

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
AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN

On 6 September 2016, AVIC Planning, a wholly-owned subsidiary of the Company, entered into two Entrusted Loan Framework Agreements with AVIC Geotechnical and AVIC Changsha Design, respectively, pursuant to which, AVIC Planning has agreed to grant the Entrusted Loans to AVIC Geotechnical and AVIC Changsha Design through AVIC Finance for a term of not more than one year.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, both of AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the entering into the Entrusted Loan Framework Agreements with AVIC Geotechnical and AVIC Changsha Design constitutes connected transactions of the Company. As the highest of the applicable size test percentage ratios in relation to the entering into the Entrusted Loan Framework Agreements is higher than 0.1% but less than 5% on an aggregated basis, the connected transactions contemplated under the Entrusted Loan Framework Agreements are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

On 6 September 2016, AVIC Planning, a wholly-owned subsidiary of the Company, entered into two Entrusted Loan Framework Agreements with AVIC Geotechnical and AVIC Changsha Design, respectively, pursuant to which, AVIC Planning has agreed to grant the Entrusted Loans to AVIC Geotechnical and AVIC Changsha Design through AVIC Finance for a term of not more than one year.

A. THE ENTRUSTED LOAN FRAMEWORK AGREEMENTS

The principal terms of two Entrusted Loan Framework Agreements are substantially the same. A summary of the principal terms of the Entrusted Loan Framework Agreements is set out as follows:

1. Date

6 September 2016

2. Parties

- (i) AVIC Planning, as the lender; and
- (ii) AVIC Geotechnical and AVIC Changsha Design, as the respective borrower;

3. Loan Amount

Not more than RMB50 million for AVIC Geotechnical;

Not more than RMB30 million for AVIC Changsha Design.

4. Term

Each of the term shall not exceed one year.

5. Interest Rate

The interest rate shall be the benchmark interest rate published by the People's Bank of China for the loans with the same term. The accrued interest shall be settled by AVIC Geotechnical/AVIC Changsha Design quarterly during the term of the Entrusted Loan.

6. Handling Charges

The above loans will be granted through AVIC Finance. The handling charges shall be paid by AVIC Geotechnical/AVIC Changsha Design to AVIC Finance upon grant of Entrust Loan.

7. Repayment of the Entrusted Loan

One-off repayment of the principal amount to the AVIC Planning by AVIC Geotechnical/AVIC Changsha Design upon the maturity of the Entrusted Loan.

B. REASONS FOR AND BENEFITS OF GRANTING THE ENTRUSTED LOANS

As AVIC Geotechnical and AVIC Changsha Design are under the trusteeships of AVIC Planning, to stabilize the relationship on financing and management with the entrusted companies, satisfy their daily operation needs, and meanwhile improve the capital using value, AVIC Planning entered into the Entrusted Loan Framework Agreements with AVIC Geotechnical and AVIC Changsha Design respectively.

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

C. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, both of AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the entering into the Entrusted Loan Framework Agreements with AVIC Geotechnical and AVIC Changsha Design constitutes connected transactions of the Company. As the highest of the applicable size test percentage ratios in relation to the entering into the Entrusted Loan Framework Agreements is higher than 0.1% but less than 5% on an aggregated basis, the connected transactions contemplated under the Entrusted Loan Framework Agreements are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

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 Entrusted Loan Framework 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 abovementioned connected transactions.

D. 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 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 Geotechnical

AVIC Geotechnical is a limited liability incorporated in the PRC and is a subsidiary of AVIC, and is mainly engaged in the surveying, evaluation, mapping, design and construction of engineering geology and geotechnical engineering, etc.

Information on AVIC Changsha Design

AVIC Changsha Design is a limited liability incorporated in the PRC and is a subsidiary of AVIC, and is mainly engaged in the engineering consultation, engineering designing, engineering procurement construction and engineering project management, etc.

Information on AVIC Finance

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

E. DEFINITIONS

“AVIC”	China Aviation Industry Corporation* (中國航空工業集團公司), the controlling shareholder of the Company holding 58.57% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Changsha Design”	AVIC Planning Changsha Design Institute Co., Ltd.* (中航長沙設計研究院有限公司), a limited liability incorporated in the PRC and a subsidiary of AVIC
“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 a subsidiary of AVIC
“AVIC Geotechnical”	AVIC Geotechnical Engineering Institute Co., Ltd.* (中航勘察設計研究院有限公司), a limited liability incorporated in the PRC and a subsidiary of AVIC
“AVIC Planning”	China Aviation Planning and Design Institute (Group) Co., Ltd. *(中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of the Company 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”	has the same meaning as defined in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Loan(s)”	the entrusted loan(s) to be granted by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design under the respective Entrusted Loan Framework Agreement
“Entrusted Loan Framework Agreements”	the two entrusted loan framework agreements entered into by AVIC Geotechnical and AVIC Changsha

Design as the respective borrower and AVIC Planning as the lender on 6 September 2016, pursuant to which, AVIC Planning has agreed to grant a loan of RMB50 million and a loan of RMB30 million with a term of not more than one year to AVIC Geotechnical and AVIC Changsha Design respectively

“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)
“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

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

Beijing, 6 September 2016

As at the date of this announcement, the Board comprises executive Director Mr. Lin Zuoming, non-executive Directors Mr. Tan Ruisong, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. He Zhiping 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.*