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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 TRANSACTION

COUNTER GUARANTEE AGREEMENT BETWEEN AVIC HEAVY MACHINERY AND AVIC RENEWABLE ENERGY

On 9 July 2019, AVIC Heavy Machinery entered into the Counter Guarantee Agreement with AVIC Renewable Energy, pursuant to which AVIC Renewable Energy agreed to provide the Counter Guarantee in favour of AVIC Heavy Machinery to create security for the joint liability guarantee provided by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy for the Loan.

As at the date of this announcement, AVIC Renewable Energy is a non-wholly-owned subsidiary of the Company. AVIC Heavy Machinery is a subsidiary of AVIC, the controlling shareholder of the Company, and AVIC Heavy Machinery is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Counter Guarantee Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the transaction under the Counter Guarantee Agreement is more than 0.1% but less than 5%, the entering into of the Counter Guarantee Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

A. INTRODUCTION

On 9 July 2019, AVIC Heavy Machinery entered into the Counter Guarantee Agreement with AVIC Renewable Energy, pursuant to which AVIC Renewable Energy agreed to provide the Counter Guarantee in favour of AVIC Heavy Machinery to create security for the joint liability guarantee provided by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy for the Loan.

B. THE COUNTER GUARANTEE AGREEMENT

The principal terms of the Counter Guarantee Agreement are summarized as follows:

1. Date

9 July 2019

2. Parties

- (1) Guarantor: AVIC Heavy Machinery; and
- (2) Counter-guarantor: AVIC Renewable Energy.

3. Provision of the Counter Guarantee

AVIC Heavy Machinery has provided joint liability guarantee in favour of Jinzhou Renewable Energy for the Loan. As Jinzhou Renewable Energy is a subsidiary of AVIC Renewable Energy, AVIC Renewable Energy has agreed to provide the Counter Guarantee for the benefit of AVIC Heavy Machinery on a joint liability basis to create security for the above-said guarantee provided by AVIC Heavy Machinery in return.

4. Amount of the Counter Guarantee

The amount of the Counter Guarantee equals to the amount of the Loan guaranteed by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy as at the date of the Counter Guarantee Agreement, being a total of RMB62,370,000 (term of the Loan commencing from 31 March 2016 to 31 March 2031) .

5. Scope of the Counter Guarantee

All the relevant fees incurred by AVIC Heavy Machinery in performing guarantee obligations in favour of Jinzhou Renewable Energy for the Loan shall be compensated by AVIC Renewable Energy, including but not limited to the outstanding principal amount of the Loan, interests, compound interest, penalty interest, default payment, overdue payment, damages, etc.

6. Term of the Counter Guarantee

The term of the Counter Guarantee is the same as the term of the guarantee provided by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy for the Loan. In the event that Jinzhou Renewable Energy fails to perform its repayment obligations under the Loan and as a result of which AVIC Heavy Machinery has to perform the guarantee obligations, the term of the Counter Guarantee shall be two years

commencing from the date when AVIC Heavy Machinery compensates the outstanding amount of the Loan in full.

C. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Counter Guarantee provided by AVIC Renewable Energy to AVIC Heavy Machinery under the Counter Guarantee Agreement is to create security for the joint liability guarantee provided by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy for the Loan.

The Counter Guarantee 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 Counter Guarantee 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 Renewable Energy is a non-wholly-owned subsidiary of the Company. AVIC Heavy Machinery is a subsidiary of AVIC, the controlling shareholder of the Company, and AVIC Heavy Machinery is therefore a connected person of the Company pursuant to the Hong Kong Listing Rules. The entering into of the Counter Guarantee Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the transaction under the Counter Guarantee Agreement is more than 0.1% but less than 5%, the entering into of the Counter Guarantee Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

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

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, 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, 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. As at the date of this announcement, AVIC Renewable Energy holds 100% of the equity interest in Jinzhou Renewable Energy.

Information on AVIC Heavy Machinery

AVIC Heavy Machinery is a joint stock limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of this announcement. It is mainly engaged in businesses of forging, casting and high-end hydraulic integration.

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 Heavy Machinery”	AVIC Heavy Machinery Company Limited * (中航重機股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of this announcement
“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
“Counter Guarantee”	the joint liability guarantee provided by AVIC Renewable Energy in favour of AVIC Heavy Machinery under the Counter Guarantee Agreement
“Counter Guarantee Agreement”	the counter guarantee agreement entered into by AVIC Heavy Machinery with AVIC Renewable Energy on 9 July 2019, pursuant to which, AVIC Renewable Energy agreed to provide the Counter Guarantee in favour of AVIC Heavy Machinery to create security for

	the joint liability guarantee provided by AVIC Heavy Machinery in favour of Jinzhou Renewable Energy for the Loan
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Jinzhou Renewable Energy”	Jinzhou (Baotou) Renewable Energy Co., Ltd. * (金州（包頭）可再生能源有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC Renewable Energy as at the date of this announcement
“Loan”	the loan granted by Baotou Bailingmiao Branch of Industrial and Commercial Bank of China Limited to Jinzhou Renewable Energy in a total amount of RMB62,370,000
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders 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, 9 July 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*