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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  
PROVISION OF LOANS BY AVIC**

On 29 March 2016, each of Qingyun Instrument and Baocheng Instrument, being the Company's non-wholly-owned subsidiaries, entered into the Loan Agreement with AVIC respectively, pursuant to which, AVIC agreed to grant a loan of RMB120 million to Qingyun Instrument with a term of not less than 10 years at an interest rate of 1.08% per annum, and a loan of RMB20 million to Baocheng Instrument with a term of 15 years at an interest rate of 1.20% per annum.

On the same date, AVIC Avionics, the Company's non-wholly-owned subsidiaries, entered into the guarantee agreements with AVIC to provide guarantees in favour of Qingyun Instrument and Baocheng Instrument for the loans granted by AVIC under the Loan Agreements.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and therefore a connected person of the Company. Qingyun Instrument, Baocheng Instrument and AVIC Avionics are non-wholly-owned subsidiaries of the Company. The grant of the loans from AVIC to Qingyun Instrument and Baocheng Instrument under the Loan Agreements as guaranteed by AVIC Avionics constitutes connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable percentage ratios in relation to the grant of the aforementioned loans exceeds 0.1% but is less than 5% on an aggregation basis, the connected transactions contemplated under the Loan Agreements are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Qingyun Instrument and Baocheng Instrument, the wholly-owned subsidiaries of AVIC Avionics, (a non-wholly-owned subsidiary of the Company) is entitled to certain amount of loans under the national special construction funds. Such loans shall be granted to Qingyun Instrument and Baocheng Instrument by National Development Fund Co., Ltd. (國開發展基金有限公司) through AVIC, the controlling shareholder of the Company.

On 29 March 2016, each of Qingyun Instrument and Baocheng Instrument entered into the Loan

Agreement with AVIC respectively, pursuant to which, AVIC agreed to grant a loan of RMB120 million to Qingyun Instrument with a term of not less than 10 years at an interest rate of 1.08% per annum, and a loan of RMB20 million to Baocheng Instrument with a term of 15 years at an interest rate of 1.20% per annum.

On the same date, AVIC Avionics entered into the guarantee agreements with AVIC to provide guarantees in favour of Qingyun Instrument and Baocheng Instrument for the loans granted by AVIC under the Loan Agreements.

## **A. THE LOAN AGREEMENTS**

A summary of the principal terms of the Loan Agreements is set out as follows:

### **1. Date**

29 March 2016

### **2. Parties**

- (i) AVIC, as the lender; and
- (ii) Qingyun Instrument and Baocheng Instrument, as the borrowers, respectively.

### **3. Loan Amount, Term and Interest Rate**

- (i) Under the Loan Agreement entered into between AVIC and Qingyun Instrument, the loan amount is RMB120 million, the term is not less than 10 years and the interest rate is 1.08% per annum; and
- (ii) Under the Loan Agreement entered into between AVIC and Baocheng Instrument, the loan amount is RMB20 million, the term is 15 years and the interest rate is 1.20% per annum.

### **4. Repayment of the Loans**

The repayment of the principal amount of the loans shall be made by Qingyun Instrument or Baocheng Instrument to AVIC by instalment during the terms of the Loan Agreements.

## **B. GUARANTEE BY AVIC AVIONICS**

On the same date, AVIC Avionics entered into the guarantee agreements with AVIC, pursuant to which, AVIC Avionics shall provide joint liability guarantees in favour of Qingyun Instrument and Baocheng Instrument for the loans granted from AVIC under the Loan Agreements.

## **C. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Taking into account that the loan interest rates as agreed under the Loan Agreements are much lower than those offered by commercial banks, the Company is of the view that the entering into the Loan Agreements are beneficial for the Company to reduce the relevant financial costs.

The terms of the Loan Agreements are agreed by the parties after arm's length negotiations and made on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Loan Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Each of Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who are general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the connected transaction contemplated under the Loan Agreements and thus had abstained from voting on the relevant board resolution approving the Loan Agreements in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

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

As at the date of this announcement, AVIC is the controlling shareholder of the Company and therefore a connected person of the Company. Qingyun Instrument, Baocheng Instrument and AVIC Avionics are non-wholly-owned subsidiaries of the Company. The grant of the loans from AVIC to Qingyun Instrument and Baocheng Instrument under the Loan Agreements as guaranteed by AVIC Avionics constitutes connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable percentage ratios in relation to the grant of the aforementioned loans exceeds 0.1% but is less than 5% on an aggregation basis, the connected transactions contemplated under the Loan Agreements are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

#### **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.

##### *Information on AVIC*

AVIC is held and controlled by the State Council of the PRC, and is mainly engaged in the development and manufacturing of aviation products and non-aviation products. As at the date of this announcement, AVIC is a controlling shareholder of the Company holding 54.85% equity interest directly and indirectly in the Company.

##### *Information on AVIC Avionics*

AVIC Avionics is a joint stock limited liability company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange. AVIC Avionics is mainly engaged in the manufacturing of avionics and electrical products and accessories.

##### *Information on Qingyun Instrument*

Qingyun Instrument is a wholly-owned subsidiary of AVIC Avionics. It is mainly engaged in the manufacturing and sales of, among other things, aircraft instrument, sensors and autopilot.

##### *Information on Baocheng Instrument*

Baocheng Instrument is a wholly-owned subsidiary of AVIC Avionics. It is mainly engaged in the manufacturing and sales of, among other things, navigators and guidance instruments, air conditioners, machinery and electronics.

## F. DEFINITIONS

<b>“AVIC”</b>	China Aviation Industry Corporation* (中國航空工業集團公司), a controlling shareholder of the Company holding 54.85% equity interest in the Company directly and indirectly as at the date of this announcement
<b>“AVIC Avionics”</b>	China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange (stock code: 600372) and a subsidiary of the Company
<b>“Baocheng Instrument”</b>	AVIC Shaanxi Baocheng Aviation Instrument Co., Ltd.* (陝西寶成航空儀錶有限責任公司), a wholly-owned subsidiary of AVIC Avionics
<b>“Board”</b>	the board of directors of the Company
<b>“Company”</b>	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
<b>“Directors”</b>	the director(s) of the Company
<b>“Loan Agreement(s)”</b>	the loan agreement(s) dated 29 March 2016 entered into by AVIC as the lender, Qingyun Instrument and Baocheng Instrument as the borrowers, respectively
<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>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“PRC”</b>	the People’s Republic of China
<b>“Qingyun Instrument”</b>	AVIC Beijing Qingyun Aviation Instruments Co., Ltd.* (北京青雲航空儀錶有限公司), a wholly-owned subsidiary of AVIC Avionics
<b>“RMB”</b>	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\***  
**Yan Lingxi**  
Company Secretary

Beijing, 29 March 2016

*As at the date of this announcement, the board of directors comprises executive Directors Mr. Lin Zuoming and Mr. Tan Ruisong and non-executive Directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Guo Chongqing and Mr. Maurice Savart as well as independent non-executive Directors Mr. Lau ChungMan, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.*

*\*For identification purposes only.*