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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
REVISION OF THE CAP FOR THE FINANCIAL SERVICE
FRAMEWORK AGREEMENT
WITH AVIC TRUST**

Reference is made to the announcement of the Company dated 10 July 2018 in relation to the entering into of 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.

In order to increase the rate of return on capital and meet the increasing demand for financial products, the Company estimates that the maximum actual daily outstanding balance of the continuing connected transactions under the Financial Service Framework Agreement will exceed the Original Cap. As such, the Company intends to revise the cap for the Financial Service Framework Agreement. On 11 December 2020, the Company entered into the Supplemental Agreement with AVIC Trust to increase the Original Cap (being RMB800 million) to the Revised Cap (being RMB1,150 million) for the financial products to be purchased by the Group for the term commencing from the effective date of the Supplemental Agreement to 9 July 2021. Save for the revision of the cap, all other terms of the Financial Service Framework Agreement remain unchanged.

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 Supplemental Agreement constitutes continuing connected transactions of the Company. As the highest of the applicable size test percentage ratios in respect of the Revised Cap under the Supplemental Agreement is more than 0.1% but less than 5%, the entering into of the Supplemental Agreement 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. BACKGROUND

Reference is made to the announcement of the Company dated 10 July 2018 in relation to the entering into of 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.

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B. REVISION OF THE ORIGINAL CAP

Details of the revision of the cap are as follows:

	Maximum actual daily outstanding balance since entering into the Financial Service Framework Agreement	Original Cap	Revised Cap
<i>RMB' million</i>			
Maximum daily balance for the financial products of AVIC Trust to be purchased by the Group	800	800	1,150

As shown in the above table, as at the date of this announcement, the maximum actual daily outstanding balance of the continuing connected transactions under the Financial Service Framework Agreement has not exceeded the Original Cap.

The Supplemental Agreement shall become effective after being signed and sealed by the legal representatives or authorized representatives of the parties and upon completion of the internal decision procedures under the applicable laws, regulations and the articles of association.

The Revised Cap was determined by the Company with reference to: (a) the maximum actual daily outstanding balance since entering into the Financial Service Framework Agreement; (b) the existing use of funds of the Group and the capital utilisation plan of the Group; and (c) the existing and future demand for such financial products.

C. REASONS FOR AND BENEFITS OF THE REVISION

As disclosed above, in order to increase the rate of return on capital and meet the increasing demand for financial products, the Directors are of the view that the Original Cap will not be sufficient for the business needs of the Group. 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. Therefore, the revision of the Original Cap is in line with the strategic development of the Group.

The Supplemental Agreement has been entered into by the parties on normal commercial terms after arm's length negotiation. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that although the Supplemental Agreement and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Supplemental Agreement and the Revised Cap thereunder 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 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 Supplemental Agreement constitutes continuing connected transactions of the Company. As the highest of the applicable size test percentage ratios in respect of the Revised Cap under the Supplemental Agreement is more than 0.1% but less than 5%, the entering into of the Supplemental Agreement 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.

Mr. Yan Lingxi, the Director, who is the department chief of AVIC, had abstained from voting on the relevant Board resolution approving the Supplemental Agreement and transactions contemplated thereunder 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 Supplemental Agreement.

E. 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 civil aviation products, and relevant engineering services.

Information on AVIC

AVIC is controlled by the State Council of the PRC, and is mainly engaged in development and manufacture of aviation products and non-aviation products. As at the date of this announcement, 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 AVIC Trust

AVIC Trust is a joint stock limited liability company incorporated in the PRC and a non-banking financial institution approved by CBIRC. It is regulated by the People's Bank of China and CBIRC. It is mainly engaged 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 CBIRC. As at the date of this announcement, AVIC Trust is a subsidiary of AVIC.

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 non-banking financial institution approved by CBIRC
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance 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 Service Framework Agreement”	the financial service agreement entered into between the Company and AVIC Trust on 10 July 2018, 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 Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Original Cap”	the original maximum daily balance of RMB800 million for the financial products to be purchased by the Group during the three years ending 9 July 2021 under the Financial Service Framework Agreement
“PRC”	the People’s Republic of China
“Revised Cap”	the revised maximum daily balance of RMB1,150 million for

the financial products to be purchased by the Group for a term commencing from the effective date of the Supplemental Agreement to 9 July 2021 under the Financial Service Framework Agreement as amended by the Supplemental Agreement

“RMB”

Renminbi, the lawful currency of the PRC

“Supplemental Agreement”

the supplemental agreement to the Financial Service Framework Agreement entered into between the Company and AVIC Trust on 11 December 2020, pursuant to which, the maximum daily balance for the financial products to be purchased by the Group for a term commencing from the effective date of the Supplemental Agreement to 9 July 2021 is increased from RMB800 million to RMB115 million

By order of the Board

AviChina Industry & Technology Company Limited*

Xu Bin

Company Secretary

Beijing, 11 December 2020

As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, 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.*