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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**

- (1) ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT; AND**  
**(2) GRANT OF ENTRUSTED LOANS AND GUARANTEES TO AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN**

**ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT**

The Board hereby announces that, on 15 March 2023, the Company entered into the Harbin Aircraft Mutual Products and Services Supply Agreement with Harbin Aircraft for a term commencing from the Effective Date and ending on 31 December 2024. Pursuant to the Harbin Aircraft Mutual Products and Services Supply Agreement, (i) the Group will supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to helicopters and aviation parts and components) and provide services in relation to production and labour services to Harbin Aircraft and its subsidiaries; and (ii) Harbin Aircraft and its subsidiaries will supply the manufacturing raw materials, parts and components, and provide services in relation to production, labour, leasing (including but not limited to equipment leasing and property leasing) and other comprehensive services to the Group.

**GRANT OF ENTRUSTED LOANS AND GUARANTEES TO AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN**

Reference is made to the announcement of the Company dated 18 March 2020 in relation to the 2020 Framework Agreement entered into between AVIC CAPDI and AVIC Construction and Development Technology. Pursuant to the 2020 Framework Agreement, AVIC CAPDI agreed to grant 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 ended 31 December 2022, and provide guarantees to

AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions for the same period.

As the 2020 Framework Agreement has expired, on 15 March 2023, AVIC CAPDI entered into the 2023 Framework Agreement with AVIC Construction and Development Technology, pursuant to which, AVIC CAPDI agreed to grant the Entrusted Loans (each for a term of not more than one year (inclusive)) 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 2025. The daily balance of the outstanding Entrusted Loans under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025. Pursuant to the 2023 Framework Agreement, AVIC CAPDI also agreed to provide Guarantees to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions for the three years ending 31 December 2025. The daily balance of the outstanding Guarantees under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025.

## **(1) ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT**

The Board hereby announces that, on 15 March 2023, the Company entered into the Harbin Aircraft Mutual Products and Services Supply Agreement with Harbin Aircraft for a term commencing from the Effective Date and ending on 31 December 2024. Pursuant to the Harbin Aircraft Mutual Products and Services Supply Agreement, (i) the Group will supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to helicopters and aviation parts and components) and provide services in relation to production and labour services to Harbin Aircraft and its subsidiaries; and (ii) Harbin Aircraft and its subsidiaries will supply the manufacturing raw materials, parts and components, and provide services in relation to production, labour, leasing (including but not limited to equipment leasing and property leasing) and other comprehensive services to the Group.

The principal terms of the Harbin Aircraft Mutual Products and Services Supply Agreement are summarised as follows:

- Date** : 15 March 2023
- Parties** : The Company; and  
Harbin Aircraft.
- Term** : The effective date of the Harbin Aircraft Mutual Products and Services Supply Agreement (the “**Effective Date**”) shall be the latest date among the following:
- (i) each party having performed its internal decision-making procedures in accordance with the law, the Hong Kong Listing Rules and its articles;
  - (ii) obtaining approval from the independent shareholders of the

Company in relation to the transactions contemplated under the Harbin Aircraft Mutual Products and Services Agreement in accordance with the Hong Kong Listing Rules, and compliance with the rules in relation to connected transaction under the Hong Kong Listing Rules; and

- (iii) completion of the relevant company registration in relation to the Capital Contribution.

The term of the Harbin Aircraft Mutual Products and Services Supply Agreement shall be effective since the Effective Date and ending on 31 December 2024. It is expected that all the above conditions to the effectiveness of the Harbin Aircraft Mutual Products and Services Supply Agreement shall be fulfilled on or around May 2023, hence it is expected that the Effective Date shall be on or around May 2023.

- Mutual supply of products and services** : Pursuant to the Harbin Aircraft Mutual Products and Services Supply Agreement,
- (i) the Group will supply the manufacturing raw materials, parts and components, finished and semi-finished aviation products (including but not limited to helicopters and aviation parts and components) and provide services in relation to production and labour services to Harbin Aircraft and its subsidiaries; and
  - (ii) Harbin Aircraft and its subsidiaries will supply the manufacturing raw materials, parts and components, and provide services in relation to production, labour, leasing (including but not limited to equipment leasing and property leasing) and other comprehensive services to the Group.
- Key transaction principles** : The parties will enter into individual agreements for the supply of the products or services in accordance with the Harbin Aircraft Mutual Products and Services Supply Agreement. Specific payment terms (including time and method of payment) will be agreed between the parties under the individual agreements.
- Pricing principles** : The pricing of the products and services shall be determined as follows:
- (i) in respect of specific aviation products, (a) the Government-prescribed Price shall apply; (b) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; and (c) if there is no available Market Price, the Contractual Price shall apply;
  - (ii) in respect of power supply services such as electricity, water and gas, if such power supply was initially obtained at the Government-prescribed Price or the Government-guidance Price, then such Government-prescribed Price or the Government-guidance Price shall apply; and

- (iii) in respect of services (such as production, labour and leasing) where Market Price is available, (a) the Market Price as determined by tender procedures or other means (as the case may be) shall apply; and (b) if there is no available Market Price, the Contractual Price shall apply.

**Historical amounts for the transactions and the proposed caps for the transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement**

Set out below are the historical amounts for the transactions under the Harbin Aircraft Mutual Products and Services Supply Agreement for the two years ended 31 December 2022:

	<b>Historical figures for the year ended 31 December 2021 (RMB' million)</b>	<b>Historical figures for the year ended 31 December 2022 (RMB' million)</b>
<b>Revenue transactions of the Group</b>		
Supply of products and provision of services by the Group to Harbin Aircraft and its subsidiaries	9,415	12,552
<b>Expenditure transactions of the Group</b>		
Supply of products and provision of services (other than leasing services) by Harbin Aircraft and its subsidiaries to the Group	135	199
<b>Leasing transactions of the Group</b>		
Provision of leasing services by Harbin Aircraft and its subsidiaries to the Group (i.e. the Company and/or its subsidiaries being the lessee) <sup>Note</sup>	240	372

As it is expected that the Effective Date will be on or around May 2023, set out below are the proposed caps for the transactions under the Harbin Aircraft Mutual Products and Services Supply Agreement for the Transactions Period:

	<b>Proposed caps for the eight months ending 31 December 2023 (RMB' million)</b>	<b>Proposed caps for the year ending 31 December 2024 (RMB' million)</b>
<b>Revenue transactions of the Group</b>		
Supply of products and provision of services by the Group to Harbin Aircraft and its subsidiaries	18,600	27,700
<b>Expenditure transactions of the Group</b>		
Supply of products and provision of services (other than leasing services) by Harbin Aircraft and its subsidiaries to the	300	500

Group

**Leasing transactions of the Group**

Provision of leasing services by Harbin Aircraft and its subsidiaries to the Group (i.e. the Company and/or its subsidiaries being the lessee) <sup>Note</sup>	400	400
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*Note:*

*The historical figures or proposed caps for the leasing services are the estimated total value of right-of-use assets relating to the leasing agreements entered into or expected to be entered into during the corresponding period. With effective from the financial year commencing from 1 January 2021, the Company has adopted China Accounting Standards for Business Enterprises (“CASBE”). Pursuant to CASBE No. 21 and Tenancy Guidelines Implementation Q&A\* (中國企業會計準則第21號—租賃及中國財政部租賃實施問答), all reasonable relevant facts and circumstances will be taken into account when determining the lease period of leases.*

*If it is reasonably certain that an option to extend the lease will be exercised, such lease will be regarded as a long-term lease and the Company shall recognise the lease as right-of-use assets and adopt the cost model for subsequent measurement of right-of-use assets. As the lease period of the leases provided or to be provided by Harbin Aircraft and its subsidiaries to the Group was or is expected to be one year and the Group expected or expects to renew these leases after expiration of the lease period, the Group has recognised or will recognise such leases as long-term leases and the right of the Group as lessee during the term of such leases has been or shall be recognised as right-of-use assets, subject to adjustment for re-measurement of lease liabilities under CASBE.*

The aggregate proposed caps for the revenue transactions (i.e. supply of products and provision of services by the Group to Harbin Aircraft and its subsidiaries) for the eight months ending 31 December 2023 and the year ending 31 December 2024 are RMB18,600 million and RMB27,700 million, respectively.

The aggregate proposed caps for the expenditure transactions (i.e. supply of products and provision of services (other than leasing services) by Harbin Aircraft and its subsidiaries to the Group) for the eight months ending 31 December 2023 and the year ending 31 December 2024 are RMB300 million and RMB500 million, respectively.

Moreover, the aggregate proposed caps for the leasing transactions (i.e. provision of leasing services by Harbin Aircraft and its subsidiaries to the Group (i.e. the Company and/or its subsidiaries being the lessee)) for the eight months ending 31 December 2023 and the year ending 31 December 2024 are RMB400 million and RMB400 million, respectively.

**Basis of determination of the proposed caps**

The proposed caps for the revenue transactions (i.e. supply of products and provision of services by the Group to Harbin Aircraft and its subsidiaries) for the Transactions Period are derived based on (i) the historical transaction amounts for the two years ended 31 December 2022; (ii) the expected growth of relevant businesses of the Group in 2023 and 2024 due to the development in the aviation industry,

thereby increasing the sales volume of the Group; and (iii) certain buffers to allow for any increase in the volume and/or the amount of the products and services.

The proposed caps for the expenditure transactions (i.e. supply of products and provision of services (other than leasing services) by Harbin Aircraft and its subsidiaries to the Group) for the Transactions Period are derived based on (i) the historical transaction amounts for the two years ended 31 December 2022; (ii) the expected increase in purchase costs in 2023 and 2024; and (iii) certain buffers to allow for any increase in the volume and/or the amount of the products and services.

The proposed caps for the leasing transactions (i.e. provision of leasing services by Harbin Aircraft and its subsidiaries to the Group (i.e. the Company and/or its subsidiaries being the lessee)) for the Transactions Period are derived based on (i) the historical transaction amounts for the two years ended 31 December 2022; (ii) the right-of-use assets value recognised under the CASBE for the leases; and (iii) certain buffers to allow for any increase in the amount of leasing services to satisfy the Group's relevant needs for property leasing.

### **Reasons for and Benefits of entering into the Harbin Aircraft Mutual Products and Services Supply Agreement**

Reference is made to the announcement of the Company dated 6 January 2023 in relation to, among others, the Capital Contribution by AVIC in Harbin Aircraft. Prior to completion of the Capital Contribution, as at the date of this announcement, Harbin Aircraft was a wholly-owned subsidiary of the Company.

Prior to the Capital Contribution, the Group has been conducting transactions with Harbin Aircraft and its subsidiaries similar to the related transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement. Upon completion of the Capital Contribution, Harbin Aircraft will become a connected subsidiary of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, those transactions will constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

Based on the following grounds, the Directors consider that it is beneficial for the Company to enter into the Harbin Aircraft Mutual Products and Services Supply Agreement:

- (a) the historical connection and long-standing business cooperation relationship between the Group and Harbin Aircraft;
- (b) the transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement have facilitated and will continue to facilitate the overall operations and growth of the Group's business; and
- (c) Harbin Aircraft and its subsidiaries generally have a better understanding of the Group's business and can better ensure the standards of technology, quality, delivery and technical support of the products to meet the Group's requirements.

Taking into account the above factors, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice of the Independent Financial Adviser) consider that: (i) the terms of the Harbin Aircraft Mutual Products and Services Supply Agreement and



the relevant proposed caps are fair and reasonable; and (ii) the terms under the Harbin Aircraft Mutual Products and Services Supply Agreement are negotiated on an arm's length basis and 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.

## **(2) GRANT OF ENTRUSTED LOANS AND GUARANTEES TO AVIC GEOTECHNICAL AND AVIC CHANGSHA DESIGN**

Reference is made to the announcement of the Company dated 18 March 2020 in relation to the 2020 Framework Agreement entered into between AVIC CAPDI and AVIC Construction and Development Technology. Pursuant to the 2020 Framework Agreement, AVIC CAPDI agreed to grant 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 ended 31 December 2022, and provide guarantees to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions for the same period.

As the 2020 Framework Agreement has expired, on 15 March 2023, AVIC CAPDI entered into the 2023 Framework Agreement with AVIC Construction and Development Technology, pursuant to which, AVIC CAPDI agreed to grant the Entrusted Loans (each for a term of not more than one year (inclusive)) 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 2025. The daily balance of the outstanding Entrusted Loans under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025. Pursuant to the 2023 Framework Agreement, AVIC CAPDI also agreed to provide Guarantees to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions for the three years ending 31 December 2025. The daily balance of the outstanding Guarantees under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025.

### **The 2023 Framework Agreement**

A summary of the principal terms of the 2023 Framework Agreement is set out as follows:

#### **1. Date**

15 March 2023

#### **2. Period**

For the three years ending 31 December 2025

#### **3. Parties**

- (i) AVIC CAPDI (for itself and on behalf of its wholly-owned subsidiaries); and
- (ii) AVIC Construction and Development Technology (for its subsidiaries, namely AVIC

Geotechnical and AVIC Changsha Design and their respective wholly-owned subsidiaries).

#### **4. The Entrusted Loans**

(i) Loan Amount

The daily balance of the outstanding Entrusted Loans under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025.

(ii) Loan Term

Each of the loan term shall not exceed one year.

(iii) Interest Rate and Interest Payment

The annual interest rate of the Entrust Loan shall not be lower than the loan prime rate (LPR) of loans for the same period promulgated by the National Interbank Funding Center as authorised by the People's Bank of China at the time the Entrusted Loan is granted. The interest of the Entrusted Loans shall be paid quarterly. In case of early repayment of the principal by AVIC Geotechnical and AVIC Changsha Design, the interest shall be determined according to the actual term of the loan.

(iv) Handling Charges

The handling charges shall be deducted from the account of AVIC Geotechnical or AVIC Changsha Design by AVIC Finance when the Entrusted Loan is granted.

(v) Repayment of the Entrusted Loans

One-off repayment of the principal amount shall be made to AVIC CAPDI by AVIC Geotechnical and AVIC Changsha Design upon maturity of the specific Entrusted Loan. With the consent of AVIC CAPDI, AVIC Geotechnical and AVIC Changsha Design may repay the principal in advance.

(vi) 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 CAPDI, AVIC Finance, AVIC Geotechnical or AVIC Changsha Design (as the case may be).

#### **5. The Guarantees**

(i) Provision of the Guarantee

AVIC CAPDI agreed to provide the assured guarantee to AVIC Geotechnical and AVIC Changsha Design for the economic businesses with banks and financial institutions.



(ii) Guarantee Amount

The daily balance of the outstanding amount of the Guarantees under the 2023 Framework Agreement shall not be more than RMB200 million during the three years ending 31 December 2025.

(iii) Counter Guarantee

AVIC Geotechnical and AVIC Changsha Design shall provide counter guarantee to AVIC CAPDI in respect of the Guarantees under the 2023 Framework Agreement.

(iv) Specific Agreements

The term and amount of the Guarantees are subject to the actual guarantee contract entered into by AVIC CAPDI, AVIC Geotechnical or AVIC Changsha Design and the banks or financial institutions.

### Annual Cap and its Basis

The historical annual cap and actual amount of the entrusted loans and guarantees provided by AVIC CAPDI to AVIC Geotechnical and AVIC Changsha Design for the three years ended 31 December 2022 pursuant to the 2020 Framework Agreement are set out below:

	<b>Annual Cap for each of the three years ended 31 December 2022</b>		<b>Actual Amount</b>	
	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Daily maximum entrusted loan balance	200	29	0	0
Daily maximum guarantee balance	200	0	0	0

Considering the potential financing and guarantee demands of AVIC Geotechnical and AVIC Changsha Design and pursuant to the 2023 Framework Agreement, for the three years ending 31 December 2025, AVIC CAPDI decided to provide the Entrusted Loans and Guarantees for AVIC Geotechnical and AVIC Changsha Design with the daily balance of each of the outstanding Entrusted Loans and Guarantees not exceeding RMB200 million, respectively. As at the date of this announcement, the loan prime rate promulgated by National Interbank Funding Center for the loans nominated in RMB with a period not more than one year (inclusive) is 3.65%.

The annual cap for the Entrusted Loans is determined based on average cash and bank balance available for AVIC CAPDI, and the investment and financing conditions of businesses of AVIC Geotechnical and AVIC Changsha Design. The annual cap for the Guarantees is determined based on

the anticipated guarantees for the operational needs of AVIC Geotechnical and AVIC Changsha Design.

### **Reasons for and Benefits of Granting the Entrusted Loans and Guarantees**

As AVIC Construction and Development Technology are under the trusteeships of AVIC CAPDI, to stabilise the relationship on financing, guarantee and management with the entrusted companies, satisfy their daily operation needs, and meanwhile improve the capital using value, AVIC CAPDI entered into the 2023 Framework Agreement with AVIC Construction and Development Technology.

The terms of the 2023 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 2023 Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are conducted in the ordinary and usual business course and are in the interests of the Company and its Shareholders as a whole.

### **GENERAL**

The Board has approved the above continuing connected transactions. 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 (1) the Harbin Aircraft Mutual Products and Services Supply Agreement and the proposed caps; and (2) the 2023 Framework Agreement, the annual cap and the transactions thereunder, 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 on the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A general meeting will be convened to obtain the approval of Independent Shareholders regarding, among other things, the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period. 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, and therefore, AVIC and its associates will abstain from voting for the relevant resolutions at the general meeting. 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 Harbin Aircraft Mutual Products and Services Supply Agreement, the recommendation from the Independent Board Committee to the Independent Shareholders, the advice and recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, other information as required under the Hong Kong Listing Rules and a notice convening the general meeting, is expected to be despatched to the Shareholders on or before 27 April 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.

## **HONG KONG LISTING RULES IMPLICATIONS**

### **Harbin Aircraft Mutual Products and Services Supply Agreement**

Reference is made to the announcement of the Company dated 6 January 2023 in relation to, among other things, the Capital Contribution by AVIC in Harbin Aircraft. 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. Upon completion of the Capital Contribution, the equity interests of the Company in Harbin Aircraft will be changed to approximately 80.79%, and Harbin Aircraft will become a connected subsidiary of the Company under Chapter 14A of the Hong Kong Listing Rules by virtue of the approximately 19.21% equity interest to be held by AVIC in Harbin Aircraft. Therefore, upon completion of the Capital Contribution, the transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

#### ***Non-exempt Transactions***

As the highest applicable percentage ratio in respect of the revenue transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply 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.

#### ***Partly Exempt Transactions***

As the highest applicable percentage ratios in respect of (i) the expenditure transactions (other than leasing services); and (ii) the leasing transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement exceed 0.1% but are 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.

### **The 2023 Framework Agreement**

As at the date of this announcement, AVIC is the controlling Shareholder of the Company holding directly and indirectly approximately 62.30% of the total issued shares of the Company, and 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 Construction and Development Technology, AVIC Geotechnical and AVIC Changsha Design are connected persons of the Company and the grant of the Entrusted Loans and Guarantees under the 2023 Framework Agreement by AVIC CAPDI 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 2023 Framework Agreement is higher than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2023 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.

## **INFORMATION ON THE PARTIES**

### **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, 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 approximately 62.30% equity interests in the Company directly and indirectly as at the date of this announcement.

### **Information of Harbin Aircraft**

Harbin Aircraft is a limited liability company established in the PRC and is a subsidiary of the Company as at the date of this announcement. On 6 January 2023, the Company, AVIC and Harbin Aircraft entered into a capital contribution agreement pursuant to which AVIC agreed to make a capital contribution in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the Capital Contribution, the equity interests of the Company in Harbin Aircraft will be changed to approximately 80.79%. As of the date of this announcement, the relevant company registration in relation to the above-mentioned capital contribution have not been completed. Please refer to the announcement of the Company dated 6 January 2023 in relation to the capital contribution for details. Harbin Aircraft is a principal base for the research and development and manufacture of helicopters in the PRC, and it is mainly engaged in the research and development, manufacture and sale of multiple kinds of helicopters.

### **Information of AVIC CAPDI**

AVIC CAPDI is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement, which is mainly engaged in aviation engineering services.

### **Information of AVIC Construction and Development Technology**

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

## **DEFINITIONS**

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

following meanings:

“2020 Framework Agreement”	the framework agreement entered into between AVIC CAPDI and AVIC Construction and Development Technology on 18 March 2020, pursuant to which, AVIC CAPDI agreed to grant entrusted loans and guarantees to AVIC Geotechnical and AVIC Changsha Design with the daily balance of each of the outstanding entrusted loans and guarantees not exceeding RMB200 million, respectively, for the three years ended 31 December 2022
“2023 Framework Agreement”	the framework agreement entered into by AVIC CAPDI and AVIC Construction and Development Technology on 15 March 2023, pursuant to which, AVIC CAPDI agreed to grant Entrusted Loans and Guarantees to AVIC Geotechnical and AVIC Changsha Design with the daily balance of each of the outstanding Entrusted Loans and Guarantees not exceeding RMB200 million, respectively, for the three years ending 31 December 2025
“associates”	has the meaning ascribed thereto 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), the controlling Shareholder of the Company, holding approximately 62.30% equity interests in the Company directly and indirectly as at the date of this announcement
“AVIC CAPDI”	China Aviation Planning and Design Institute Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of the Company as at the date of this announcement; in this announcement, “AVIC CAPDI” refers to AVIC CAPDI and/or its wholly-owned subsidiaries (as the case may be)
“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 established in the PRC and a subsidiary of AVIC Construction and Development Technology as at the date of this announcement; in this announcement, “AVIC Changsha Design” refers to AVIC Changsha Design and/or its wholly-owned subsidiaries (as the case may be)
“AVIC Construction and	AVIC Construction and Development (Beijing) Technology

Development 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 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 company established in the PRC and a subsidiary of AVIC as at the date of this announcement
“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 established in the PRC and a subsidiary of AVIC Construction and Development Technology as at the date of this announcement; in this announcement, “AVIC Geotechnical” refers to AVIC Geotechnical and/or its wholly-owned subsidiaries (as the case may be)
“Board”	the board of directors of the Company
“Capital Contribution”	the capital contribution by AVIC in Harbin Aircraft by way of capitalisation of capital reserve (exclusively state-owned). Upon completion of the capital contribution, the equity interests of the Company in Harbin Aircraft will be changed to approximately 80.79%, and the equity interest of AVIC in Harbin Aircraft will be changed to approximately 19.21%. Further details of the capital contribution are disclosed in the announcement of the Company dated 6 January 2023
“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
“Contractual Price”	the price to be agreed between the relevant parties for the supply of aviation products, raw materials and related services (as the case may be), which shall be the reasonable costs incurred in supplying the same plus not more than 8% of such costs, which is determined after taking into account (i) the average profit margin of approximately 7% among industrial enterprises; (ii) the average profit margin in the aviation industry; and (iii) the profits previously received by the Group or Harbin Aircraft (and its subsidiaries) for similar products, raw materials or services. The 8% margin used to determine the Contractual Price is the maximum profit margin of the transactions contemplated under the Harbin

	Aircraft Mutual Products and Services Supply Agreement and specific prices will be determined under individual agreements in each transaction
“connected person(s)”	has the same meaning as defined in the Hong Kong Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed thereto under 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 CAPDI to AVIC Geotechnical and AVIC Changsha Design, respectively, under the 2023 Framework Agreement
“Government-guidance Price”	the price determined by the parties within the range as provided under the laws, regulations, decisions or orders or in respect of particular types of services promulgated by the central government, provincial government or other regulatory authorities in the PRC
“Government-prescribed Price”	the price jointly determined by the relevant price control authorities, the industry regulators in the PRC and the relevant manufacturing enterprises involved in the particular transactions, which mainly comprise the relevant costs plus profit margin. The relevant costs will be proposed by the relevant manufacturing enterprises, and confirmed by the relevant price control authorities and the industry regulators in the PRC
“Group”	for the purpose of this announcement, the Company and its subsidiaries (other than Harbin Aircraft and its subsidiaries) from time to time
“Guarantee(s)”	the guarantee(s) to be granted by AVIC CAPDI to AVIC Geotechnical and AVIC Changsha Design under the 2023 Framework Agreement
“Harbin Aircraft Mutual Products and Services Supply Agreement”	the mutual products and services supply agreement entered into between the Company and Harbin Aircraft dated 15 March 2023
“Harbin Aircraft”	Harbin Aircraft Industry Group Co., Ltd.* (哈爾濱飛機工業集團有限責任公司), a limited liability company



established in the PRC and a wholly-owned subsidiary of the Company as of the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping, formed to advise and provide recommendations to the Independent Shareholders on the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period
“Independent Shareholders”	Shareholders (other than AVIC and its associates) who are not required to abstain from voting on the resolution(s) to be proposed at a general meeting to be convened to approve, among other things, the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period
“Market Price”	the price as determined in the following sequence: (i) where there are comparable market prices or charging rates standards determined by independent third parties under normal commercial terms for the transaction, the transaction price shall be determined at such price or standard; or (ii) if there are no such comparable market prices of independent third parties, the transaction price shall be fixed by the price of non-connected transactions between the Company and

independent third parties: (a) where the Company (or its subsidiaries) is the purchaser, through tender procedures in accordance with the relevant PRC laws and regulations relating to tender and bidding or by choosing the most favourable price among at least two to three selected suppliers after taking into account the suppliers' manufacturing qualifications and delivery time, and business relationship between the Company (or its subsidiaries) and suppliers according to the Company's internal procurement policy; or (b) where the Company (or its subsidiaries) is the supplier, agreeing with its clients within the prescribed price range after taking into account the transaction volumes and business relationship between the Company (or its subsidiaries) and its clients according to the Company's internal sales policy. The Market Price will be determined or approved by the authorised departments/persons of the specific entities within the Group in particular transactions

“Non-exempt Transactions”	the revenue transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement, which are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules
“Partly Exempt Transactions”	(i) the expenditure transactions (other than leasing services); and (ii) the leasing transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement, which are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Share(s) of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Transactions Period”	the eight months ending 31 December 2023 and the year ending 31 December 2024
“%”	Per cent

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

Beijing, 15 March 2023

*As at the date of this announcement, the Board comprises executive Director 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*