

*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)

**CONNECTED TRANSACTIONS:  
GRANT OF ENTRUSTED LOANS TO LANZHOU  
AVIATION ELECTRICAL AND AVIC LANFEI**

On 15 December 2011, the Company, the Bank entered into an entrusted loan agreement with each of Lanzhou Aviation Electrical and AVIC Lanfei, respectively, pursuant to which the Company will grant entrusted loans of RMB35 million and RMB15 million to Lanzhou Aviation Electrical and AVIC Lanfei respectively, with term of one year, to support the development of aviation products of Lanzhou Aviation Electrical and AVIC Lanfei.

As of the date of this announcement, Lanzhou Aviation Electrical and AVIC Lanfei are both wholly-owned subsidiaries of AVIC Avionics. AVIC Avionics is directly and indirectly owned as to 35.06% by AVIC (excluding the interest held by AVIC through the Company), which is the controlling shareholder of the Company holding 56.70% equity interest in the Company. Accordingly, AVIC Avionics is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the grants of the entrusted loans to Lanzhou Aviation Electrical and AVIC Lanfei constitute connected transactions pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratio in relation to the grants of entrusted loans are higher than 0.1% but less than 5%, such connected transactions are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

On 15 December 2011, the Company, the Bank entered into an entrusted loan agreement with each of Lanzhou Aviation Electrical and AVIC Lanfei, both as wholly-owned subsidiaries of AVIC Avionics, respectively, pursuant to which the Company will grant entrusted loans of RMB35 million and RMB15 million to Lanzhou Aviation Electrical and AVIC Lanfei respectively, with term of one year, to support the development of aviation products by Lanzhou Aviation Electrical and AVIC Lanfei.

## **A. ENTRUSTED LOAN AGREEMENTS**

### **Entrusted loan agreement with Lanzhou Aviation Electrical**

Principal terms of the entrusted loan agreement to Lanzhou Aviation Electrical as follows:

#### **1. Date**

15 December 2011

#### **2. Parties**

The Company, as the principal;  
the Bank, as the entrusted lender; and  
Lanzhou Aviation Electrical, as the borrower

#### **3. Amount**

RMB 35 million

#### **4. Term**

One year from 15 December 2011 to 14 December 2012

#### **5. Interest Rate**

6.56% per annum. The accrued interest shall be settled by Lanzhou Aviation Electrical at the maturity date of the entrusted loan.

#### **6. Handling charges**

0.05% per annum. The handling charges shall be paid by Lanzhou Aviation Electrical to the Bank.

#### **7. Repayment of the Entrusted Loans**

One-off repayment of the principal amount to the Company upon the maturity of the entrusted loan to Lanzhou Aviation Electrical.

## **Entrusted loan agreement with AVIC Lanfei**

Principal terms of the entrusted loan agreement to AVIC Lanfei as follows:

### **1. Date**

15 December 2011

### **2. Parties**

The Company, as the principal;  
the Bank, as the entrusted lender; and  
AVIC Lanfei, as the borrower

### **3. Amount**

RMB 15 million

### **4. Term**

One year from 15 December 2011 to 14 December 2012

### **5. Interest Rate**

6.56% per annum. The accrued interest shall be settled by AVIC Lanfei at the maturity date of the entrusted loan.

### **6. Handling charges**

0.05% per annum. The handling charges shall be paid by AVIC Lanfei to the Bank.

### **7. Repayment of the Entrusted Loans**

One-off repayment of the principal amount to the Company upon the maturity of the entrusted loan to AVIC Lanfei.

## **B. REASONS FOR AND BENEFITS FOR GRANTING THE ENTRUSTED LOANS**

Lanzhou Aviation Electrical and AVIC Lanfei are companies engaged in the development and production of avionic systems. Lanzhou Aviation Electrical actively participates in the development and production of new avionic technological projects and the rapid and smooth implementation of such new projects will enhance its position in the aviation industry and upgrade its aviation product structure. AVIC Lanfei is establishing new civil aviation production lines to engage in production of energy-saving and environmental-protection products promoted under the national industrial policy and which have significant value to its strategic development

in terms of production scale. In order to accelerate the smooth implementation of such projects, the Company will grant entrusted loans of RMB35 million and RMB15 million to Lanzhou Aviation Electrical and AVIC Lanfei respectively.

The transactions contemplated under the entrusted loan agreements are made on normal commercial terms. The Directors consider that the grants of the entrusted loans to Lanzhou Aviation Electrical and AVIC Lanfei are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors have a material interest in transactions contemplated under the entrusted loan agreements, therefore, none of the Directors abstained from voting on the relevant board resolution at the Board meeting.

### **C. HONG KONG LISTING RULES IMPLICATIONS**

As of the date of this announcement, Lanzhou Aviation Electrical and AVIC Lanfei are both wholly-owned subsidiaries of AVIC Avionics. AVIC Avionics is directly and indirectly owned as to 35.06% by AVIC (excluding the interest held by AVIC through the Company) which is the controlling shareholder of the Company holding 56.70% equity interest in the Company. Accordingly, AVIC and AVIC Avionics are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the grants of the entrusted loans to Lanzhou Aviation Electrical and AVIC Lanfei constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratio in relation to the grants of the entrusted loans are higher than 0.1% but less than 5%, such connected transactions are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

### **D. GENERAL**

#### *Information on the Company*

The Company is mainly engaged in the research and development, manufacture and sale of aviation products. As at the date of this announcement, the Company is held as to 56.70% by AVIC.

*Information on AVIC Avionics*

AVIC Avionics is a joint stock limited liability company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, AVIC Avionics is held as to 44.49% by the Company. AVIC Avionics is mainly engaged in the manufacturing of aviation electronics engineering products and accessories.

*Information on Lanzhou Aviation Electrical*

Lanzhou Aviation Electrical is a wholly-owned subsidiary of AVIC Avionics. It is mainly engaged in development and production services of air motor, electric appliances, electric institutions and airborne computer.

*Information on AVIC Lanfei*

AVIC Lanfei is a wholly-owned subsidiary of AVIC Avionics. It is mainly engaged in research, manufacture and sale of aviation automatic control devices and instruments.

*Information on the Bank*

The Bank is a bank in the PRC and is principally engaged in banking, financial and other financial related services.

**DEFINITIONS**

“AVIC”	Aviation Industry Corporation of China (中國航空工業集團公司), a controlling shareholder of the Company holding 56.70% equity interest in the Company
“AVIC Avionics”	China AVIC Avionics Equipment Co., Ltd. (中航航空電子設備股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange which is held as to 44.49% by the Company
“AVIC Lanfei”	Lanzhou Flight Control Co., Ltd., (蘭州飛行控制有限責

	任公司), a wholly-owned subsidiary of AVIC Avionics
<b>“Bank”</b>	the Beijing Dongdan branch of Bank of Communications Limited
<b>“Board”</b>	the board of directors of the Company
<b>“Company”</b>	AviChina Industry & Technology Company Limited
<b>“Directors”</b>	the director(s) of the Company
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“Lanzhou Aviation Electrical”</b>	AVIC Lanzhou Wanli Aviation Electromechanic Inc., (蘭州萬里航空機電有限責任公司), a wholly-owned subsidiary of AVIC Avionics
<b>“PRC”</b>	the People’s Republic of China
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC

By Order of the Board  
**AviChina Industry & Technology Company Limited\***  
**Yan Lingxi**  
Company Secretary

Hong Kong, 15 December 2011

*As at the date of this announcement, the board of directors of the Company comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong, Mr. Maurice Savart as well as independent non-executive directors Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.*

*\* For identification purposes only.*