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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 TRANSACTION

PROVISION OF LOAN BY AVIC FINANCE

On 20 June 2016, AVIC Huiyang, a subsidiary of the Company, entered into two Loan Agreements with AVIC Finance, a subsidiary of AVIC, pursuant to which, AVIC Finance agreed to grant a loan of RMB10 million and a loan of RMB30 million to AVIC Huiyang respectively, with an aggregate amount of RMB40 million, and both of them with a term of one (1) year at an interest rate of 4.35% per annum.

On the same date, AVICOPTER, a subsidiary of the Company, entered into two Guarantee Agreements with AVIC Finance to provide guarantees with an aggregate amount of RMB40 million for the loans granted by AVIC Finance in favour of AVIC Huiyang.

As at the date of this announcement, AVIC Huiyang and AVICOPTER are non-wholly-owned subsidiaries of the Company. AVIC Finance is a subsidiary of AVIC, which is the controlling shareholder of the Company. Therefore, AVIC Finance is a connected person of the Company. The grants of loans by AVIC Finance to AVIC Huiyang under the Loan Agreements as guaranteed by AVICOPTER constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable percentage ratios of the transactions is more than 0.1% but less than 5% on an aggregated 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.

A. INTRODUCTION

On 20 June 2016, AVIC Huiyang, a subsidiary of the Company, entered into two Loan Agreements with AVIC Finance, a subsidiary of AVIC, pursuant to which, AVIC Finance agreed to grant a loan of RMB10 million and a loan of RMB30 million to AVIC Huiyang

respectively, with an aggregate amount of RMB40 million, and both of them with a term of one (1) year at an interest rate of 4.35% per annum.

On the same date, AVICOPTER, a subsidiary of the Company, entered into two Guarantee Agreements with AVIC Finance to provide guarantees with an aggregate amount of RMB40 million for the loans granted by AVIC Finance in favour of AVIC Huiyang.

B. THE LOAN AGREEMENTS

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

1. Date

20 June 2016

2. Parties

- (i) AVIC Finance, as the lender; and
- (ii) AVIC Huiyang, as the borrower.

3. Loan amount, term and interest payable

Pursuant to the Loan Agreements, AVIC Finance will grant a loan of RMB10 million and a loan of RMB30 million to AVIC Huiyang respectively, with an aggregate amount of RMB40 million, and both of them with a term of one (1) year as from the date of the Loan Agreements for the use of supplementing working capital. The interest rate of the loans is 4.35% per annum and the interest will be paid quarterly.

4. Repayment of the Loans

The repayment of the principal amount of the loans shall be made by AVIC Huiyang to AVIC Finance upon the maturity of the loans.

C. GUARANTEE BY AVICOPTER

On the same date, AVICOPTER, a subsidiary of the Company, entered into two Guarantee Agreements with AVIC Finance, pursuant to which, AVICOPTER agreed to provide joint liability guarantee in favour of AVIC Huiyang for the loans granted by AVIC Finance under the two Loan Agreements.

D. REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENTS AND THE GUARANTEE AGREEMENTS

In order to strengthen the competitiveness of AVIC Huiyang and to meet its business development needs, AVIC Huiyang entered into the Loan Agreements with AVIC Finance to finance for its working capital.

The terms of the Loan Agreements and Guarantee Agreements are agreed 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 the terms of the Loan Agreements and Guarantee Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Each of Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, Directors of the Company, who are chairman, general manager, vice general manager and vice general manager of AVIC, respectively, had abstained from voting on the relevant board resolution approving the Loan Agreements and Guarantee Agreements in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save for Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, none of the other Directors has or is deemed to have a material interest in the above mentioned connected transactions.

E. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Huiyang and AVICOPTER are non-wholly-owned subsidiaries of the Company. AVIC Finance is a subsidiary of AVIC, which is the controlling shareholder of the Company. Therefore, AVIC Finance is a connected person of the Company. The grants of loans by AVIC Finance to AVIC Huiyang under the Loan Agreements as guaranteed by AVICOPTER constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable percentage ratios of the transactions is more than 0.1% but less than 5% on an aggregated 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.

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 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 manufacture of aviation products and non-aviation products.

Information on AVIC Huiyang

AVIC Huiyang is a limited liability incorporated in the PRC and is a subsidiary of the Company. It is mainly engaged in the manufacture of aviation propellers, speed governors, feathering pumps, and tail rotors, etc.

Information on AVICOPTER

AVICOPTER is a joint stock limited company whose shares are listed on the Shanghai Stock Exchange and is a subsidiary of the Company. It is mainly engaged in research, development, design, manufacture and sale of helicopter products.

Information on AVIC Finance

AVIC Finance is a limited liability incorporated in the PRC and is a subsidiary of AVIC.

G. DEFINITIONS

“AVIC”	China Aviation Industry Corporation* (中國航空工業集團公司), the controlling shareholder of the Company holding 54.85% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Finance”	AVIC Finance Co., Ltd. * (中航工業集團財務有限責任公司), a limited liability incorporated in the PRC and is a subsidiary of AVIC
“AVIC Huiyang”	Huiyang Aviation Propeller Limited*(惠陽航空螺旋槳有限責任公司), a limited liability incorporated in the PRC and is a subsidiary of the Company
“AVICOPTER”	AVICOPTER PLC*(中航直升機股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange and is a subsidiary of the Company
“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
“Directors”	the director(s) of the Company
“Guarantee Agreements”	the two guarantee agreements entered into by AVIC Finance and AVICOPTER on 20 June 2016 in relation to the provision of guarantees by AVICOPTER to AVIC Finance in favour of AVIC Huiyang amounting to RMB40 million in total
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)
“Loan Agreements”	the two loan agreements entered into by AVIC Huiyang as the borrower and AVIC Finance as the lender on 20 June 2016, pursuant to which, AVIC Finance agreed to grant a loan of RMB10 million and

a loan of RMB30 million to AVIC Huiyang respectively, with an aggregate amount of RMB40 million, and both of them with a term of one year

“PRC”

the People’s Republic of China

“RMB”

Renminbi, the lawful currency of the PRC

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

Beijing, 20 June 2016

As at the date of this announcement, the Board 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. Kiran Rao as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.

**For identification purposes only.*