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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)

**CONTINUING CONNECTED TRANSACTIONS
GRANT OF ENTRUSTED LOANS AND GUARANTEES TO
AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN**

On 18 March 2020, AVIC Planning, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with AVIC Construction and Development Technology, pursuant to which, AVIC Planning agreed to grant the Entrusted Loans (each for a term of not more than one year) to AVIC Geotechnical and AVIC Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, through AVIC Finance for the three years ending 31 December 2022. The daily balance of the outstanding entrusted loans under the Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2022. Pursuant to the Framework Agreement, AVIC Planning also agreed to provide Guarantees to AVIC Geotechnical and AVIC Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, for the economic businesses with banks and financial institutions for the three years ending 31 December 2022. The daily balance of the outstanding guarantees under the Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2022.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the Entrusted Loans and Guarantees under the Framework Agreement by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design constitutes continuing connected transactions of the Company.

As the highest of the applicable size test percentage ratios in relation to the entering into of the Framework Agreement is higher than 0.1% but less than 5%, the continuing connected transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

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A. THE FRAMEWORK AGREEMENT

A summary of the principal terms of the Framework Agreement is set out as follows:

1. Date

18 March 2020

2. Period

For the three years ending 31 December 2022

3. Parties

- (i) AVIC Planning (for itself and on behalf of its wholly-owned subsidiaries); and
- (ii) AVIC Construction and Development Technology (for its subsidiaries, namely AVIC Geotechnical and AVIC Changsha Design).

4. The Entrusted Loans

(i) Loan Amount

The daily balance of the outstanding entrusted loans under the Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2022.

(ii) Loan Term

Each of the loan term shall not exceed one year.

(iii) Interest Rate

The interest rate is determined based on the benchmark interest rate promulgated by the People's Bank of China for the loans nominated in RMB with the same term at the time

of grant of the Entrusted Loans. The accrued interest shall be settled by AVIC Geotechnical and AVIC Changsha Design quarterly during the term of the Entrusted Loans.

(iv) Handling Charges

The handling charges shall be paid by AVIC Geotechnical and AVIC Changsha Design to AVIC Finance upon grant of the Entrusted Loans.

(v) Repayment of the Entrusted Loans

One-off repayment of the principal amount shall be made to AVIC Planning by AVIC Geotechnical and AVIC Changsha Design upon maturity of the specific Entrusted Loan.

(vi) Specific Agreements

The term, amount and annual interest rate of each Entrusted Loan are subject to the entrusted loan entrustment agreement and the entrusted loan contract individually entered into by AVIC Planning, AVIC Finance, AVIC Geotechnical or AVIC Changsha Design (as the case may be).

5. The Guarantees

(i) Provision of the Guarantee

AVIC Planning agreed to provide the assured guarantee to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions.

(ii) Guarantee Amount

The daily balance of the outstanding amount of the Guarantees under the Framework Agreements shall not be more than RMB200 million during the three years ending 31 December 2022.

(iii) Counter Guarantee

AVIC Geotechnical and AVIC Changsha Design shall provide counter guarantee to AVIC Planning in respect of the Guarantees under the Framework Agreement. AVIC Planning will charge a fund occupation fee at an interest rate of 20% plus the interest rate as promulgated by the People's Bank of China for the loans with the same term if it fulfils its guarantee obligations.

(iv) Specific Agreements

The term and amount of each Guarantee are subject to the guarantee contract individually entered into by AVIC Planning, AVIC Geotechnical or AVIC Changsha Design (as the case may be) and relevant banks or financial institutions.

B. BASIS FOR DETERMINING THE CAP

Considering the potential financing and guarantee demands of AVIC Geotechnical and AVIC Changsha Design, AVIC Planning decided to provide the Entrusted Loans and Guarantees for AVIC Geotechnical and AVIC Changsha Design with the daily balance of each of the outstanding entrusted loans and guarantees not exceeding RMB200 million, respectively. As at the date of this announcement, the benchmark interest rate promulgated by the People's Bank of China for the loans nominated in RMB with a period not more than 1 year is 4.35%.

The proposed cap for the Entrusted Loans is determined based on average cash and bank balance available for AVIC Planning, and the investment and financing conditions of businesses of AVIC Geotechnical and AVIC Changsha Design. The proposed cap for the Guarantees is determined based on the anticipated guarantees for the operational needs of AVIC Geotechnical and AVIC Changsha Design.

C. REASONS FOR AND BENEFITS OF GRANTING THE ENTRUSTED LOANS AND GUARANTEES

As AVIC Construction and Development Technology are under the trusteeships of AVIC Planning, to stabilize the relationship on financing, guarantee and management with the entrusted companies, satisfy their daily operation needs, and meanwhile improve the capital using value, AVIC Planning entered into the Framework Agreement with AVIC Construction and Development Technology.

The terms of the Framework Agreement are agreed by the parties after arm's length negotiations and made upon normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are conducted in the ordinary and usual business course and are in the interests of the Company and its Shareholders as a whole.

Each of Mr. Chen Yuanxian and Mr. Yan Lingxi, the Directors, who are the vice general manager and a department chief of AVIC, respectively, had abstained from voting on the relevant Board resolution approving the Framework 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 Framework Agreement.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the Entrusted Loans and Guarantees under the Framework Agreement by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design constitutes continuing connected transactions of the Company.

As the highest of the applicable size test percentages in relation to the entering into of the Framework Agreement is higher than 0.1% but less than 5%, the continuing connected transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

E. GENERAL

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 civil aviation products, and relevant engineering services.

Information on AVIC Planning

AVIC Planning is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement, which is mainly engaged in aviation engineering services.

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 AVIC Construction and Development Technology

AVIC Construction and Development Technology is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of AVIC as at the date of the announcement. It is mainly engaged in technology promotion, technical services, technical advice, technology development and other business.

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 Changsha Design”	China Aviation Changsha Design and Research Co., Ltd.* (中航長沙設計研究院有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement

“AVIC Construction Development Technology”	and AVIC Construction and Development (Beijing) Technology Co., Ltd.* (中航建發(北京)科技有限公 司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of AVIC as at the date of this announcement
“AVIC Finance”	AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement
“AVIC Geotechnical”	AVIC Institute of Geotechnical Engineering Co., Ltd.* (中航勘察設計研究院有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement
“AVIC Planning”	China Aviation Planning and Design Institute (Group) Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“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
“Entrusted Loan(s)”	the entrusted loan(s) to be granted by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design, respectively, under the Framework Agreement
“Framework Agreement”	the framework agreement entered into by AVIC Planning and AVIC Construction and Development Technology on 18 March 2020, pursuant to which, AVIC Planning agreed to grant Entrusted Loans and Guarantees to AVIC Geotechnical and AVIC Changsha Design with the daily balance of each of the outstanding entrusted loans or guarantees not exceeding RMB200 million, respectively, for the three years ending 31 December 2022

"Guarantee(s)"	the guarantee(s) to be granted by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design under the Framework Agreement
"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
"Shareholder(s)"	holder(s) of the shares of the Company

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

Beijing, 18 March 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.*