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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)**

**VOLUNTARY ANNOUNCEMENT**

**POTENTIAL CONNECTED TRANSACTION**

**PROPOSED ENTERING INTO THE PARTNERSHIP AGREEMENT IN RELATION  
TO THE FORMATION OF THE FUND**

Reference is made to the announcement of AviChina Industry & Technology Company Limited\* (中國航空科技工業股份有限公司) (the "**Company**") dated 26 February 2018 in relation to the formation of the AVIC Rongfu Fund Management Limited Company\* (中航融富基金管理有限公司) ("**AVIC Ronfu**").

The Company proposes to enter into a partnership agreement ("**Partnership Agreement**") with Aviation Industry Corporation of China, Ltd.\* (中國航空工業集團有限公司) ("**AVIC**"), AVIC Capital Co., Ltd.\* (中航資本控股股份有限公司) ("**AVIC Capital**"), AVIC Ronfu, China Life Guangde (Tianjin) Equity Investment Fund Partnership (Limited Partnership)\* (國壽廣德(天津)股權投資基金合夥企業(有限合夥)) ("**Guangde Investment Fund**") and Zhenjiang Dingqiang Intelligent Manufacturing Investment Partnership (Limited Partnership)\* (鎮江鼎強智能製造投資合夥企業(有限合夥)) ("**Zhenjiang Investment**") in relation to the formation of the fund ("**Fund**") with an initial total capital commitment of RMB4,000 million. Each of the Company, AVIC, AVIC Capital, AVIC Ronfu, Guangde Investment Fund and Zhenjiang Investment proposes to make a capital contribution of RMB600 million, RMB400 million, RMB600 million, RMB50 million, RMB2 billion and RMB350 million in cash, representing 15%, 10%, 15%, 1.25%, 50% and 8.75% of the total capital contribution of the Fund, respectively.

The basic information of the Fund to be established is as follows:

1. Name of the Fund: Beijing AviChina Phase I Aviation Industrial Investment Fund (Limited Partnership) (北京中航一期航空工業產業投資基金(有限合夥)) (tentatively, subject to the industry and commercial registration)

2. Size of the Fund: RMB50 billion in total and the initial size not exceeding RMB10 billion (the actual size is subject to final capital raised)

3. Limited partners: AVIC, the Company, AVIC Capital, Guangde Investment Fund and Zhenjiang Investment

4. General partner/Fund manager: AVIC Ronfu

5. Address of registration: Chaoyang District, Beijing

6. Duration: 9 years in total (4+3+1+1), with an investment period of 4 years and a payback period of 3 years. Upon expiration, the term of the Fund can be extended for one year subject to the approval by all the partners for not more than twice.

7. Management fees: The management fees shall be paid by the Fund to the fund manager annually. The management fees shall be calculated according to 0.9% per annum for the investment period and 0.6% per annum for the payback period, multiplying the paid-in capital contribution of all the partners of the Fund. The above management fees shall be paid in a timely manner upon divestment of the projects invested, and the original investment costs of such divestment projects shall be deducted from the above paid-in capital contribution.

8. Benchmark rate of return: 8% per annum (calculated according to internal rate of return ("IRR")). The portion of IRR not exceeding 8% shall be distributed to each Partner according to its respective proportion of paid-in capital contribution; the portion between 8% and 10% shall be allocated to the fund manager; the portion in excess of 10% shall be divided between all limited partners and the fund manager upon 80/20.

9. Investment decision committee: The partners in the group of AVIC are entitled to appoint 8 members and the external investor is entitled to appoint 1 member.

10. Scope of investment:

The Fund will mainly invest in reform and restructuring projects, mixed-ownership reform projects, research institutes transformation projects, re-financing projects of listed companies, and other projects as approved by the investment decision committee in AVIC as well as external investment projects.

11. Divestment method: The divestment of the projects invested by the Fund will be realized through IPO, mergers and acquisitions by listed companies or enterprises within the industry, repurchase by original shareholders or purchase by other social investment institutions.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC Capital is a subsidiary of AVIC. AVIC Ronfu is a subsidiary of the Company, which is directly and indirectly held as to over 10% by AVIC. Therefore, each of AVIC, AVIC Capital and AVIC Ronfu is a connected person of the Company. The Fund to be established is also a connected person of the Company by virtue of AVIC's partnership interest and management power in the Fund. Each of the formation of the Fund and the payment of management fees by the Fund to AVIC Ronfu will constitute a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

As at the date of this announcement, the relevant parties have not entered into any specific agreement in respect of the above formation of the Fund. Upon execution of specific agreement, the Company will perform its information disclosure obligations in accordance with the applicable provisions under the Hong Kong Listing Rules in a timely manner.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

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

Beijing, 2 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*