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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 RENEWABLE ENERGY**

On 23 August 2019, AVIC Planning, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with AVIC Renewable Energy, pursuant to which, AVIC Planning agreed to grant the Entrusted Loans (each for a term of not more than one year) to AVIC Renewable Energy 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 RMB300 million during the three years ending 31 December 2022. Pursuant to the Framework Agreement, AVIC Planning also agreed to provide Guarantees to AVIC Renewable Energy 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 RMB300 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 Renewable Energy is a subsidiary of the Company, which is owned as to over 10% by AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Renewable Energy is a connected person of the Company and the grant of the Entrusted Loans and Guarantees under the Framework Agreement by AVIC Planning to AVIC Renewable Energy 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**

23 August 2019

### **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 Renewable Energy (for itself and on behalf of its subsidiaries).

### **4. The Entrusted Loans**

#### **(i) Loan Amount**

The daily balance of the outstanding entrusted loans under the Framework Agreement shall not be more than RMB300 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 expected to be 4.35% per annum, subject to adjustments based on the benchmark interest rate promulgated by the People's Bank of China for the loans with the same term. The accrued interest shall be settled by AVIC Renewable Energy quarterly during the term of the Entrusted Loans.

#### **(iv) Handling Charges**

The handling charges shall be paid by AVIC Renewable Energy 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 Renewable Energy 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 and AVIC Renewable Energy.

## **5. The Guarantees**

(i) Provision of the Guarantee

AVIC Planning agreed to provide the assured guarantee to AVIC Renewable Energy for the economic businesses with banks and financial institutions.

(ii) Guarantee Amount

The daily balance of the outstanding amount of the Guarantees shall not be more than RMB300 million during the three years ending 31 December 2022.

(iii) Counter Guarantee

AVIC Renewable Energy 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 Renewable Energy and relevant banks or financial institutions.

## **B. BASIS FOR DETERMINING THE CAP**

Considering the potential financing and guarantee demands of AVIC Renewable Energy, AVIC Planning decided to provide the Entrusted Loans and Guarantees for AVIC Renewable Energy with the daily balance of each of the outstanding entrusted loans and guarantees not exceeding RMB300 million, respectively. 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 Renewable Energy. The proposed cap for the Guarantees is determined based on the anticipated guarantees for the operational needs of AVIC Renewable Energy.

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

As AVIC Renewable Energy is a connected subsidiary of the Company, to stabilize the relationship on financing, guarantee and management within the Group, satisfy the daily operation needs of AVIC Renewable Energy and support the development of AVIC Renewable Energy, AVIC Planning entered into the Framework Agreement with AVIC Renewable Energy.

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 Renewable Energy is a subsidiary of the Company, which is owned as to over 10% by AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Renewable Energy is a connected person of the Company and the grant of the Entrusted Loans and Guarantees under the Framework Agreement by AVIC Planning to AVIC Renewable Energy 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.

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

#### *Information on AVIC Planning*

AVIC Planning is a limited liability company incorporated in the PRC, which is mainly engaged in aviation 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, directly and indirectly, 56.04% equity interest in the Company as at the date of this announcement.

#### *Information on AVIC Renewable Energy*

AVIC Renewable Energy is a limited liability company incorporated in the PRC and is a subsidiary of the Company as at the date of this announcement. It is mainly engaged in project investment, resource acquisition, construction engineering and project operation in new energy businesses.

## **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 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 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 wholly-owned subsidiary of the Company as at the date of this announcement
“AVIC Renewable Energy”	AVIC Renewable Energy Investment Co., Ltd.* (中國航空工業新能源投資有限公司), a limited liability company incorporated in the PRC and a non-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 Renewable Energy under the Framework Agreement
“Framework Agreement”	the framework agreement entered into by AVIC Planning and AVIC Renewable Energy on 23 August 2019, pursuant to which, AVIC Planning agreed to grant Entrusted Loans and Guarantees to AVIC Renewable Energy with the daily balance of each of the outstanding entrusted loans or guarantees not exceeding RMB300 million, respectively, for the three years ending 31 December 2022
“Group”	the Company and its subsidiaries
"Guarantee(s)"	the guarantee(s) to be granted by AVIC Planning to AVIC Renewable Energy 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, 23 August 2019

*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.*