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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:
ENTERING INTO THE SUPPLEMENTAL AGREEMENT IN
RELATION TO FURTHER EXTENSION OF TERM OF THE LOAN**

Reference is made to the announcement dated 19 October 2018 and 22 October 2019 in relation to the Previous Supplemental Agreement to the Loan Agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings, pursuant to which the parties agreed to extend the repayment date of the Loan under the Loan Agreement from 22 October 2019 to 22 October 2020, with the principal amount remaining unchanged and a fixed interest rate of 7% per annum for the above extension period.

On 22 October 2020, AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings entered into the Supplemental Agreement, pursuant to which the parties agreed to further extend the repayment date of the Loan from 22 October 2020 to 22 October 2021, with the principal amount remaining unchanged and a fixed interest rate of 7% per annum for the above extension period.

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. 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 contemplated under the Loan Agreement (as further amended by the Supplemental Agreement) 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 contemplated under the Loan Agreement (as further amended by the Supplemental Agreement) 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

Reference is made to the announcement dated 22 October 2019 in relation to the Previous Supplemental Agreement to the Loan Agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings, pursuant to which the parties agreed to extend the repayment date of the Loan under the Loan Agreement from 22 October 2019 to 22 October 2020, with the principal amount remaining unchanged and a fixed interest rate of 7% per annum for the above extension period.

On 22 October 2020, AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings entered into the Supplemental Agreement, pursuant to which the parties agreed to further extend the repayment date of the Loan from 22 October 2020 to 22 October 2021, with the principal amount remaining unchanged and a fixed interest rate of 7% per annum for the above extension period.

B. THE SUPPLEMENTAL AGREEMENT

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

1. Date

22 October 2020

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

The principal amount of the Loan remained unchanged as stipulated under the Loan Agreement, being HK\$86 million.

4. Extension of term

The term of the Loan is further extended for another twelve (12) months, with the repayment date being extended from 22 October 2020 to 22 October 2021.

5. Interest Rate

The interest rate for the Loan for the year ended 22 October 2021 was fixed at 7% per annum, which is decided after arm's length negotiations by the parties under the Supplemental Agreement with reference to the prevailing market interest rates.

6. Effectiveness of the Agreement

The Supplemental Agreement shall take into effect on the condition that the interest incurred under the Loan Agreement (as amended by the Previous Supplemental Agreement) has been fully paid by AVICT Global to AviChina Hong Kong on or before 22 October 2020.

7. Debt Transfer Right

Upon occurrence of any default events under the Loan Agreement (as further amended by the Supplemental Agreement), AviChina Hong Kong has the right to transfer its rights as the creditor under the Loan to AVICT Dragon Holdings in accordance with the terms and conditions under the Loan Agreement (as further amended by the Supplemental Agreement).

Save as disclosed above, all other terms and conditions of the Loan Agreement shall remain in full force and effect.

C. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The terms of the Supplemental Agreement have been agreed after arm's length negotiations between the relevant parties. The Board believes that the extension of the term of the Loan can provide AviChina Hong Kong additional interest income.

The Supplemental 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 Supplemental 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. 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 contemplated under the Loan Agreement (as further amended by the Supplemental Agreement) 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 contemplated under the Loan Agreement (as further amended by the Supplemental Agreement) 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. 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 transactions contemplated under the Loan Agreement (as further amended by the Supplemental 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 contemplated under the Loan Agreement (as further amended by the Supplemental Agreement).

E. GENERAL

Information on AVIC

AVIC is 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, 56.35% equity interest in the Company as at the date of this announcement.

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 owned as to 100% by Gongqingcheng Qifeng Investment Management Partnership (Limited Partnership)* (共青城起鳳投資管理合夥企業(有限合夥)) and 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 owned as to 100% by Xinyu Hangyuan Asset Management Partnership (Limited Partnership)* (新餘航遠資產管理合夥企業(有限合夥)) and 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 AVIC Trust

AVIC Trust is a limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of the announcement. It is mainly engaged in engaged in capital trust, fund investment and securities underwriting.

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 56.35% 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 (as further amended by the Supplemental 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 HK\$86 million granted by AviChina Hong Kong to AVICT Global under the Loan Agreement (as further amended by the Supplemental Agreement)
“Loan Agreement”	the loan agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings on 19 October 2018, pursuant to which, AviChina Hong Kong agreed to grant the Loan to AVICT Global with a term of twelve months, and AVICT Dragon Holdings agreed to grant the Debt Transfer Right to AviChina Hong Kong in connection with the Loan
“PRC”	the People’s Republic of China
“Previous Supplemental Agreement”	the previous supplemental agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings on 22 October 2019, pursuant to which, the parties agreed to extend the repayment date of the Loan from 22 October 2019 to 22 October 2020, with a fixed interest rate of 7% per annum for the above extension period
“Shareholder(s) ”	holder(s) of the shares of the Company
“subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between AviChina Hong Kong, AVICT Global and AVICT Dragon Holdings on 22 October 2020, pursuant to which, the parties

agreed to extend the repayment date of the Loan from 22 October 2020 to 22 October 2021, with a fixed interest rate of 7% per annum for the above extension period

“%”

per cent

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

Beijing, 22 October 2020

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.*