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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
ENTERING INTO THE FINANCIAL SERVICE FRAMEWORK
AGREEMENT WITH AVIC SECURITIES**

On 1 November 2021, Tianjin Tianli, a subsidiary of the Company, entered into the Financial Service Framework Agreement with AVIC Securities, pursuant to which Tianjin Tianli and its subsidiaries will, from time to time, utilise the financial services provided by AVIC Securities as and when they deem necessary. Such services include the tailored financial products offered by AVIC Securities to Tianjin Tianli and its subsidiaries which suit their preferences and will enhance their capital operation efficiency. After the entering into of the Financial Service Framework Agreement, Tianjin Tianli and/or its subsidiaries propose to purchase income certificate products offered by AVIC Securities pursuant to the individual subscription agreements to be entered into by Tianjin Tianli and/or its subsidiaries with AVIC Securities.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Securities is a subsidiary of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Securities is a connected person of the Company and the entering into of the Financial Service Framework Agreement by Tianjin Tianli with AVIC Securities constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the entering into of the Financial Service Framework Agreement by Tianjin Tianli with AVIC Securities is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under the

A. THE FINANCIAL SERVICE FRAMEWORK AGREEMENT

A summary of the principal terms of the Financial Service Framework Agreement is set out as follows:

1. Date

1 November 2021

2. Period

From 1 November 2021 to 31 December 2023

3. Parties

- (i) Tianjin Tianli; and
- (ii) AVIC Securities, as the financial services provider

4. Scope

Pursuant to the Financial Service Framework Agreement, Tianjin Tianli and its subsidiaries will, from time to time, utilise the financial services provided by AVIC Securities as and when they deem necessary. Such services include the tailored financial products offered by AVIC Securities to Tianjin Tianli and its subsidiaries which suit their preferences and will enhance their capital operation efficiency. After the entering into of the Financial Service Framework Agreement, Tianjin Tianli and/or its subsidiaries propose to purchase income certificate products offered by AVIC Securities pursuant to the individual subscription agreements to be entered into by Tianjin Tianli and/or its subsidiaries with AVIC Securities.

5. Pricing Basis

The pricing of the income certificate products (including but not limited to the price or fixed rate of return of the products) shall be determined with reference to prevailing market price at the time of signing the individual subscription agreements, and the prices shall be stipulated in the specific subscription agreements of income certificate products. Market price refers to: (i) the quoted price or purchase price obtained from comparable third-party financial institutions of comparable products in the same category; (ii) the quoted price or sales price normally offered to third parties for the income certificate products by AVIC Securities in its ordinary and usual course of business; and (iii) other relevant pricing basis reasonably agreed by both parties. The terms and conditions of the products or services offered by AVIC Securities to Tianjin Tianli shall be no less favourable than the terms and conditions offered by AVIC Securities to other third parties for the provision of similar

products or services under the same category and duration of the same product for the same period.

B. BASIS FOR DETERMINING THE CAP

The maximum daily balance for the income certificate products to be purchased by Tianjin Tianli and its subsidiaries from 1 November 2021 to 31 December 2023 under the Financial Service Framework Agreement shall not exceed RMB200 million. The daily cap was determined by the Company and Tianjin Tianli with reference to: (i) the existing use of funds of the Group and the capital utilisation plan of the Group; and (ii) the existing and future demand for such financial products. As at the date of this announcement, no historical transaction amount has been incurred between Tianjin Tianli and AVIC Securities for the transactions contemplated under the Financial Service Framework Agreement.

C. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Group has adopted the following internal control procedures and corporate governance measures in relation to Tianjin Tianli's utilisation of the financial services provided by AVIC Securities. The relevant department of Tianjin Tianli is responsible for collecting and comparing the pricing offered by independent financial institutions from time to time and monitoring any changes in the credit ratings of AVIC Securities, as well as for reviewing the pricing of the income certificate products offered by AVIC Securities to make sure that aforementioned pricing basis will be followed in individual transactions. Specially designated personnel will be responsible for recording the information of the purchased income certificate products and tracking the distribution of return in accordance with the individual subscription agreements; after a product expires, a report on the operation of the products will be prepared and submitted to its management for review and will be used as a reference for future product purchases.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Group concerning the continuing connected transactions with AVIC Securities are appropriate and sufficient.

D. REASONS FOR AND BENEFITS OF ENTERING INTO FINANCIAL SERVICE FRAMEWORK AGREEMENT WITH AVIC SECURITIES

The provision of financial products, including the income certificate products offered by AVIC Securities, will generate stable income while maintaining low exposure to investment risks, thus enabling the Group to expand its capital management channels and increase its capital gains, and consequently achieve better investment returns for the shareholders of the Company.

The terms of the Financial Service Framework Agreement are agreed upon by the parties after arm's length negotiations and made upon normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that although the Financial Service Framework Agreement and the transaction contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Financial Service Framework Agreement and the cap thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Li Xichuan, the Director, who is a department deputy chief of AVIC, had abstained from voting on the relevant Board resolution approving the entering into the Financial Service Framework 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 such transactions.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling Shareholder of the Company, and AVIC Securities is a subsidiary of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Securities is a connected person of the Company and the entering into of the Financial Service Framework Agreement by Tianjin Tianli with AVIC Securities constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the entering into of the Financial Service Framework Agreement by Tianjin Tianli with AVIC Securities is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

F. 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 principally engages in the research and development, manufacture and sales of aviation products, and relevant engineering services.

Information on AVIC

AVIC is controlled by the State Council of the PRC, and it principally engages in the development and manufacture of aviation products and non-aviation products. AVIC is the controlling Shareholder of the Company, holding, directly and indirectly, 61.60% equity interest in the Company as at the date of this announcement.

Information on Tianjin Tianli

Tianjin Tianli is a limited liability company incorporated in the PRC and an indirect non-wholly-owned subsidiary of the Company. As at the date of this announcement, it is held as to 75% by Tianjin Aviation Electro-Mechanical Co., Ltd.* (天津航空機電有限公司, a direct wholly-owned subsidiary of the Company) and 25% by AVIC Tianjin Aviation Electrical Co., Ltd.* (天津中航機電有限公司, an indirect wholly-owned subsidiary of AVIC). It principally engages in the production and sale of power transmission and distribution control equipment, food machinery and food packaging machinery, medical equipment, electrical components, mining and coal processing equipment and technical consultation and services; the engineering, wholesale, installation and commission of safety, firefighting and control equipment; and the manufacture and sales of metal products, standard parts, engineering molds and control equipment.

Information on AVIC Securities

AVIC Securities is a limited liability company incorporated in the PRC. It is an indirect non-wholly-owned subsidiary of AVIC and an institution ultimately controlled by AVIC. As at the date of this announcement, AVIC Securities is owned as to 28.29% equity interest by AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600705)) and as to 71.71% equity interest by AVIC Investment Holding Ltd.* (中航投資控股有限公司, a subsidiary owned as to 73.56% by AVIC Industry-Finance Holdings Co., Ltd.). Both AVIC Industry-Finance Holdings Co., Ltd. and AVIC Investment Holding Ltd. are institutions ultimately controlled by AVIC. Based on public information available to the Company after making reasonable enquires, of the remaining 26.44% equity interest in AVIC Investment Holding Ltd., 16.7% is held by China Life Insurance Co., Ltd.* (中國人壽保險股份有限公司, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601628) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02628)), 4.17% is held by Guotong Xinhang (Suzhou) Industrial Investment Fund Partnership (Limited Partnership)* (國同新航(蘇州)產業投資基金合夥企業(有限合夥)), a limited partnership whose general and executive partner (國同新航(蘇州)基金管理有限公司, holding approximately 1% interest in the partnership) is ultimately controlled by the State Council of the PRC and whose limited partners (and their ultimate beneficial owners) are independent third parties of the Company), and the remaining 5.57% is held by Shanghai International Group Co., Ltd.* (上海國際集團有限公司), Shanghai State-owned Enterprise Reform and Development Equity Investment Fund Partnership (Limited Partnership)* (上海國企改革發展股權投資基金合夥企業(有限合夥))

and Shanghai Shangguo Investment Asset Management Co., Ltd.* (上海上國投資資產管理有限公司) (holding 2.78%, 1.39% and 1.39%, respectively), all being independent third parties of the Company and ultimately controlled by Shanghai State-owned Assets Supervision and Administration Commission. It principally engages in securities brokerage, securities investment consulting, financial advisors services related to securities trading and securities investment activities, securities underwriting and sponsorship, securities self-operation, securities asset management, securities investment fund sales agency, margin financing and securities lending business, consignment of financial products business and providing intermediate introduction business for futures companies (business activities subject to approval in accordance with the law shall be approved by the relevant departments before commencement).

G. 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 61.60% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Securities”	AVIC Securities Co., Ltd.* (中航證券有限公司), a limited liability company incorporated in the PRC and an indirect non-wholly-owned subsidiary of AVIC 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
“Director(s)”	the director(s) of the Company
“Financial Service Framework Agreement”	the financial service framework agreement entered into between Tianjin Tianli and AVIC Securities on 1 November 2021, pursuant to which AVIC Securities will provide Tianjin Tianli with financial services from 1 November 2021 to 31 December 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules
“Tianjin Tianli”	Tianjin Tianli Aviation Electro-Mechanical Co., Ltd.* (天津天利航空機電有限公司), an indirect non-wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

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

Beijing, 1 November 2021

As at the date of this announcement, the Board comprises executive Directors Mr. Wang Xuejun and Mr. Zhao Hongwei, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

** For identification purposes only*