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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 TRANSACTIONS

**GRANT OF LOAN BY AVICHINA HONG KONG TO AVICT GLOBAL;
GRANT OF DEBT TRANSFER RIGHT BY AVICT DRAGON HOLDINGS
TO AVICHINA HONG KONG IN CONNECTION WITH THE LOAN**

To improve the capital income level of AviChina Hong Kong, AviChina Hong Kong entered into the Loan Agreement with AVICT Global and AVICT Dragon Holdings on 30 January 2019, pursuant to which, AviChina Hong Kong has agreed to grant the Loan with an amount of not more than HK\$260 million to AVICT Global for a term of twelve months, and AVICT Dragon Holdings has agreed to grant the Debt Transfer Right to AviChina Hong Kong in connection with the Loan.

As at the date of this announcement, AVIC is the controlling shareholder of the Company. Both AVICT Global and AVICT Dragon Holdings are beneficially controlled by AVIC Trust, a subsidiary of AVIC. AviChina Hong Kong is a wholly-owned subsidiary of the Company. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, each of AVICT Global and AVICT Dragon Holdings is a connected person of the Company. Each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong constitutes a connected transaction of the Company.

As the highest of the applicable size test percentage ratios in respect of each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong exceeds 0.1% but is less than 5%, each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

A. INTRODUCTION

On 30 January 2019, AviChina Hong Kong entered into the Loan Agreement with AVICT Global and AVICT Dragon Holdings, pursuant to which, AviChina Hong Kong has agreed to grant the Loan with an amount of no more than HK\$260 million to AVICT Global for a term of twelve months, and AVICT Dragon Holdings has agreed to grant the Debt Transfer Right to AviChina Hong Kong in connection with the Loan.

B. THE LOAN AGREEMENT

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

1. Date

30 January 2019

2. Parties

- (i) AviChina Hong Kong, as the lender;
- (ii) AVICT Global, as the borrower;
- (iii) AVICT Dragon Holdings, as the grantor.

3. Principal Amount of the Loan

Not more than HK\$260 million.

4. Term

12 months

5. Interest Rate

7% per annum, decided after arm's length negotiations by all parities

6. Repayment of the Loan

One-off repayment of the principal amount and interest to AviChina Hong Kong by AVICT Global upon the maturity of the Loan.

7. Debt Transfer Right

Upon occurrence of any default events under the Loan Agreement, AviChina Hong Kong has the right to transfer its rights as the creditor under the Loan to AVICT Dragon Holdings.

If AviChina Hong Kong exercises the Debt Transfer Right, AVICT Dragon Holdings shall pay the total amount of the outstanding principal of the Loan and the interest incurred to AviChina Hong Kong in cash in a lump sum within ten (10) business days after AviChina Hong Kong issues the written notice.

C. REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE LOAN AGREEMENT

The transactions under the Loan Agreement are beneficial for AviChina Hong Kong to improve its capital income level. Meanwhile, to safeguard the interest of AviChina Hong Kong under the Loan Agreement, AVICT Dragon Holdings agreed to grant the Debt Transfer Right to AviChina Hong Kong in connection with the Loan.

The Loan Agreement is entered into by the parties on normal commercial terms after arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company. Both AVICT Global and AVICT Dragon Holdings are beneficially controlled by AVIC Trust, a subsidiary of AVIC. AviChina Hong Kong is a wholly-owned subsidiary of the Company. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, each of AVICT Global and AVICT Dragon Holdings is a connected person of the Company. Each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong constitutes a connected transaction of the Company.

As the highest of the applicable size test percentage ratios in respect of each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong exceeds 0.1% but is less than 5%, each of the grant of the Loan by AviChina Hong Kong to AVICT Global and the grant of the Debt Transfer Right by AVICT Dragon Holdings to AviChina Hong Kong is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Each of Mr. Tan Ruisong, Mr. Chen Yuanxian, Mr. Li Yao and Mr. Wang Xuejun, the Directors, who are chairman of the board, vice general manager, chief accountant and a department director of AVIC, respectively, had abstained from voting on the relevant Board resolution approving the Loan 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 transactions under the Loan Agreement.

E. GENERAL INFORMATION

Information on AviChina Hong Kong

AviChina Hong Kong is a limited liability company incorporated in the Hong Kong and is a wholly-owned subsidiary of the Company as at the date of the announcement. It is mainly engaged in the development, design and sales of aviation product, the importation and exportation of aviation products and technologies, finance and investment.

Information on AVICT Dragon Holdings

AVICT Dragon Holdings is a special purpose vehicle incorporated in the British Virgin Islands which is beneficially controlled by AVIC Trust as at the date of this announcement, and is mainly engaged in private equity investment, investment consulting and asset management.

Information on AVICT Global

AVICT Global is a special purpose vehicle incorporated in the British Virgin Islands which is beneficially controlled by AVIC Trust as at the date of this announcement, and is mainly engaged in private equity investment, investment consulting and asset management.

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 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 as at the date of this announcement
“AviChina Hong Kong”	AviChina Hong Kong Limited* (中航科工香港有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as the date of this announcement
“AVICT Dragon Holdings”	AVICT Dragon Holdings Limited* (航龍控股有限公司), a special purpose vehicle incorporated in the British Virgin Islands which is beneficially controlled by AVIC Trust as at the date of this announcement
“AVICT Global”	AVICT Global Holdings Limited* (航信環球控股有限公司), a special purpose vehicle incorporated in the British Virgin Islands which is beneficially controlled by AVIC Trust 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

“Debt Transfer Right”	the right to transfer the rights of AviChina Hong Kong as the creditor under the Loan to AVICT Dragon Holdings upon occurrence of any default events under the Loan Agreement
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Loan”	the loan with an amount of not more than HK\$260 million to be granted by AviChina Hong Kong to AVICT Global under the Loan Agreement
“Loan Agreement”	the loan agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings on 30 January 2019, pursuant to which, AviChina Hong Kong has agreed to grant the Loan to AVICT Global with a term of twelve months, and AVICT Dragon Holdings has agreed to grant the Debt Transfer Right to AviChina Hong Kong in connection with the Loan
“PRC”	the People’s Republic of China
“Shareholder(s) ”	holder(s) of the shares of the Company
“subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules
“%”	per cent

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

Beijing, 30 January 2019

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*