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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 AND MAJOR
TRANSACTIONS
REVISION OF ORIGINAL ANNUAL CAPS AND ENTERING INTO OF
THE SUPPLEMENTAL CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENTS**

**Independent Financial Adviser to the Independent Board Committee and the Independent
Shareholders**



**REVISION OF ORIGINAL ANNUAL CAPS AND ENTERING INTO OF THE
SUPPLEMENTAL CONTINUING CONNECTED TRANSACTIONS FRAMEWORK
AGREEMENTS**

Reference is made to the announcement of the Company dated 21 August 2020 and the circular of the Company dated 10 November 2020 in relation to the renewal of the Existing Continuing Connected Transactions Framework Agreements. Reference is also made to the announcement dated 10 June 2022 and the circular of the Company dated 29 September 2022 in relation to the acquisition and absorption of AVIC Electromechanical by AVIC Avionics.

In view of the acquisition and absorption of AVIC Electromechanical by AVIC Avionics, the Board envisages that the scope of businesses and scale of operation of the Group will increase and the scope of goods and services to be provided/ obtained by the Group under the Existing Continuing Connected Transactions Framework Agreements will be insufficient. Therefore, on 28 October 2022 (after trading hours), the Board entered into the Supplemental Continuing Connected Transactions Framework Agreements to amend the scope of goods and services to be provided/ obtained by the Group under the

Existing Mutual Product and Service Supply and Guarantee Agreement as well as the maximum daily deposit amount under the Existing Financial Service Framework Agreement. All other terms and conditions under the Existing Continuing Connected Transactions Framework Agreements shall remain the same.

Furthermore, the Board also envisages that the Original Annual Caps under the Existing Continuing Connected Transactions Framework Agreements will be insufficient. Therefore, the Board also proposes to revise and increase the annual caps under the Existing Continuing Connected Transactions Framework Agreements.

HONG KONG LISTING RULES IMPLICATIONS

Continuing connected transactions implications

As at the date of this announcement, AVIC is a controlling shareholder of the Company holding directly and indirectly 62.30% of all issued Shares. AVIC Finance is a subsidiary of AVIC and AVIC Avionics is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and AVIC Avionics is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Existing Continuing Connected Transactions Framework Agreements and Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps therefore constitute continuing connected transactions of the Company.

Partly Exempt Transactions

As the highest applicable percentage ratio in respect of the proposed annual cap of the revenue transactions contemplated under the Supplemental Mutual Product and Service Supply and Guarantee Agreement exceeds 0.1% but is less than 5%, such continuing connected transactions are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt Transactions

As the highest applicable percentage ratio in respect of each of the proposed annual caps of: (i) the transactions contemplated under the Existing Mutual Product Supply Agreement; (ii) the expenditure transactions contemplated under the Supplemental Mutual Product and Service Supply and Guarantee Agreement; and (iii) the Deposit Services contemplated under the Supplemental Financial Services Framework Agreement exceeds 5%, such continuing connected transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Notifiable transactions implications

Major transactions

As the highest applicable percentage ratio in respect of the Deposit Services under the Supplemental Financial Services Framework Agreement exceeds 25%, the Deposit Services also constitute major transactions of the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

GENERAL

Mr. Zhang Minsheng, an executive Director and chairman of the Board, who is a chief accountant of AVIC, and Mr. Liu Bingjun, a non-executive Director, who is a vice director of the Capital Operation Department of AVIC, had abstained from voting on the relevant Board resolutions approving the entering into of the Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transactions.

An Independent Board Committee has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Transactions. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

At the EGM, resolutions will be proposed by the Company to seek the Independent Shareholders' approval on the Transactions. As at the date of this announcement, AVIC is a controlling Shareholder of the Company, holding directly and indirectly 62.30% equity interest in the Company. AVIC and its associates will abstain from voting for the relevant resolutions at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirement of the Hong Kong Listing Rules.

A circular containing, among others, further details about the Transactions, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendations of the Independent Board Committee, other information as required under the Hong Kong Listing Rules and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 January 2023, which is more than 15 business days after the publication of this announcement, as more time is required for the preparation of certain information to be disclosed in the circular.

ENTERING INTO OF THE SUPPLEMENTAL CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 21 August 2020 and the circular of the Company dated 10 November 2020 in relation to the renewal of the Existing Continuing Connected Transactions Framework Agreements. Reference is also made to the announcement dated 10 June 2022 and the circular of the Company dated 29 September 2022 in relation to the acquisition and absorption of AVIC Electromechanical by AVIC Avionics.

In view of the acquisition and absorption of AVIC Electromechanical by AVIC Avionics, the Board envisages that the scope of businesses and scale of operation of the Group will increase and the scope of goods and services to be provided/ obtained by the Group under the Existing Continuing Connected Transactions Framework Agreements will be insufficient. Therefore, on 28 October 2022 (after trading hours), the Board entered into the Supplemental Continuing Connected Transactions Framework Agreements to amend the scope of goods and services to be provided/ obtained by the Group under the Existing Mutual Product and Service Supply and Guarantee Agreement, as well as the maximum daily deposit amount under the Existing Financial Service Framework Agreement. All other terms and conditions under the Existing Continuing Connected Transactions Framework Agreements remain the same. Please refer to the announcement of the Company dated 21 August 2020 for further details.

Details of each of the Supplemental Continuing Connected Transactions Framework Agreements are as follows:

Supplemental Mutual Product and Service Supply and Guarantee Agreement

Date: 28 October 2022

Parties: The Company; and
AVIC Avionics

Subject matter: Pursuant to the Supplemental Mutual Product and Service Supply and Guarantee Agreement:

1. the Group will supply to AVIC Avionics Group aviation parts and components, raw materials, related manufacturing, labour and guarantee services, and engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services, etc.; and
2. AVIC Avionics Group will supply to the Group aviation electronic products, electromechanical parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services.

If matters agreed in the Supplemental Mutual Product and Service Supply and Guarantee Agreement are inconsistent with the Existing Mutual Product and Service Supply and Guarantee Agreement, the Supplemental Mutual Product and Service Supply and Guarantee Agreement prevails. Otherwise, the Existing Mutual Product and Service Supply and Guarantee Agreement shall prevail.

Terms: The Supplemental Mutual Product and Service Supply and Guarantee Agreement shall become effective on, whichever is later:

1. completion of internal approval procedures by both parties to the agreement in accordance with the relevant laws and the articles of association of the parties to the agreement; or
2. completion date of Share Swap and Absorption,

and shall end on 31 December 2023.

Supplemental Financial Services Framework Agreement

Date: 28 October 2022

Parties: The Company; and
AVIC Finance

Subject matter: AVIC Finance has agreed to provide the Group with the Deposit Services with a maximum daily deposit amount (including accrued interest) shall not exceed RMB45,000 million.

If matters agreed in the Supplemental Financial Services Framework Agreement are inconsistent with the Existing Financial Services Framework Agreement, the Supplemental Financial Services Framework Agreement prevails. Otherwise, the Existing Financial Services Framework Agreement shall prevail.

Terms: The Supplemental Financial Services Framework Agreement shall become effective on the date of completion of internal approval procedures by both parties to the agreement in accordance with relevant laws (including the applicable listing rules) and the articles of association of both parties to the agreement and shall end on 31 December 2023.

REVISION OF ORIGINAL ANNUAL CAPS

Furthermore, the Board also proposes to revise and increase the annual caps for the transactions under the Existing Continuing Connected Transactions Framework Agreements and Supplemental Continuing Connected Transactions Framework Agreements. Set out below are the: (i) historical transaction amount under the Existing Continuing Connected Transactions Framework Agreements for the two years ended 31 December 2021 and the six months ended 30 June 2022; and (ii) the Existing Annual Caps and the Proposed Annual Caps for the transactions under the Existing Mutual Product Supply Agreement and the Supplemental Continuing Connected Transactions Framework Agreements for the year ending 31 December 2023:

Historical transaction amount

	<i>For the financial year ended 31 December</i>		<i>For the six months ended 30 June</i>
The transactions under:	2020	2021	2022
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
- the Existing Mutual Product Supply Agreement			
○ <i>Expenditure transactions of the Group</i>	9,414	10,567	5,843
○ <i>Revenue transactions of the Group</i>	27,783	15,674	6,819
- the Existing Mutual Product and Service Supply and Guarantee Agreement			
○ <i>Expenditure transactions of the Group</i>	766	671	301
○ <i>Revenue transactions of the Group</i>	807	184	80

the Group

- **the Existing Financial Services Framework Agreement**

○ <i>Maximum daily outstanding balances of deposits (including accrued interests) for Deposit Services</i>	16,578	19,100	7,976
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The Original Annual Caps and the Proposed Annual Caps

For the financial year ending 31 December 2023

The transactions under:	Original Annual Caps (RMB' million)	Proposed Annual Caps (RMB' million)
- the Existing Mutual Product Supply Agreement		
○ <i>Expenditure transactions of the Group</i>	20,600	23,640
○ <i>Revenue transactions of the Group</i>	23,190	34,516
- the Supplemental Mutual Product and Service Supply and Guarantee Agreement		
○ <i>Expenditure transactions of the Group</i>	1,810	3,830
○ <i>Revenue transactions of the Group</i>	420	1,022
- the Supplemental Financial Services Framework Agreement		
○ <i>Maximum daily outstanding balances of deposits (including accrued interests) for Deposit Services</i>	35,000	45,000

Basis of the Proposed Annual Caps

The Existing Mutual Product Supply Agreement

The proposed annual cap for the expenditure transaction for the year ending 31 December 2023 is derived based on the sum of the original annual cap for the year ending 31 December 2023 and the expected additional purchase costs for the production of electromechanical products as a result of the Share Swap and Absorption. The original annual cap for the year ending 31 December 2023 is used as the basis of the proposed annual cap as it is estimated that in consideration of the demand for ancillary purchases of components for some of the Group's aviation entire aircraft products in the year of 2023, the estimated expenditure transaction amount under the Existing Mutual Product Supply Agreement (excluding the expected additional purchase costs for the production of electromechanical products as a result of the Share Swap and Absorption) may reach the original annual cap for the year ending 31 December 2023. The expected additional purchase costs for the production of electromechanical products as a result of the Share Swap and Absorption is approximately RMB3,040 million for the year ending 31 December 2023, which is determined with reference to the historical transaction amount of similar nature of approximately RMB1,848 million and RMB758 million between AVIC Electromechanical Group and AVIC Group in the financial year ended 31 December 2021 and the six months ended 30 June 2022, as well as the expected growth of relevant business in 2023.

The proposed annual cap for the revenue transaction for the year ending 31 December 2023 is determined based on the sum of the original annual cap for the revenue transaction for the year ending 31 December 2023 and the expected additional sales volume of electromechanical products as a result of the Share Swap and Absorption. The original annual cap is used as the basis for the calculation of the proposed annual cap as it is expected that taking into account the cap utilisation rate in 2021 and the expected operating conditions in 2023, the revenue transaction amount under the Existing Mutual Product Supply Agreement will increase in the year of 2023 compared with the historical transaction amount disclosed above, resulting in the estimated revenue transaction amount under the Existing Mutual Product Supply Agreement (excluding the expected additional sales volume of electromechanical products as a result of the Share Swap and Absorption) reaching the original annual cap for the year ending 31 December 2023. The expected additional sales volume of electromechanical products as a result of the Share Swap and Absorption is approximately RMB11,326 million for the year ending 31 December 2023, which is determined with reference to the historical transaction amount of similar nature of approximately RMB6,799 million and RMB4,599 million between AVIC Electromechanical Group and AVIC Group in the financial year ended 31 December 2021 and the six months ended 30 June 2022, as well as the expected growth of relevant business in 2023.

The Existing Mutual Product and Service Supply and Guarantee Agreement and the Supplemental Mutual Product and Service Supply and Guarantee Agreement

The proposed annual cap for the expenditure transaction for the year ending 31 December 2023 is determined based on the sum of the original annual cap for the expenditure transactions for the year ending 31 December 2023 and the expected additional purchase costs of electromechanical products of as a result of the Share Swap and Absorption. The original annual cap is used as the basis for the calculation of the proposed annual cap as it is expected that in consideration of the demand for ancillary purchases of aviation electronic products from AVIC Avionics Group for some of the Group's aviation entire aircraft products in the year of 2023, the estimated expenditure transaction amount under the Existing Mutual Product and Service Supply and Guarantee Agreement (excluding the expected additional purchase costs of electromechanical products as a result of the Share Swap and Absorption) may reach the original annual cap for the year ending 31 December 2023. The expected additional purchase costs of electromechanical products as a result of the Share Swap and Absorption is approximately RMB2,020 million for the year

ending 31 December 2023, which is determined with reference to the historical transaction amount of similar nature of approximately RMB1,093 million and RMB609 million between AVIC Electromechanical Group and the Group in the financial year ended 31 December 2021 and the six months ended 30 June 2022, as well as the expected growth of relevant business in 2023.

The proposed annual cap for the revenue transaction for the year ending 31 December 2023 is determined based on the sum of the original annual cap for the revenue transaction for the year ending 31 December 2023 and the expected increase in sales volume to AVIC Avionics Group as a result of the Share Swap and Absorption. The original annual cap is used as the basis for the calculation of the proposed annual cap as it is expected that in consideration of AVIC Avionics Group's demand for the procurement of raw materials and components for its aviation electronic products in 2023, the estimated revenue transaction amount under the Existing Mutual Product and Service Supply and Guarantee Agreement (excluding the expected increase in sales volume to AVIC Avionics Group as a result of the Share Swap and Absorption) may reach the original annual cap for the year ending 31 December 2023. The expected increase in sales volume to AVIC Avionics Group as a result of the Share Swap and Absorption is approximately RMB602 million for the year ending 31 December 2023, which is determined with reference to the historical transaction amount of similar nature of approximately RMB314 million and RMB130 million between AVIC Electromechanical Group and the Group in the financial year ended 31 December 2021 and the six months ended 30 June 2022, as well as the expected growth of relevant business in 2023.

The Existing Financial Services Framework Agreement and the Supplemental Financial Services Framework Agreement

The proposed annual cap for the Deposit Services for the year ending 31 December 2023 is determined based on the sum of the original annual cap for the Deposit Services for the year ending 31 December 2023 and the expected increase in the deposit amount by AVIC Avionics Group as a result of the Share Swap and Absorption. The original annual cap is used as the basis of calculation of the proposed annual cap as the prepayments from customers for bulk purchase contracts for some products are expected to be settled in 2023, resulting in an increased demand for Deposit Services and therefore the maximum daily outstanding balance of deposits (including the accrued interests) under the Existing Financial Services Framework Agreement (excluding the expected increase in the deposit amount as a result of the Share Swap and Absorption) is expected to reach the original annual cap for the financial year ending 31 December 2023. The expected increase in the deposit amount by AVIC Avionics Group as a result of the Share Swap and Absorption is approximately RMB10,000 million for the year ending 31 December 2023, such amount is determined with reference to the maximum daily outstanding balance of deposits (including the accrued interests) of AVIC Electromechanical Group in AVIC Finance of approximately RMB8,071 million and RMB5,816 million during the financial year ended 31 December 2021 and the six months ended 30 June 2022, as well as the expected growth of relevant business in 2023.

REASONS FOR ENTERING INTO SUPPLEMENTAL CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS AND REVISION OF THE ORIGINAL ANNUAL CAPS

On 10 June 2022, AVIC Avionics and AVIC Electromechanical entered into a share swap and absorption agreement, pursuant to which AVIC Avionics agreed to issue its shares to certain shareholders of AVIC Electromechanical in exchange for the entire shares of AVIC Electromechanical held by these shareholders. Upon completion of the share swap and absorption arrangement, AVIC Avionics will take over all the assets, liabilities, business operation, employees, contracts and other rights and obligation of AVIC Electromechanical, and AVIC Electromechanical will apply to delist from the Shenzhen Stock Exchange and deregistration. For further details, please refer to the announcement of the Company dated 10 June 2022 and the circular of the Company dated 29 September 2022.

AVIC Electromechanical is a company principally engaged in development, production, sales and service of airborne electromechanical systems and equipment for all types of aircraft and engines. Therefore, it is expected that upon completion of the Share Swap and Absorption, there will be an increase in the scope of goods and services to be provided/ obtained by the Group under the Existing Continuing Connected Transactions Framework Agreements. Furthermore, it is expected that there will be an increase in transaction amounts under the Existing Continuing Connected Transactions Framework Agreements as a result of the continued growth and increase in scale of operation of the Group.

Considering the above, the Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the Independent Financial Adviser) consider that: (i) the Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps are fair and reasonable; and (ii) the terms under the Supplemental Continuing Connected Transactions Framework Agreements are negotiated on an arm's length basis are on normal commercial terms or better, in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

Continuing connected transactions implications

As at the date of this announcement, AVIC is a controlling shareholder of the Company holding directly and indirectly 62.30% of all issued Shares. AVIC Finance is a subsidiary of AVIC and AVIC Avionics is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and AVIC Avionics is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Existing Continuing Connected Transactions Framework Agreements and the Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps therefore constitute continuing connected transactions of the Company.

Partly Exempt Transactions

As the highest applicable percentage ratio in respect of the proposed annual cap of the revenue transactions contemplated under the Supplemental Mutual Product and Service Supply and Guarantee Agreement exceeds 0.1% but is less than 5%, such continuing connected transactions are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt Transactions

As the highest applicable percentage ratio in respect of each of the proposed annual caps of: (i) the transactions contemplated under the Existing Mutual Product Supply Agreement; (ii) the expenditure transactions contemplated under the Supplemental Mutual Product and Service Supply and Guarantee Agreement; and (iii) the Deposit Services contemplated under the Supplemental Financial Services Framework Agreement exceeds 5%, such continuing connected transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Notifiable transactions implications

Major transactions

As the highest applicable percentage ratio in respect of the Deposit Services under the Supplemental Financial Services Framework Agreement exceeds 25%, the Deposit Services also constitute major transactions of the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

INFORMATION OF 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, and relevant engineering services.

INFORMATION OF 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 62.30% equity interest in the Company directly and indirectly as at the date of this announcement.

INFORMATION OF AVIC AVIONICS

AVIC Avionics is a joint stock limited liability company established in the PRC, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, the Company owns 39.50% equity interest in AVIC Avionics and it is a non-wholly owned subsidiary of the Company. It is mainly engaged in the manufacture of avionics products and related accessories.

INFORMATION OF AVIC FINANCE

AVIC Finance is a limited liability company incorporated in the PRC on 8 April 2007 and a subsidiary of AVIC as at the date of this announcement. It is licensed by the CBIRC 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 CBIRC.

GENERAL

Mr. Zhang Minsheng, an executive Director and chairman of the Board, who is a chief accountant of AVIC, and Mr. Liu Bingjun, a non-executive Director, who is a vice director of the Capital Operation Department of AVIC, had abstained from voting on the relevant Board resolution approving the entering into of the Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transaction.

An Independent Board Committee has been formed to advise and provide recommendations to the

Independent Shareholders in respect of the Transactions. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions.

At the EGM, resolutions will be proposed by the Company to seek the Independent Shareholders' approval on the Transactions. As at the date of this announcement, AVIC is a controlling Shareholder of the Company, holding directly and indirectly 62.30% equity interest in the Company. AVIC and its associates will abstain from voting for the relevant resolutions at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirement of the Hong Kong Listing Rules.

A circular containing, among others, further details about the Transactions, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendations of the Independent Board Committee, other information as required under the Hong Kong Listing Rules and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 January 2023, which is more than 15 business days after the publication of this announcement, as more time is required for the preparation of certain information to be disclosed in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”		has the same meaning ascribed to it under the Hong Kong Listing Rules
“AVIC”		Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a controlling shareholder of the Company holding directly and indirectly 62.30% equity interest of the Company as at the date of this 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 (stock code: 600372) and a non-wholly-owned subsidiary of the Company
“AVIC Group”	Avionics	AVIC Avionics and its subsidiaries
“AVIC Electromechanical”		AVIC Electromechanical Systems Co., Ltd.* (中航工業機電系統股份有限公司), a joint stock limited liability company established in the PRC whose A shares are listed on the Shenzhen Stock Exchange (stock code: 002013) and a connected person of the Company by virtue of being owned as to 51.97% directly and indirectly by AVIC
“AVIC Electromechanical Group”		AVIC Electromechanical and its subsidiaries

“AVIC Finance”	AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司), a limited liability company established in the PRC and as at the date of this announcement, a subsidiary of AVIC
“AVIC Group”	AVIC and its subsidiaries
“Board of Directors” or “Board”	the board of Directors of the Company
“China” or the “PRC”	the People’s Republic of China
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving, among other things, the Transactions
“Existing Continuing Connected Transactions Framework Agreements”	the Existing Mutual Product Supply Agreement, the Existing Mutual Product and Service Supply and Guarantee Agreement and the Existing Financial Services Framework Agreement
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into between AVIC Finance and the Company and dated 21 August 2020 for a term of three years commencing from 1 January 2021
“Existing Mutual Product and Service Supply and Guarantee Agreement”	the mutual product and service supply and guarantee agreement entered into between the Company and AVIC Avionics and dated 21 August 2020, for a term of three years commencing from 1 January 2021
“Existing Mutual Product Supply Agreement”	the mutual product supply agreement entered into between AVIC and the Company and dated 21 August 2020, for a term of three years commencing from 1 January 2021
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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)
“Hong Kong Stock Exchange”		The Stock Exchange of Hong Kong Limited
“Independent Committee”	Board	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping, to advise the Independent Shareholders on the Transactions
“Independent Adviser” or “Maxa Capital”	Financial	Maxa Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”		Shareholders (other than AVIC and its associates) who are not required to abstain from voting on the resolution(s) regarding the Transactions to be proposed at the EGM
“Independent Parties”	Third	independent third parties (to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry), including the ultimate beneficial owners of such party, not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates (within the meaning of the Hong Kong Listing Rules)
“Original Annual Caps”		the original annual caps for the year ending 31 December 2023 for the transactions under the Existing Continuing Connected Transactions Framework Agreements
“Proposed Caps”	Annual	the proposed annual caps for the year ending 31 December 2023 for the transactions under the Existing Continuing Connected Transactions Framework Agreements and Supplemental Continuing Connected Transactions Framework Agreements
“RMB” or “Renminbi”		Renminbi, the lawful currency of the PRC
“SFO”		the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”		share(s) of the Company
“Shareholder(s)”		shareholder(s) of the Company
“Share Swap and Absorption”	and	the swap of AVIC Avionics A Shares and AVIC Electromechanical A Shares and the absorption of AVIC Electromechanical by AVIC Avionics pursuant to the terms of the Share Swap and Absorption Agreement, for details please refer to the circular of the Company dated 29 September 2022

“subsidiary(ies)”	has the meaning ascribed to it under Hong Kong Listing Rules
“Supplemental Continuing Connected Transactions Framework Agreements”	the Supplemental Mutual Product and Service Supply and Guarantee Agreement and the Supplemental Financial Services Framework Agreement
“Supplemental Financial Services Framework Agreement”	the supplemental financial services framework agreement entered into between AVIC Finance and the Company and dated 28 October 2022
“Supplemental Mutual Product and Service Supply and Guarantee Agreement”	the supplemental product and service supply and guarantee agreement entered into between the Company and AVIC Avionics and dated 28 October 2022
“Transactions”	the entering into of the Supplemental Continuing Connected Transactions Framework Agreements and the Proposed Annual Caps (except the proposed annual cap of the revenue transactions contemplated under the Supplemental Mutual Product and Service Supply and Guarantee Agreement)
“%”	per cent

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

Beijing, 28 October 2022

As at the date of this announcement, the Board comprises executive Directors Mr. Zhang Minsheng and Mr. Yan Lingxi, non-executive Directors Mr. Lian Dawei, Mr. Liu Bingjun, 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*