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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)

**CONTINUING CONNECTED TRANSACTIONS
GRANT OF ENTRUSTED LOANS TO
AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN**

On 30 August 2017, AVIC Planning, a wholly-owned subsidiary of the Company, entered into the Entrusted Loan Framework Agreement with AVIC Finance and AVIC Construction and Development Technology, pursuant to which, AVIC Planning has agreed to grant the Entrusted Loans (each for a term of not more than one year) to AVIC Geotechnical and AVIC Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, through AVIC Finance for the three years ending 31 December 2019. The daily balance of the outstanding entrusted loans under the Entrusted Loan Framework Agreement shall not be more than RMB300 million for each of the years from 2017 to 2019.

As at the date of this announcement, AVIC is the controlling Shareholder of the Company and AVIC Finance, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Finance, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the Entrusted Loans under the Entrusted Loan Framework Agreement to AVIC Geotechnical and AVIC Changsha Design constitutes continuing connected transactions of the Company. As the highest of the applicable size test percentage ratios in relation to the entering into of the Entrusted Loan Framework Agreement is higher than 0.1% but less than 5%, the continuing connected transactions contemplated under the Entrusted Loan Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

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Changsha Design, both being subsidiaries of AVIC Construction and Development Technology, through AVIC Finance for the three years ending 31 December 2019.

A. THE ENTRUSTED LOAN FRAMEWORK AGREEMENT

A summary of the principal terms of the Entrusted Loan Framework Agreement is set out as follows:

1. Date

30 August 2017

2. Period

the three years ending 31 December 2019

3. Parties

- (i) AVIC Planning, as the lender;
- (ii) AVIC Finance, as the lending agent; and
- (iii) AVIC Construction and Development Technology, as the borrower (for its subsidiaries, namely AVIC Geotechnical and AVIC Changsha Design).

4. Loan Amount

The daily balance of the outstanding entrusted loans under the Entrusted Loan Framework Agreement shall not be more than RMB300 million for each of the years from 2017 to 2019.

5. Loan Term

Each of the loan term shall not exceed one year.

6. Interest Rate

The interest rate is expected to be 4.35% per annum, subject to adjustments based on the benchmark interest rate promulgated by the People's Bank of China for the loans with the same term. The accrued interest shall be settled by the respective subsidiaries of AVIC Construction and Development Technology quarterly during the term of the Entrusted Loans.

7. Handling Charges

The handling charges shall be paid by the respective subsidiaries of AVIC Construction and Development Technology to AVIC Finance upon grant of the Entrusted Loans.

8. Repayment of the Entrusted Loan

One-off repayment of the principal amount to AVIC Planning by the subsidiaries of AVIC Construction and Development Technology upon the maturity of the specific Entrusted Loan.

9. Specific Agreements

The term, amount and annual interest rate of each Entrusted Loan are subject to the entrusted loan entrustment agreement and the entrusted loan contract individually entered into by AVIC Planning, AVIC Finance and the relevant subsidiary of AVIC Construction and Development Technology.

B. BASIS FOR DETERMINING THE CAP

Considering the potential financing demands of AVIC Geotechnical and AVIC Changsha Design, AVIC Planning has decided to provide the Entrusted Loans for AVIC Geotechnical and AVIC Changsha Design with the daily balance of the outstanding entrusted loans not exceeding RMB300 million. The proposed cap for the Entrusted Loans is determined based on average cash and bank balance available for AVIC Planning, the cash demands, financial position and operation condition of AVIC Geotechnical and AVIC Changsha Design.

C. REASONS FOR AND BENEFITS OF GRANTING THE ENTRUSTED LOANS

As AVIC Construction and Development Technology 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 Construction and Development Technology.

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

Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Wu Xiandong and Mr. Li Yao, Directors of the Company, who is chairman, general manager, vice general manager and chief accountant of AVIC, respectively, had abstained from voting on the relevant board resolution approving the Entrusted Loan Framework Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the abovementioned continuing connected transactions.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC is the controlling Shareholder of the Company and AVIC Finance, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are subsidiaries of AVIC. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, AVIC Finance, AVIC Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the Entrusted Loans under the Entrusted Loan Framework Agreement to AVIC Geotechnical and AVIC Changsha Design constitutes continuing connected transactions of the Company. As the highest of the applicable size test percentage ratios in relation to the entering into of the Entrusted Loan Framework Agreement is higher than 0.1% but less than 5%, the continuing connected transactions contemplated under the

Entrusted Loan Framework Agreement 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, 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 58.57% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on AVIC Construction and Development Technology

AVIC Construction and Development Technology is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of AVIC. It is mainly engaged in technology promotion, technical services, technical advice, technology development and other business.

Information on AVIC Finance

AVIC Finance is a limited liability company incorporated in the PRC and is a subsidiary of AVIC. It is licensed by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrustment loans and entrustment investment to member companies, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory services, credit certification and other advisory agency services and security to member companies, and other financial services as may be approved by the CBRC.

F. DEFINITIONS

“AVIC”	Aviation Industry Corporation of China* (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”	China Aviation Changsha Design and Research Co., Ltd.* (中航長沙設計研究院有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC

“AVIC Construction Development Technology”	and AVIC Construction and Development (Beijing) Technology Co., Ltd.* (中航建發(北京)科技有限公 司), a limited liability company incorporated in the PRC and a wholly-owned 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 company incorporated in the PRC and a subsidiary of AVIC
“AVIC Geotechnical”	AVIC Institute of Geotechnical Engineering Co., Ltd.* (中航勘察設計研究院有限公司), a limited liability company 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
“CBRC”	China Banking 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
“Entrusted Loan(s)”	the entrusted loan(s) to be granted by AVIC Planning to AVIC Geotechnical and AVIC Changsha Design respectively under the Entrusted Loan Framework Agreement
“Entrusted Loan Framework Agreement”	the entrusted loan framework agreement entered into by AVIC Planning, AVIC Finance and AVIC Construction and Development Technology on 30 August 2017, pursuant to which, AVIC Planning has agreed to grant loans to AVIC Geotechnical and AVIC Changsha Design with the daily balance of the outstanding entrusted loans not exceeding RMB300

million for each of the years from 2017 to 2019

“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, 1 September 2017

As at the date of this announcement, the Board comprises executive Director Mr. Lin Zuoming, non-executive Directors Mr. Tan Ruisong, Mr. Wu Xiandong, Mr. Li Yao, Mr. He Zhiping and Mr. Patrick de Castelbajac as well as independent non-executive Directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Chi Wai.

**For identification purposes only.*