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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

CAPITAL INCREASE IN SHAANXI HUAYAN

On 27 May 2022 (after trading hours), AVIC Avionics entered into the Shaanxi Huayan Capital Contribution Agreement with Shaanxi Huayan and AVIC Electric Measuring, pursuant to which AVIC Avionics and AVIC Electric Measuring as the existing shareholders will participate in the capital contributions in Shaanxi Huayan in a total amount of RMB 50.0 million on a pro-rata basis. As at the date of this announcement, Shaanxi Huayan is owned 80% by AVIC Avionics and 20% by AVIC Electric Measuring. Accordingly, AVIC Avionics will contribute an amount of approximately RMB40.0 million in cash in Shaanxi Huayan.

As at the date of this announcement, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Shaanxi Huayan is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC (i.e. the controlling shareholder of the Company) indirectly through its subsidiary, AVIC Electric Measuring. Therefore, the capital contribution by AVIC Avionics in Shaanxi Huayan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of the aforementioned capital contribution exceeds 0.1% but is less than 5%, the entering into of Shaanxi Huayan Capital Contribution Agreement is subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. SHAANXI HUAYAN CAPITAL CONTRIBUTION AGREEMENT

On 27 May 2022 (after trading hours), AVIC Avionics entered into the Shaanxi Huayan Capital Contribution Agreement with Shaanxi Huayan and AVIC Electric Measuring, the principal terms of which are summarised as follows:

1. Date of signing of the Shaanxi Huayan Capital Contribution Agreement

27 May 2022

2. Parties

AVIC Avionics and AVIC Electric Measuring as the existing shareholders, holding 80% and 20% equity interests in Shaanxi Huayan, respectively; and

Shaanxi Huayan as the target company

3. Capital Contribution

The total amount of capital contribution in Shaanxi Huayan is RMB 50.0 million on a pro-rata basis. AVIC Avionics and AVIC Electric Measuring will contribute an amount of RMB 40 million and RMB 10 million in cash, respectively. AVIC Avionics intends to fund the capital contribution from its internal resources.

The capital contribution has been determined after arm's length negotiations between the parties with reference to various factors including business nature, future development plan and funding demands of Shaanxi Huayan.

4. Terms of Payment

The capital contribution shall be paid in a lump sum within 10 working days after the signing of the Shaanxi Huayan Capital Contribution Agreement.

B. REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SHAANXI HUAYAN CAPITAL CONTRIBUTION AGREEMENT

The shareholdings held by AVIC Avionics and AVIC Electric Measuring in Shaanxi Huayan remain unchanged after the capital contribution.

The capital contributions will benefit Shaanxi Huayan to cope with opportunities arising from the application of aviation technology in advanced manufacturing industry. Further, the capital contribution will lower the gearing ratio of Shaanxi Huayan and enhance the operation and competitiveness of Shaanxi Huayan.

The Directors (including the independent non-executive Directors) consider that the terms of the Shaanxi Huayan Capital Contribution Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis and are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

C. GENERAL INFORMATION

Information on AVIC

AVIC is 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 61.60% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Stock Exchange. The Company is mainly engaged in the research, development, manufacture and sales of aviation products, and relevant engineering services.

Information on the existing shareholders of Shaanxi Huayan

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 a non-wholly-owned subsidiary of the Company holding 39.43% equity interest, which is mainly engaged in the manufacture of avionics products and related accessories.

AVIC Electric Measuring is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shenzhen Stock Exchange and is a subsidiary of AVIC as at the date of this announcement. The current products of AVIC Electric Measuring mainly include electrical measurement products such as strain gauges, sensors and weighing instruments.

Information on Shaanxi Huayan

Shaanxi Huayan is a limited liability company incorporated in the PRC, which is mainly engaged in research and development and production of aviation electronic products such as inertial components and electromagnetic components.

The net profits (before and after taxation and extraordinary items) of Shaanxi Huayan prepared under PRC GAAP for the financial year ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2021 (RMB)
<i>Net profit before taxation and extraordinary items</i>	60,337,120.59	61,567,648.42
<i>Net profit after taxation and extraordinary items</i>	53,898,070.54	49,512,151.21

The book value of the net assets of Shaanxi Huayan as at 31 December 2021 prepared under PRC GAAP was approximately RMB 825,528,578.29.

D. LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Shaanxi Huayan is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC (i.e. the controlling shareholder of the Company) indirectly through its subsidiary, AVIC Electric Measuring. Therefore, the capital contribution by AVIC Avionics in Shaanxi Huayan constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio (other than the profits ratio) in respect of each of aforementioned capital contributions exceeds 0.1% but is less than 5%, the entering into of the Shaanxi Huayan Capital Contribution Agreement is subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Shaanxi Huayan Capital Contribution Agreement and the transaction contemplated thereunder were approved by the Board. Mr. Zhang Minsheng, an executive Director and Chairman of the Board, who is a chief accountant of AVIC, and Mr. Li Xichuan, a non-executive

Director, who is a deputy general manager of AVIC Industry Finance Co., Ltd. (中航工業產融控股股份有限公司) (a non-wholly owned subsidiary of AVIC), had abstained from voting on the relevant Board resolution approving the Shaanxi Huayan Capital Contribution Agreement in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transactions.

E. DEFINITIONS

“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), the controlling shareholder of the Company, holding 61.60% equity interest in the Company directly and indirectly as at the date of the announcement
“AVIC Avionics”	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 A shares are listed on the Shanghai Stock Exchange and a non-wholly-owned subsidiary of the Company which is owned as to 39.43% by the Company as at the date of the announcement
“AVIC Electric Measuring”	AVIC Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司), a joint stock limited liability company whose A shares are listed on the Shenzhen Stock Exchange and a subsidiary of AVIC as at the date of the 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 Stock Exchange
“connected person(s)”	has the same meaning as defined in the Listing Rules
“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
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Huayan”	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd.* (陝西華燕航空儀錶有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC Avionics as at the date of the announcement
“Shaanxi Huayan Capital	the capital contribution agreement entered into among AVIC

Contribution Agreement”	Avionics, Shaanxi Huayan and AVIC Electric Measuring on 27 May 2022 in relation to capital contributions in Shaanxi Huayan in cash on a pro-rata basis
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as defined in the Listing Rules

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

Beijing, 27 May 2022

As at the date of this notice, the Board comprises executive Directors Mr. Zhang Minsheng and Mr. Yan Lingxi, non-executive Directors Mr. Lian Dawei, Mr. Li Xichuan, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.

** For identification purpose only*