

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
RENEWAL OF 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 Previous 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.

On 9 July 2021, the relevant parties to the Previous Financial Service Framework Agreement, which include the Company and AVIC Trust, have agreed to continue with the arrangement under the Previous Financial Service Framework Agreement upon similar terms and/or covering similar scope of services as in the Financial Service Framework Agreement renewed on 9 July 2021, of which it extends the Financial Service Framework Agreement from 9 July 2021 to 31 December 2023.

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 renewal of the Financial Service Framework Agreement constitutes continuing connected transactions of the Company. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the renewal of the Financial Service Framework 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.

On 9 July 2021, the Company renewed 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 from 9 July 2021 to 31 December 2023.

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

9 July 2021

2. Period

From 9 July 2021 to 31 December 2023

3. Parties

- (1) the Company; and
- (2) AVIC Trust, as the financial services provider

4. Scope

Pursuant to the Financial Service Framework Agreement, the Group will, from time to time, utilise the financial services provided by AVIC Trust as and when the Group deems necessary. Such services include the tailored financial products offered by AVIC Trust to the Group which will enhance the Group's capital operation efficiency. After the entering into of the Financial Service Framework Agreement, the Group proposes to purchase assembled fund trust plan products issued by AVIC Trust as the trustee pursuant to the individual purchase agreements or trust agreements to be entered into by the Group and AVIC Trust.

5. Pricing Basis

The pricing of the assembled fund trust plan products (including but not limited to the price of the products and administrative fee, if any) shall be jointly determined by the Group and AVIC Trust through negotiation by reference to prevailing market price at the time of signing the individual purchase agreements or trust agreements, and the prices shall be stipulated in the specific purchase agreements or trust agreements of assembled fund trust plan products. AVIC Trust shall ensure that the pricing it offers to any third party does not prevail over its offering to the Group under the same product category at that time. In particular, the "market price" means: (i) the quoted market price of the relevant assembled fund trust plan products, as agreed upon by the Group and AVIC Trust, or third-party price offered by other comparable products in the same category; (ii) the quoted price or purchase price normally offered to third parties for the assembled fund trust plan products by AVIC Trust in its ordinary and usual course of business; and (iii) other relevant pricing basis reasonably agreed upon by both parties.

B. BASIS FOR DETERMINING THE CAP

The maximum daily balance for the financial products to be purchased by the Group from 9 July 2021 to 31 December 2023 under the Financial Service Framework Agreement is RMB1,150 million. The daily cap was determined by the Company with reference to: (a) the maximum actual daily outstanding balance since entering into the Previous 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.

Historical figures for the relevant period

| | From 10 July 2018 to 31 December 2018 (RMB'000) | Twelve months ended 31 December 2019 (RMB'000) | Twelve months ended 31 December 2020 (RMB'000) | Six months ended 30 June 2021 (RMB'000) |
|---|--|---|---|--|
| Maximum actual daily outstanding balance since entering into the Previous Financial Service Framework Agreement | 650,000 | 570,000 | 1,100,000 | 1,150,000 |

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 its utilisation of the financial services provided by AVIC Trust: the relevant department of the Company is responsible for collecting and comparing the pricing offered by independent financial institutions from time to time and any changes in the credit ratings of AVIC Trust, reporting such information to the Directors, and reviewing the pricing of the assembled fund trust plan products offered by AVIC Trust to make sure that aforementioned pricing basis will be followed in individual transactions.

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

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

The provision of financial products, especially the assembled fund trust plan products issued by AVIC Trust will be beneficial for the Group to diversify its asset management portfolios, thus achieving 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 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 chief of AVIC, had abstained from voting on the relevant Board resolution approving the renewal of 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 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 renewal of the financial Service Framework Agreement constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the renewal of the Financial Service Framework 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.

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 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, 61.60% 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 non-wholly-owned subsidiary of AVIC, which is held as to approximately 82.73% by AVIC Investment Holding Ltd.* (中航投資控股股份有限公司) and approximately

17.27% by Oversea-Chinese Banking Corporation Ltd. (新加坡華僑銀行有限公司*). AVIC Investment Holding Ltd. is ultimately controlled by AVIC through AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司), an A-share listed company.

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 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 9 July 2021, pursuant to which, the Group has agreed to utilise the financial services provided by AVIC Trust when and as it deems necessary from 9 July 2021 to 31 December 2023 |
| “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 |
| “PRC” | the People's Republic of China |
| “Previous 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 agreed to utilise the financial services provided by AVIC Trust when and as it deems necessary for three years ending 9 July 2021 |
| “RMB” | Renminbi, the lawful currency of the PRC |

“Shareholder(s)” holder(s) of the shares of the Company

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

Beijing, 9 July 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*