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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 ACQUISITION OF TARGET ASSETS

ACQUISITION OF TARGET ASSETS

To enhance the production capacity of high-end manufacturing and civil aviation new industries, the Board hereby announces that Changfeng Avionics and Radar Company entered into the Asset Transfer Agreement on 22 November 2024, pursuant to which Changfeng Avionics will purchase and Radar Company will sell the Target Assets at a consideration of RMB63,729,500.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Changfeng Avionics is a wholly-owned subsidiary of AVIC Airborne, which is a non-wholly owned subsidiary of the Company. AVIC is the controlling Shareholder of the Company, and Radar Company is an indirect wholly-owned subsidiary of AVIC. Therefore, Radar Company is a connected person of the Company, and the Acquisition 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) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The principal terms of the Asset Transfer Agreement are summarised as follows:

1. Date

22 November 2024

2. Parties

- (1) Transferor: Radar Company
- (2) Transferee: Changfeng Avionics

3. Target Assets

The Target Assets include buildings, structures and equipment assets.

4. Consideration

The Consideration is RMB63,729,500, which is determined after arm's length negotiations between the parties with reference to the appraised value of the Target Assets of RMB63,729,500 as at the Valuation Benchmark Date based on cost approach as set out in the valuation report prepared by Zhonghe Appraisal Co., Ltd.* (中和資產評估有限公司) (the "Valuer"), a professional independent valuer in the PRC.

The Valuer is of the view that Radar Company continues its normal operation after the Valuation Benchmark Date, and there have been no events subsequent to the Valuation Benchmark Date and up to the date of this announcement which would materially affect the value of the Target Assets. Therefore, the Board is of the view that the valuation remains a fair and reasonable representation of the value of the Target Assets as at the date of this announcement, and the Acquisition based on the valuation is fair and reasonable and in compliance with the relevant requirements.

5. Payment Term

Within 30 working days after the effective date of the Asset Transfer Agreement, the transfer of the Target Assets shall be completed and Changfeng Avionics shall pay Radar Company the Consideration in full. Changfeng Avionics intends to use its own fund to settle the Consideration.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Assets will be utilized for the enhancement of production capacity of high-end manufacturing and civil aviation new industries of Changfeng Avionics, and the Acquisition will be conducive to the sustainable and steady development of Changfeng Avionics.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition was entered into on normal commercial terms or better after arm's length

negotiations between the parties, is fair and reasonable and 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 approximately 60.25% equity interests 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 AVIC Airborne

AVIC Airborne is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, AVIC Airborne is a non-wholly owned subsidiary of the Company directly held as to 16.50%. It is mainly engaged in the manufacture and sales of products of avionics systems and aviation electromechanical systems.

Information of Changfeng Avionics

Changfeng Avionics is a limited liability company established in the PRC. As at the date of this announcement, Changfeng Avionics is wholly-owned by AVIC Airborne, which is a non-wholly owned subsidiary of the Company. Changfeng Avionics is mainly engaged in research and equipment application development of avionics integrated display and control technology, aircraft intake control system core processing technology and engine measurement control and display technology.

Information of Radar Company

Radar Company is a limited liability company established in the PRC. As at the date of this announcement, Radar Company is wholly-owned by AVIC Airborne Systems, which is in turn wholly-owned by AVIC. Radar Company is mainly engaged in R&D, manufacture and sales of radar and ancillary equipment, aerospace components, internet of things equipment, electronic components for cable television reception equipment, microwave communication equipment, mechanical parts and components, technical consulting and technical services.

Information of the Target Assets

The Target Assets are buildings, structures and equipment assets, including (1) buildings with a total floor area of 16,641.64 square meters and used for industrial purpose, (2) structures, including outdoor roadways, outdoor air conditioning hot and cold water system, utility manhole cover and rainwater drainage grate, and (3) equipment, mainly including medium-temperature cooling tower, intelligent high-voltage switchgear and horizontal concealed fan coil unit. The book value of the Target Assets as at the Valuation Benchmark Date was approximately RMB39,047,300. The aggregate original cost of the Target Assets is approximately RMB79,852,700. The Target Assets do not have an identifiable income.

Please refer to the Appendix to this announcement for further details in relation to the valuation of the Target Assets.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Changfeng Avionics is a wholly-owned subsidiary of AVIC Airborne, which is a non-wholly owned subsidiary of the Company. AVIC is the controlling Shareholder of the Company, and Radar Company is an indirect wholly-owned subsidiary of AVIC. Therefore, Radar Company is a connected person of the Company, and the Acquisition 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) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Acquisition has been approved by the Board. Mr. Xu Dongsheng, Mr. Zhou Xunwen and Ms. Hu Shiwei, who are non-executive Directors and hold positions in AVIC, had abstained from voting on the relevant Board resolution approving the Acquisition 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 transaction.

DEFINITIONS

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

“Acquisition” the acquisition of Target Assets by Changfeng Avionics from Radar Company pursuant to the Asset Transfer Agreement

“Asset Transfer Agreement” The asset transfer agreement entered into between Changfeng Avionics and Radar Company on 22 November 2024 in relation to the Acquisition

“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
“AVIC Airborne”	AVIC Airborne Systems Co., Ltd.* (中航機載系統股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange (stock code: 600372) and is a non-wholly owned subsidiary of the Company directly held as to 16.50% as at the date of this announcement
“AVIC Airborne Systems”	AVIC Airborne Systems Company Limited* (中航機載系統有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC as at the date of this announcement
“Board”	the board of directors of the Company
“Changfeng Avionics”	Suzhou Changfeng Avionics Co., Ltd.* (蘇州長風航空電子有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC Airborne 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 Listing Rules
“controlling Shareholder(s)”	has the same meaning as defined in the Listing Rules
“Consideration”	The total consideration of RMB63,729,500 payable by Changfeng Avionics to Radar Company pursuant to the Asset Transfer Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

“Radar Company”	AVIC Wuxi Radar Technology Co. Ltd.* (中航無錫雷達技術有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of AVIC Airborne Systems as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“subsidiary(ies)”	has the same meaning as defined in the Listing Rules
“Target Assets”	the buildings, structures and equipment assets to be purchased by Changfeng Avionics from Radar Company pursuant to the Asset Transfer Agreement
“Valuation Bechmark Date”	31 August 2023
“%”	per cent

By Order of the Board
AviChina Industry & Technology Company Limited*
Wu Yun
Company Secretary

Beijing, 22 November 2024

As at the date of this announcement, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, non-executive Directors Mr. Xu Dongsheng, Mr. Zhou Xunwen, Ms. Hu Shiwei and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

** For identification purpose only*

APPENDIX – FURTHER DETAILS ON THE VALUATION OF THE TARGET ASSETS

Valuation Assumptions

General Assumptions

1. No significant changes in the relevant laws and regulations and policies in force in the country, or in the macroeconomic situation of the country, and no significant changes in the political, economic and social environment of the region where the parties to the transaction are located;
2. No significant changes in relevant interest rates, exchange rates, tax bases and rates, and policy levies, etc.;
3. Open market assumption, i.e., assuming that for assets traded or to be traded in the market, the parties to the asset transaction are on an equal footing with each other, and that each other has access to sufficient market information and time to make a rational judgment on the function and use of the asset and its transaction price, etc.; and
4. Transaction assumption, i.e. assuming that all assets to be appraised are already in the process of being traded, and the Valuer simulates the market for valuation based on the trading conditions of the assets to be appraised. The transaction assumption is one of the most basic premise assumptions for asset appraisal.

Specific Assumption

The appraisal assumes that the assets will continue to be utilized in situ in accordance with the status quo.

Valuation Approach - Cost approach

Due to the availability of some representative construction project final settlement data from the evaluation, or cost data examples for similar structures and uses published on the Jiangsu Engineering Cost Information Network, the conditions for applying the cost method are met. Therefore, the cost method can be used for the appraisal of buildings and structures and ancillary facilities. As for the equipment, based on the evaluation purpose and the characteristics of the equipment being evaluated, the replacement cost method was used.

Buildings

The appraisal of buildings under appraisal is calculated according to the following formula:

$$\begin{aligned} \text{Appraised value} &= \text{Full replacement value} \times \text{Rate of newness} \\ &= (\text{Cost of construction and installation works} + \text{Preliminary and other expenses} + \\ &\quad \text{Capital costs} - \text{Deductible VAT}) \times \text{Rate of newness} \times (1+5\%) \end{aligned}$$

The evaluators determine the comprehensive construction and installation cost of representative buildings on the Valuation Benchmark Date based on the local market information on labor, materials,

and other price data, as well as relevant cost calculation documents. This serves as the basis for adjusting and estimating the construction and installation costs of other buildings and structures. Preliminary and other expenses are determined according to the fee calculation items and standards prescribed by the national and local authorities of the buildings' location, the fees for professional services, and the characteristics of the assessed construction projects. The capital costs are calculated based on a reasonable construction period which is set as 1 year and a loan interest rate of 3.45%. The newness rate (成新率) = newness rate determined by the scoring method × 60% + newness rate determined by the service life method × 40%. VAT rate is calculated at 5%.

Equipment

The appraisal of machinery and equipment under appraisal is calculated according to the following formula:

$$\text{Appraised value} = \text{Full replacement cost} \times \text{Rate of newness} \times (1+13\%)$$

The full replacement cost generally includes equipment purchase costs, transportation and handling fees, installation and commissioning fees, preliminary and other expenses, and capital costs. The equipment purchase cost is determined based on recent transaction prices for similar equipment, inquiries with suppliers, and other publicly available price information collected by the evaluators. Costs other than equipment purchase costs are determined according to the characteristics of the equipment, the pricing scope, and the transaction conditions obtained during the evaluation. The newness rate = (remaining service life of the equipment ÷ (elapsed service life of the equipment + remaining service life of the equipment)) × 100%. VAT rate is calculated at 13%.