projects to be constructed by AVIC Surface. Upon establishment, the financial statements of AVIC Surface will not be consolidated into those of Tianjin Aviation.

### **4. Board composition**

The board of directors of AVIC Surface will consist of five members, of which, each of Tianjin Aviation and Tianjin Jindian Feiyue shall nominate two directors, and the remaining one director shall be nominated by Tianjin Shunying Investment. The chairman of the board of directors shall be the director nominated by Tianjin Aviation.

## **5. Business scope and term of operation**

The business scope of AVIC Surface is expected to include metal surface treatment and heat treatment processing; mechanical processing supporting and sales; new material technology research and development and transfer; and software development, which is subject to final approval by the industrial and commercial administrative authorities. The term of operation of AVIC Surface is expected to be 20 years from the establishment of AVIC Surface.

## **6. Exit right of Tianjin Shunying Investment and right of first refusal of Tianjin Aviation**

Tianjin Shunying Investment has the right to request Tianjin Aviation and/or Tianjin Jindian Feiyue to acquire its initial investment in AVIC Surface (i.e. 17% equity interest) under certain circumstances prescribed in the Joint Venture Agreement. Meanwhile, Tianjin Aviation has a right of first refusal over such initial 17% equity interest held by Tianjin Shunying Investment in AVIC Surface.

## **C. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE JOINT VENTURE AGREEMENT**

Upon establishment of AVIC Surface, AVIC Surface will be owned as to 34%, 17% and 49% by Tianjin Aviation, Tianjin Shunying Investment and Tianjin Jindian Feiyue, respectively.

The entering into of the Joint Venture Agreement will be conducive to the centralized construction and efficiency improvement of aviation surface treatment capacity in Northern China, realizing the continuous development of technology, and ensuring the stability of supporting production and controllable quality of aviation products.

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

As at the date of this announcement, Tianjin Aviation is a wholly-owned subsidiary of the Company and AVIC is the controlling shareholder of the Company. Therefore, Tianjin Shunying Investment is a connected person of the Company by virtue of AVIC's partnership interest and management power in Tianjin Shunying Investment pursuant to the Hong Kong Listing Rules. The formation of AVIC Surface constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Given that Tianjin Aviation, at the request of Tianjin Shunying Investment, may purchase the initial 17% equity interest held by Tianjin Shunying Investment in AVIC Surface under the Joint Venture Agreement, it constitutes a grant of option to a connected person under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratios in respect of each of the aforementioned transactions under the Joint Venture Agreement is more than 0.1% but less than 5%, each of them is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement.

Apart from Mr. Chen Yuanxian and Mr. Yan Lingxi, the Directors, who are the vice general manager and a department chief of AVIC, respectively and shall abstain from voting, none of the other Directors has or is deemed to have a material interest in the transactions contemplated under Joint Venture Agreement.

The Joint Venture 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 Joint Venture Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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

### *Information on Tianjin Aviation*

Tianjin Aviation is a limited liability company incorporated in the PRC. As at the date of this announcement, Tianjin Aviation is a wholly-owned subsidiary of the Company. It is mainly engaged in the research and development, manufacture and sale of aviation secondary power distribution system and fireproofing system.

### *Information on 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, directly and indirectly, 56.04% equity interest in the Company as at the date of this announcement.

### *Information on Tianjin Shunying Investment*

Tianjin Shunying Investment is a partnership enterprise incorporated in the PRC and is mainly engaged in external equity investment、 relevant consulting services and investment management (businesses that are subject to approval according to relevant laws can only be carried out after being approved by relevant departments). As at the date of this announcement, the partnership interest of Tianjin Shunying Investment is held by AVIC Trust Co., Ltd.\* (中航信託股份有限公司) and AVIC Aviation Industrial Investment Co., Ltd.\* (中航航空產業投資有限公司), both being a subsidiary of AVIC, as to 87.3454% and 12.6637% respectively, as well as held by Hangrong Aviation Industry Equity Investment Management (Tianjin) Co., Ltd.\* (航融航空產業股權投資管理(天津)有限公司) as to 0.0009%, a 30%-controlled company of AVIC. AVIC exercises management power over Tianjin Shunying Investment through Hangrong Aviation Industry Equity Investment Management (Tianjin) Co., Ltd.\* (航融航空產業股權投資管理(天津)有限公司), which is the managing partner of Tianjin Shunying Investment.

## *Information on Tianjin Jindian Feiyue*

Tianjin Jindian Feiyue is a partnership enterprise incorporated in the PRC and is mainly engaged in external equity investment. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Tianjin Jindian Feiyue and its ultimate beneficial owner, being Cui Xiaozhi, a Chinese citizen, are independent third parties of the Company and its connected persons.

## **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 56.04% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Surface”	AVIC Surface Treatment Technology (Tianjin) Co., Ltd.* (中航表面處理技術(天津)有限公司) (subject to the final approval by the industrial and commercial administrative authorities), the limited liability company to be established in the PRC pursuant to the Joint Venture Agreement
“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 Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Joint Venture Agreement”	the joint venture agreement entered into by Tianjin Aviation with Tianjin Shunying Investment and Tianjin Jindian Feiyue on 28 April 2020 in relation to the formation of AVIC Surface
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Tianjin Aviation”	Tianjin Aviation Mechanical and Electrical Co., Ltd.* (天津航空機電有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of the

announcement

“Tianjin Jindian Feiyue”	Tianjin Jindian Feiyue Enterprise Management Consulting Partnership (Limited Partnership)* (天津津電飛悅企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC
“Tianjin Shunying Investment”	Tianjin Shunying Investment Centre (Limited Partnership)* (天津順盈投資中心(有限合夥)), a limited partnership incorporated in the PRC and a connected person of the Company as at the date of the announcement

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

Beijing, 28 April 2020

*As at the date of this announcement, the Board comprises executive Directors Mr. Chen Yuanxian and Mr. Wang Xuejun, non-executive Directors Mr. Yan Lingxi, Mr. Lian Dawei, and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.*

*\* For identification purposes only*