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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
ENTERING INTO THE FINANCIAL SERVICE
FRAMEWORK AGREEMENT
WITH AVIC TRUST**

On 10 July 2018, the Company entered into the Financial Service Framework Agreement with AVIC Trust, pursuant to which the Group will, from time to time, utilise the financial services provided by AVIC Trust as and when the Group deems necessary for three years ending 9 July 2021.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company and AVIC Trust is a subsidiary of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Trust is a connected person of the Company and the entering into of the Financial Service Framework Agreement with AVIC Trust constitutes continuing connected transactions of the Company.

With respect to the provision of financial products under the Financial Service Framework Agreement, the highest applicable size test percentage ratio exceeds 0.1% but is less than 5%, and the continuing connected transactions contemplated thereunder 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 FINANCIAL SERVICE FRAMEWORK AGREEMENT

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

1. Date

10 July 2018

2. Period

the three years ending 9 July 2021

3. Parties

- (i) the Company; and
- (ii) AVIC Trust, as the financial services provider

4. Scope

Pursuant to the Financial Service Framework Agreement, the Group will, from time to time, utilise the financial services provided by AVIC Trust as and when the Group deems necessary. Such services include the tailored financial products offered by AVIC Trust to the Group which will enhance the Group's capital operation efficiency. After the entering into of the Financial Service Framework Agreement, the Group proposes to purchase assembled fund trust plan products issued by AVIC Trust as the trustee pursuant to the individual purchase agreements to be entered into by the Group and AVIC Trust.

5. Pricing Basis

The pricing of the assembled fund trust plan products (including but not limited to the price of the products and administrative fee, if any) shall be jointly determined by the Group and AVIC Trust through negotiation by reference to prevailing market price at the time of signing the individual purchase agreements, and the prices shall be stipulated in the specific purchase agreements of assembled fund trust plan products. AVIC Trust shall ensure that the pricing it offers to any third party does not prevail over its offering to the Group under the same product category at that time. In particular, the "market price" means: (i) the quoted price or purchase price of the relevant assembled fund trust plan products, as agreed upon by the Group and AVIC Trust at the time of signing the individual purchase agreements pursuant to the Financial Service Framework Agreement; (ii) the quoted price or purchase price normally offered to third parties for the assembled fund trust plan products by AVIC Trust in its ordinary and usual course of business; and (iii) other relevant pricing basis reasonably agreed upon by both parties.

B. BASIS FOR DETERMINING THE CAP

The maximum daily balance for the financial products to be purchased by the Group during the three years ending 9 July 2021 under the Financial Service Framework Agreement is RMB800 million. The daily cap is determined with reference to average cash and bank balance available for the Group and the capital utilization plan of the Group.

C. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Group has adopted the following internal control procedures and corporate governance measures in relation to its utilisation of the financial services provided by AVIC Trust. The relevant department of the Company is responsible for collecting and comparing the pricing offered by independent financial institutions from time to time and reviewing the pricing of the assembled fund trust plan products offered by

AVIC Trust to make sure that aforementioned pricing basis will be followed in individual transactions.

The Company will report to the independent non-executive Directors every six months on the abovementioned agreements entered into with AVIC Trust together with information on the comparable offers obtained from independent commercial banks or financial institutions and any changes in the credit ratings of AVIC Trust during the preceding six-month period.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions with AVIC Trust are appropriate and sufficient.

D. REASONS FOR AND BENEFITS OF ENTERING INTO FINANCIAL SERVICE FRAMEWORK AGREEMENT WITH AVIC TRUST

The provision of financial products, especially the assembled fund trust plan products issued by AVIC Trust will be conducive to the Group's expansion of its investment channels and the development of the Group's investment business, thus achieving better investment returns for the shareholders of the Company.

The terms of the Financial Service Framework Agreement are agreed upon 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 Financial Service Framework Agreement and the cap thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Each of Mr. Tan Ruisong, Mr. Chen Yuanxian, Mr. Li Yao and Mr. Wang Xuejun, the then Directors, who are general manager, deputy general manager, chief accountant and a department director of AVIC, respectively, had abstained from voting on the relevant Board resolution approving the Financial Service 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 such transactions.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling Shareholder of the Company and AVIC Trust is a subsidiary of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Trust is a connected person of the Company and the entering into of the Financial Service Framework Agreement with AVIC Trust constitutes continuing connected transactions of the Company.

With respect to the provision of financial products under the Financial Service Framework Agreement, the highest applicable size test percentage ratio exceeds 0.1% but is less than 5%, and the continuing connected transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

F. 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 aviation products, and relevant 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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on AVIC Trust

AVIC Trust is a joint stock limited liability company incorporated in the PRC and a non-banking financial institution approved CBRC. It is regulated by PBOC and CBRC. It principally engages in, inter alia, capital trusts; property trusts; real estate trusts; securities trusts; other property or property rights trusts; engage in investment fund business as investment fund or fund management company sponsors; business enterprise assets reorganization, mergers and acquisitions and project financing, corporate finance, finance consultants and other business approved by CBRC.

G. 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 58.66% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Trust”	AVIC Trust Co., Ltd (中航信託股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary of AVIC
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission
“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
“Financial Services Framework Agreement”	the financial service agreement entered into by the Company and AVIC Trust, pursuant to which, the Group has agreed to utilise the financial services provided by AVIC Trust when and as it deems necessary for three years ending 9 July 2021
“Group”	the Company and its subsidiaries
“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 Exchange”	Stock	The Stock Exchange of Hong Kong Limited
“PBOC”		the People’s Bank of China, the central bank of the PRC
“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, 10 July 2018

As at the date of this announcement, the Board comprises executive Directors Mr. Tan Ruisong and Mr. Chen Yuanxian, non-executive Directors Mr. Li Yao, Mr. Wang Xuejun, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

**For identification purposes only.*