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AVIC International Holding (HK) Limited **中國航空工業國際控股(香港)有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

CONNECTED TRANSACTION

DISPOSAL OF 40% EQUITY INTERESTS IN EAGLET AEROTECH

The Board announces that on 12 November 2018, CATIC Helicopter SZ, a wholly-owned subsidiary of the Company, agreed to sell its entire 40% equity interests in Eaglet Aerotech to CATIC for a total cash consideration of RMB3,839,300 (equivalent to approximately HK\$4,740,000).

Eaglet Aerotech is a company established in the PRC with limited liability and is principally engaged in trading of aviation products including sale of general-purpose aircrafts and trainers, mechanical and electrical equipment and aircraft components. As at the date of this announcement, Eaglet Aerotech is owned as to 40% by CATIC Helicopter SZ and 60% by CATIC.

CATIC is owned as to 50% by AVIC and 50% by AVIC International. AVIC is a controlling Shareholder and CATIC, being an associate of AVIC, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction on the part of the Company under the Listing Rules. The Disposal is subject to reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 12 November 2018, CATIC Helicopter SZ, a wholly-owned subsidiary of the Company, agreed to sell its entire 40% equity interests in Eaglet Aerotech to CATIC for a total cash consideration of RMB3,839,300 (equivalent to approximately HK\$4,740,000). Details of the Disposal are set out below.

EQUITY TRANSFER AGREEMENT

Date : 12 November 2018

Parties : CATIC Helicopter SZ, as vendor;
CATIC, as purchaser; and
Eaglet Aerotech

CATIC Helicopter SZ is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company.

CATIC is a company established in the PRC with limited liability. CATIC is owned by as to 50% by AVIC and 50% by AVIC International. CATIC is principally engaged in import and export of aviation products and technology.

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, CATIC Helicopter SZ agreed to sell and CATIC agreed to acquire the Eaglet Equity Interests, representing 40% of the equity interests in Eaglet Aerotech.

Consideration

The total consideration for the sale and purchase of the Eaglet Equity Interests is RMB3,839,300 (equivalent to approximately HK\$4,740,000), which shall be payable by CATIC to CATIC Helicopter SZ in cash within ten business days after the date of the Equity Transfer Agreement.

The consideration was determined after arm's length negotiations between CATIC Helicopter SZ and CATIC taking into account, the valuation of the net assets of Eaglet Aerotech prepared by China Alliance Appraisal Co., Ltd., an independent valuer, of RMB9,598,300 (equivalent to approximately HK\$11,850,000) under assets-based approach as at 31 July 2018.

Completion

The transfer of the Eaglet Equity Interests will be registered with relevant PRC authorities. It is expected to take place within ten business days after the settlement of the Consideration.

Upon Completion, the Group will no longer hold any equity interests in Eaglet Aerotech and Eaglet Aerotech will cease to be an associated company of CATIC Helicopter SZ.

INFORMATION OF EAGLET AEROTECH

Eaglet Aerotech is a company established in the PRC with limited liability and is principally engaged in trading of aviation products including sale of general-purpose aircrafts and trainers, mechanical and electrical equipment and aircraft components.

As at the date of this announcement, Eaglet Aerotech is owned as to 40% by CATIC Helicopter SZ and 60% by CATIC.

CATIC Helicopter SZ acquired the Eaglet Equity Interests in 2008 for RMB3,056,600 (equivalent to approximately HK\$3,774,000).

Financial information of Eaglet Aerotech

Eaglet Aerotech's financial information for the two financial years ended 31 December 2016 and 31 December 2017 is set out below:

	Financial Year	
	ended 31 December	
	2016	2017
	<i>RMB('000)</i>	<i>RMB('000)</i>
	audited	audited
Revenue	2,251	4,100
Net profit before taxation	565	789
Net profit after taxation	422	591

The audited net assets of Eaglet Aerotech was approximately RMB11,443,000 (equivalent to approximately HK\$14,127,000) as at 31 December 2017. The audited net assets of Eaglet Aerotech was approximately RMB9,500,000 (equivalent to approximately HK\$11,728,000) as at 31 July 2018.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Group is expected to record an unaudited gain before taxation and transaction cost on the Disposal of approximately HK\$49,000. Such unaudited gain before taxation and transaction cost is estimated based on the difference between the cash consideration of RMB3,839,300 (equivalent to approximately HK\$4,740,000) and 40% of the net assets of Eaglet Aerotech as at 31 July 2018 of approximately HK\$4,691,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group include property development and investment business, and general aviation aircraft piston engine business.

The revenue of Eaglet Aerotech has been deteriorating significantly over the recent years. It has recorded a net loss of about RMB1,943,000 (equivalent to approximately HK\$2,399,000) for the seven months ended 31 July 2018. The management of the Group is not optimistic about the future operation of Eaglet Aerotech and decided that it is in the interests of the Company to realise its entire investments in Eaglet Aerotech and strengthen the Group's liquidity.

The Board intends to apply the net proceeds from the Disposal as general working capital of the Group.

The Directors (including independent non-executive Directors) believe that the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

As Mr. Liu Hongde and Mr. Lai Weixuan are directors of AVIC International, Mr. Fu Fangxing and Mr. Zhang Zhibiao are employed by AVIC International, each of them has abstained from voting on the relevant resolutions of the Board in respect of the Disposal.

LISTING RULES IMPLICATIONS

CATIC is owned as to 50% by AVIC and 50% by AVIC International. AVIC is a controlling Shareholder and CATIC, being an associate of AVIC, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction on the part of the Company under the Listing Rules.

The highest applicable Percentage Ratios in respect of the Disposal is higher than 0.1% but less than 5%. The Disposal is subject to reporting and announcement requirements, but exempt from the circular and the independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

DEFINITIONS

The announcement uses the following definitions:

“associate”	has the meaning ascribed to it under the Listing Rules
“AVIC”	Aviation Industry Corporation of China (中國航空工業集團公司), a state-owned enterprise established in the PRC and it holds 62.52% of the equity interests in AVIC International
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a company established in the PRC with limited liability and is owned as to 62.52% by AVIC
“Board”	the board of Directors

“CATIC”	China National Aero-Technology Import & Export Corporation* (中航技進出口有限責任公司), a company established in the PRC with limited liability and is an associate of AVIC
“CATIC Helicopter SZ”	中航技直升機技術服務(深圳)有限公司 (CATIC Helicopter Development (Shenzhen) Limited*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Company”	AVIC International Holding (HK) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 232)
“Completion”	completion of sale and purchase of the Eaglet Equity Interests in accordance with the terms of the Equity Transfer Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in the sum of RMB3,839,300 (equivalent to approximately HK\$4,740,000) payable by CATIC to CATIC Helicopter SZ for the Eaglet Equity Interests under the Equity Transfer Agreement
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Eaglet Equity Interests by CATIC Helicopter SZ to CATIC pursuant to the terms of the Equity Transfer Agreement
“Eaglet Aerotech”	北京伊格萊特航空技術發展有限公司 (Eaglet Aero-Technology Inc.*), a company established in the PRC with limited liability and is owned as to 60% by CATIC and 40% by CATIC Helicopter SZ
“Eaglet Equity Interests”	40% of the equity interests of Eaglet Aerotech
“Equity Transfer Agreement”	the equity transfer agreement dated 12 November 2018 entered into between CATIC Helicopter SZ as vendor, CATIC as purchaser and Eaglet Aerotech in relation to the sale and purchase of the Eaglet Equity Interests
“Group”	the Company and its subsidiaries from time to time

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio(s)”	percentage ratio(s) computed in respect of the Disposal as set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share”	an ordinary issued share of the Company
“Shareholder”	a holder of any Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of HK\$1 = RMB0.81, for the purpose of illustration only. No representation is made to the effect that any amounts in RMB or HK\$ have been, could have been or will be converted at the above rate or at any other rates or at all.

By order of the Board
AVIC International Holding (HK) Limited
Liu Hongde
Chairman

Hong Kong, 12 November 2018

As at the date of this announcement, the Board comprises Mr. Liu Hongde, Mr. Lai Weixuan, Mr. Fu Fangxing, Mr. Yu Xiaodong and Mr. Zhang Zhibiao as executive Directors; Mr. Chow Wai Kam as non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping as independent non-executive Directors.