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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt about** any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **AviChina Industry & Technology Company Limited\***, you should at once hand this circular and the enclosed proxy form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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  
ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS  
AND SERVICES SUPPLY AGREEMENT; AND  
NOTICE OF ANNUAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 6 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from Maxa Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 30 of this circular.

A notice convening the AGM to be held at Avic Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the People's Republic of China on Thursday, 18 May 2023 at 9:00 a.m. is set out on pages AGM-1 to AGM-8 of this circular.

A form of proxy for use at the AGM is enclosed and is also published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the AGM or any adjournment thereof (as the case may be) and voting in person if you so wish.

27 April 2023

\* For identification purpose only

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## CONTENT

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	<i>Page</i>
<b>Definitions</b> . . . . .	1
<b>Letter from the Board</b> . . . . .	6
<b>Letter from the Independent Board Committee</b> . . . . .	18
<b>Letter from the Independent Financial Adviser</b> . . . . .	19
<b>Appendix I – General Information</b> . . . . .	31
<b>Notice of AGM</b> . . . . .	AGM-1

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 9 a.m. on Thursday, 18 May 2023 at Avic Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the PRC, for the purposes of considering and, if thought fit, approving, among other things, the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period by the Independent Shareholders
“Announcement”	the announcement of the Company dated 15 March 2023 in relation to, among others, the Harbin Aircraft Mutual Products and Services Supply Agreement
“associate(s)”	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 directly and indirectly 62.30% equity interests in the Company as at the Latest Practicable Date
“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 as at the Latest Practicable Date
“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 diluted 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
“CASBE”	China Accounting Standards for Business Enterprises
“China” or the “PRC”	the People’s Republic of China

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## DEFINITIONS

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“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 meaning ascribed thereto under the Hong Kong Listing Rules
“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, and the profit margin is in line with industry practice. The above Contractual Price mechanism is applicable to not only the supply of products or services by the Group, but also vice versa by Harbin Aircraft (and its subsidiaries). Considering the above, the Directors are of the view that the profit margin is on normal commercial terms
“controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“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. The profit margin shall be determined by the relevant authorities

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## DEFINITIONS

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“Group”	for the purpose of this circular, the Company and its subsidiaries (other than Harbin Aircraft and its subsidiaries) from time to time
“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 subsidiary of the Company as at the Latest Practicable Date
“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
“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 Hong Kong Stock Exchange (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 the AGM 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

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## DEFINITIONS

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“Independent Third Parties”	independent third parties (to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries), 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)
“Latest Practicable Date”	20 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 (the Company will obtain at least two to three such price or standard from independent third parties); 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 with reference to: (i) the transaction volume and business relationship between the Company and the purchaser; and (ii) the prices of similar products and services purchased from the Company by not less than two Independent Third Parties. 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

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## DEFINITIONS

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“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
“RMB”	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)”	the holder(s) of Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Transactions Period”	the eight months ending 31 December 2023 and the year ending 31 December 2024
“%”	per cent

\* *For identification purpose only.*

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## LETTER FROM THE BOARD

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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)

*Executive Director:*

Mr. Yan Lingxi (*Chairman*)

*Non-executive Directors:*

Mr. Lian Dawei

Mr. Liu Bingjun

Mr. Xu Gang

Mr. Wang Jun

*Independent non-executive Directors:*

Mr. Liu Weiwu

Mr. Mao Fugen

Mr. Lin Guiping

*Registered Office:*

2nd floor, Building 27

No. 26 Xihuan South Street

Beijing Economic Technological

Development Area

Beijing, the PRC

*Place of business in Hong Kong*

Unit 2202A, 22nd Floor

Fairmont House

8 Cotton Tree Drive

Central

Hong Kong

27 April 2023

*To the Shareholders:*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT; AND NOTICE OF ANNUAL GENERAL MEETING**

#### **A. INTRODUCTION**

Reference is made to the announcement of the Company dated 15 March 2023 in relation to, among others, the Harbin Aircraft Mutual Products and Services Supply Agreement.

The purpose of this circular is to provide you with, among other things, (i) details about the Harbin Aircraft Mutual Products and Services Supply Agreement and the Non-exempt Transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent

\* For identification purpose only



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## LETTER FROM THE BOARD

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Shareholders in relation to the Harbin Aircraft Mutual Products and Services Supply Agreement and the Non-exempt Transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee in relation to the Harbin Aircraft Mutual Products and Services Supply Agreement and the Non-exempt Transactions contemplated thereunder; (iv) other information required under the Hong Kong Listing Rules; and (v) the notice of the AGM.

### **B. THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT**

**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 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.

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## LETTER FROM THE BOARD

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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 (including but not limited to occupational health, vocational training, fire protection, security, and network management services) to the Group.

The raw materials, parts and components, finished and semi-finished aviation products supplied/purchased by the Group and Harbin Aircraft (and its subsidiaries) (as the case may be) are different and are in different processing stages of the manufacturing process of these aviation products.

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:

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## LETTER FROM THE BOARD

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- (i) in respect of specific aviation products (including manufacturing raw materials, parts and components, finished and semi-finished 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, such as price inquiry and price comparison by fee quotations if tender procedures are not adopted (as the case may be) shall apply; and (c) if there is no available Market Price, the Contractual Price shall apply. Among the above (a) to (c) methods, method (a) is usually adopted;
- (ii) in respect of power supply services such as electricity, water and gas, the 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.

The Government-prescribed Price shall be determined by the relevant authorities according to their internal procedures, requirements and standards, and such Government-prescribed Price shall be applicable to the transactions for specific aviation products in the industry, therefore, the Directors are of the view that the profit margin under the Government-prescribed Price is on normal commercial terms.

As the pricing of the products and services are made with reference to the Government-guidance Price, the Government-prescribed Price, the Market Price and/or the Contractual Price, which take into account, among others, the average profit margin in the industry and the prices prescribed by the PRC governmental authorities, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice of the Independent Financial Adviser) consider that the pricing principles under the Harbin Aircraft Mutual Products and Services Supply Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE BOARD

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**C. 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 1</sup>	240	372

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## LETTER FROM THE BOARD

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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 Group <sup>Note 2</sup>	300	500
<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>Notes 1&amp;2</sup>	400	400

*Notes:*

- (1) 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 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.

- (2) 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 proposed caps of which are disclosed in the table above for reference only.

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.

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## LETTER FROM THE BOARD

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The aggregate proposed caps for the expenditure transactions (i.e. provision 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.

### **D. 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 the following factors:

- (i) the historical transaction amounts for the two years ended 31 December 2022
- (ii) the expected growth

The expected increase of sales volume of the Group's product and the expected growth of relevant businesses of the Group in 2023 and 2024 are based on the development in the aviation industry and the existing and expected government orders and the production plan of the Group for the Transactions Period.

- (iii) adequate buffer for potential demands

5% to 10% buffer is set to allow for any increase in the volume and/or the amount of the products and services. The 5% to 10% buffer is added based on the development in aviation industry and to satisfy the sudden needs or requests from the customers.

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 the following factors:

- (i) the historical transaction amounts and annual growth trend
- (ii) the expected increase in purchase costs in 2023 and 2024

The Board has taken into account the current operation plan and manufacturing plan of the Group and the potential business development and expansion of the Group.

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## LETTER FROM THE BOARD

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- (iii) adequate buffer for potential demands

5% to 10% buffer is set to allow for any increase in the volume and/or the amount of the products and services of the Group. The 5% to 10% buffer is added based on the development in aviation industry, the research, development and manufacturing of the Group's business.

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 the following factors:

- (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
- (iii) adequate buffer for potential demands

5% to 10% buffer to allow for any increase in the amount of leasing services to satisfy the Group's relevant needs for property leasing. The 5% to 10% buffer is added based on the possible new leases of the Group.

Considering (i) the historical transaction amounts; (ii) the expected increase of sales volume of the Group's products and the expected growth of the relevant business of the Group in 2023 and 2024; and (iii) the expected 5% to 10% buffer for the potential demands of the relevant products and services, the Directors (excluding the independent non-executive Directors who will give their opinion after considering the advice of the Independent Financial Adviser) consider that the basis of determination, including but not limited to the assumptions, of the proposed caps is fair and reasonable and on the normal commercial terms.

### **E. 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 Latest Practicable Date, Harbin Aircraft was a 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;

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## LETTER FROM THE BOARD

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- (b) since the Company is mainly engaged in the research and development, manufacture and sales of aviation products, and relevant engineering services, while Harbin Aircraft, being a subsidiary of the Company and a major helicopter supplier in the PRC, is mainly engaged in the research and development, manufacture and sale of multiple kinds of helicopters in the PRC, 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.

### F. INTERNAL CONTROL MECHANISM

To ensure the implementation of the pricing policies in the continuing connected transactions agreements of the Group, the Company has adopted the following control mechanisms:

- (i) The Company has adopted the Administrative Measures for Connected Transactions (《關連交易管理辦法》), requiring its subsidiaries to (i) establish management systems and working procedures for connected transactions; (ii) establish or clarify the responsibilities of the departments and positions in charge of the management of connected transactions; and (iii) keep statistics, analysis and daily monitoring on the various connected transactions conducted by each of the subsidiaries. The Company also requires its subsidiaries not to breach the provisions in the framework agreements signed by the Company and its connected persons when entering into their specific continuing connected transactions agreements or contracts;
- (ii) Subsidiaries of the Company have established strict internal control systems, procedures and information systems in order to ensure the fairness of pricing and safeguard the best interests of the Company. The internal audit departments in the subsidiaries of the Company will also audit the various business activities including procurement and sales;
- (iii) The department in charge of connected transactions of the Company is responsible for supervising the daily connected transactions of the Group and reporting the performance of the framework agreements and the relevant data to the management of the Company on a quarterly basis. The internal control department of the Company shall review and evaluate the internal control situation of the Group annually, prepare reports on internal control and submit to the audit committee for review;



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## LETTER FROM THE BOARD

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- (iv) The independent non-executive Directors shall conduct annual review of the continuing connected transactions to ensure that the connected transactions agreements are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the framework agreement on terms which are fair and reasonable and in the interests of the Shareholders as a whole, and provide confirmation in the annual reports of the Company in accordance with the Hong Kong Listing Rules; and
- (v) The auditors of the Company shall also conduct annual review of the pricing and the proposed caps of the continuing connected transactions under the framework agreements and provide comfort letters.

### **G. HONG KONG LISTING RULES IMPLICATIONS**

#### **Continuing Connected Transactions**

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 Latest Practicable Date, 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 diluted 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.

### **H. INFORMATION OF 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 and development, manufacture and sales of aviation products, and relevant engineering services.

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## LETTER FROM THE BOARD

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### **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 Latest Practicable Date.

### **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 Latest Practicable Date. 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 diluted to approximately 80.79%. As of the Latest Practicable Date, the relevant company registration in relation to the above-mentioned capital contribution has 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.

### **I. APPROVAL OF THE BOARD**

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 Harbin Aircraft Mutual Products and Services Supply Agreement and the proposed 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.

### **J. AGM**

The Company will convene the AGM at 9 a.m. on Thursday, 18 May 2023 at Avic Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the People's Republic of China. The notice of the AGM is set out on pages AGM-1 to AGM-8 of this circular.

A form of proxy for use at the AGM is also enclosed. Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 24 hours before the time fixed for the holding of AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be).

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, AVIC is a controlling shareholder of the Company, holding directly and indirectly 62.30% equity interest in the Company, including 3,553,069,569 H Shares and 1,250,899,906 Domestic Shares. AVIC and its associate(s), if any, will abstain from voting for the relevant resolution(s) at the AGM regarding the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period.

To the best knowledge of the Directors after having made all reasonable enquiries, apart from AVIC and its associates, no other Shareholder has a material interest in the transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement and therefore no other Shareholder will be required to abstain from voting at the AGM in respect of the relevant ordinary resolution(s) to be proposed regarding the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all votes at the AGM will be taken by poll. The Company will announce the results of the poll in accordance with the Hong Kong Listing Rules following the AGM.

### **K. RECOMMENDATION**

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 18 of this circular which contains the recommendation of the Independent Board Committee on the terms of Non-exempt Transactions and the proposed caps for such transactions during the Transactions Period; (ii) the letter from Maxa Capital, the Independent Financial Adviser, set out on pages 19 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders on the terms of Non-exempt Transactions and the proposed caps for such transactions during the Transactions Period; and (iii) additional information set out in the appendices to this circular.

The Directors and the Independent Board Committee, having taken into account the advice of Maxa Capital, consider that (i) the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period are fair and reasonable; and (ii) the Non-exempt Transactions are on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the AGM regarding the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period.

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

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

27 April 2023

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular (the “**Circular**”) of the Company dated 27 April 2023 despatched to the Shareholders of which this letter forms a part. Unless the context requires otherwise, capitalised terms and expressions used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed to advise the Independent Shareholders on whether the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Maxa Capital has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the abovementioned matters.

We wish to draw your attention to the letter from the Board set out on pages 6 to 17 of the Circular and the letter from Maxa Capital set out on pages 19 to 30 of the Circular.

Having considered the advice given by Maxa Capital, we are of the opinion that (i) the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period are fair and reasonable; and (ii) the Non-exempt Transactions are on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM regarding the terms of the Non-exempt Transactions and the proposed caps for such transactions for the Transactions Period.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**AviChina Industry & Technology Company Limited\***

**Liu Weiwu**

**Mao Fugen**

**Lin Guiping**

*Independent Non-executive Directors*

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Maxa Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 1908, Harbour Center  
25 Harbour Road  
Wan Chai  
Hong Kong

27 April 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS ENTERING INTO OF THE HARBIN AIRCRAFT MUTUAL PRODUCTS AND SERVICES SUPPLY AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revenue transactions contemplated under the Harbin Aircraft Mutual Products and Services Supply Agreement (the “**Non-exempt Transactions**”) and the proposed caps for such transactions for the Transactions Period (the “**Non-Exempt Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 27 April 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 15 March 2023 in relation to, among other things, the entering into the Harbin Aircraft Mutual Products and Services Supply Agreement by the Company 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.

Reference is also 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 Latest Practicable Date, AVIC is a controlling shareholder of the Company holding directly and indirectly 62.30% of all issued Shares, while Harbin Aircraft was a subsidiary of the Company. Upon completion of the Capital Contribution, the equity interests in Harbin Aircraft held by the Company will be diluted to approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 in Harbin Aircraft to be held by AVIC. Therefore, up on 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.

As the highest applicable percentage ratio in respect the Non-Exempt Transactions 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.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Non-Exempt Transactions and the Non-Exempt Annual Caps. We, Maxa Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from the Company in accordance with Rule 13.84 of the Hong Kong Listing Rules and, accordingly, are considered eligible to give independent advice on the Non-Exempt Transactions and the Non-Exempt Annual Caps. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company. Save for this appointment, we were appointed twice as the independent financial adviser by the Company in the last two years in relation to (i) the acquisition and absorption of AVIC Electromechanical by AVIC Avionics; and (ii) the continuing connected transactions and major transactions of revision of original annual caps and entering into of the supplemental continuing connected transactions framework agreements by the Company and AVIC Avionics, details of which were set out in the circular of the Company dated 29 September 2022 and 16 January 2023. The aforesaid previous appointments were limited to providing one-off independent advisory service, for which Maxa Capital received normal professional fees. Accordingly, we do not consider such previous appointment gives rise to any conflict of interest for Maxa Capital in acting as the Independent Financial Adviser in respect of the Non-Exempt Transactions and the Non-Exempt Annual Caps.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company (the "**Management**"). We have reviewed, inter alia, the statements, the information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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changes to such information and representations before the AGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers, the Directors and the Management. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Company, AVIC, Harbin Aircraft and each of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-Exempt Transactions and the Non-Exempt Annual Caps, we have taken into consideration the following principal factors and reasons:

#### 1. Background of the Transactions

##### *1.1 Information of the Group*

The Company is a joint stock limited liability company established 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.

Set out below is the summarised financial information of the Group for the three years ended 31 December 2022 as extracted from the 2021 annual report and the 2022 annual results announcement of the Company:

	For the year ended 31 December		
	2020	2021	2022
	(restated)	(audited)	(audited)
	RMB (million)	RMB (million)	RMB (million)
Revenue	50,929.90	60,296.28	63,639.43
Net profit attributable to owners	1,932.99	2,369.28	2,216.40

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	As at 31 December		
	2020	2021	2022
	(restated)	(audited)	(audited)
	RMB (million)	RMB (million)	RMB (million)
Total assets	115,648.59	133,889.14	144,005.89
Total liabilities	69,498.58	79,122.63	85,853.33
Total equity	46,150.00	54,766.50	58,152.56

As shown in the table above, the Group recorded steady growth in the revenue during the three years ended 31 December 2022. For the year ended 31 December 2022 (“FY2022”), the Group’s revenue amounted to approximately RMB63,639.43 million, representing an increase of approximately 5.54% as compared to that for the year ended 31 December 2021 (“FY2021”), which is mainly attributable to the increase in revenue of the Group’s aviation ancillary system and related business of approximately 10.28%. For FY2021, the Group recorded a revenue of approximately RMB60,296.28 million, representing an increase of approximately 18.39% as compared to that for the year ended 31 December 2020 (“FY2020”), which is mainly attributable to the increase in revenue of the Group’s aviation entire aircraft business of approximately 6.97% and the increase in revenue of the Group’s aviation ancillary system and related business of approximately 30.00%. The Group recorded profit attributable to owners of approximately RMB2,216.40 million in FY2022, representing a decrease of approximately 6.45% as compared to that for FY2021, which is mainly attributable to (i) the decrease in results of Avicopter Plc (a subsidiary of the Company whose shares are listed on the Shanghai Stock Exchange (stock code: 600038.SH)) resulted in a year-on-year decline in its net profit attributable to the Company; and (ii) the enhanced research and development inputs by the Group resulted in an increase in the research and development expenses and other expenses. The Group recorded profit attributable to owners of approximately RMB2,369.28 million in FY2021, representing an increase of approximately 22.57% as compared to that for FY2020, which is mainly attributable to the increase of revenue and the growth of gross profit.

The Group’s net assets have been increasing stably during FY2020, FY2021 and FY2022. The Group’s net asset as at 31 December 2022 increased by approximately 6.18% as compared to that as at 31 December 2021. The Group’s net asset value as at 31 December 2021 increased by approximately 18.67% as compared to that as at 31 December 2020.

### ***1.2 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.

### ***1.3 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 Latest Practicable Date. On 6 January 2023, the Company, AVIC and Harbin Aircraft entered into a capital contribution agreement pursuant to which AVIC agreed to make a



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 diluted to approximately 80.79%. As of the Latest Practicable Date, the relevant company registration in relation to the above-mentioned capital contribution have not been completed. 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.

### **2. Reasons for and benefits of 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 Latest Practicable Date, Harbin Aircraft was a 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) since the Company is mainly engaged in the research and development, manufacture and sales of aviation products, and relevant engineering services, while Harbin Aircraft, being a subsidiary of the Company and a major helicopter supplier in the PRC, is mainly engaged in the research and development, manufacture and sale of multiple kinds of helicopters in the PRC, 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.

Having considered the above, we concur with the Directors' view that the transactions contemplated under Harbin Aircraft Mutual Products and Services Supply Agreement are conducted in the ordinary and usual course of business of the Group and the Non-Exempt Transactions are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Harbin Aircraft Mutual Products and Services Supply Agreement

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

- 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (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 (including but not limited to occupational health, vocational training, fire protection, security, network management services) to the Group.

The raw materials, parts and components, finished and semi-finished aviation products supplied/purchased by the Group and Harbin Aircraft (and its subsidiaries) (as the case may be) are different and are in different processing stages of the manufacturing process of these aviation products.

**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 price of the products and services shall be determined as follows:

- (i) in respect of specific aviation products (including manufacturing raw materials, parts and components, finished and semi-finished 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, such as price inquiry and price comparison by fee quotations if tender procedures are not adopted (as the case may be) shall apply; and (c) if there is no available Market Price, the Contractual Price shall apply. Among the above (a) to (c) method, method (a) is usually adopted;
- (ii) in respect of power supply services such as electricity, water and gas, the 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 maybe) shall apply; and (b) if there is no available Market Price, the Contractual Price shall apply.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.2 *Assessment of the terms of Harbin Aircraft Mutual Products and Services Supply Agreement*

We noted that the price of the products and services under Harbin Aircraft Mutual Products and Services Supply Agreement shall be determined with reference to (i) the Government-prescribed Price or the Government-guidance Price; (ii) Market Price and (iii) Contractual Price.

#### *Government-prescribed Price*

Government-prescribed Price is 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. The profit margin shall be determined by the relevant authorities.

We have discussed with the Management and understood that Government-prescribed Price is usually adopted for specific aviation products of the Group and such Government-prescribed Price will not be published and is not publicly available. The Government-prescribed Price shall be determined by the relevant authorities according to their internal procedures, requirements and standards, and such Government-prescribed Price shall be applicable to the transactions for specific aviation products in the industry. We have also discussed with the Management and understood that Government-prescribed Price is usually adopted for majority of the services and products of the Group. We have reviewed the 2021 annual report and 2022 annual results announcement of the Company and noted that the Group recorded stable net profit margin of approximately 8.0% and 7.8% for FY2021 and FY2022, respectively. Based on the above, we concur with the Directors that the profit margin under the Government-prescribed Price is on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

#### *Government-guidance Price*

Government-guidance Price is 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.

#### *Market Price*

Market Price is 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 (the Company will obtain at least two to three such price or standard from independent third parties); 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 is the buyer, through tender procedures in accordance with the relevant PRC laws and regulations

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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relating to tender and bidding or by choosing the most favorable 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 and suppliers according to the Company's internal procurement policy; or (b) where the Company is the supplier, agreeing with the clients within prescribed price range, which is determined according to the Company's internal sales policy with reference to: (i) the transaction volume and business relationship between the Company and the purchaser; and (ii) the prices of similar products and services purchased from the Company by not less than two Independent Third Parties. The Market Price will be determined or approved by the authorised departments/persons of the specific entities within the Group in particular transactions.

As advised by the Management, for the Market Price to be determined by tender procedures, the Group strictly follows the relevant PRC laws and regulations in relation to tender procedures, in particular the Law of the People's Republic of China on Tenders and Bids (中華人民共和國招標投標法). We have reviewed the Company's internal procurement policy and noted there is the relevant description of tender procedures which is in line with the statements made by the Management. In view of the above, we consider that there are adequate procedures in place to ensure the fairness and reasonableness of the transactions conducted under the reference of the Market Price.

### *Contractual Price*

Contractual Price is the price to be agreed between the relevant parties for the supply of the 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 under the Harbin Aircraft Mutual Products and Services Supply Agreement and specific prices will be determined under individual agreements in each transaction, and the profit margin is in line with industry practice. The Contractual Price mechanism is applicable to not only the supply of products or services by the Group, but also vice versa by Harbin Aircraft (and its subsidiaries).

We have reviewed the industry data released by the National Bureau of Statistics in the PRC and noted that the industrial enterprises above designated size (i.e., with an annual revenue of RMB20 million or above) recorded an average profit margin of approximately 6.1% for FY2022 and 6.8% for FY2021. We noted (i) the Company is mainly engaged in the research and development, manufacture and sales of aviation products, and relevant engineering services, which falls within the scope of industrial enterprises; and (ii) the Group recorded revenue of approximately RMB63,639.43 million for FY2022, which exceeds the threshold of the designated size, and therefore we consider such industry data is a relevant reference for our assessment of the maximum margin used to determine the Contractual Price. We have also reviewed the 2021 annual report and 2022 annual results announcement of the Company and noted that the Group recorded a net profit margin of approximately 8.0% and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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7.8% for FY2021 and FY2022, respectively. In view of the above and given the Group can charge Harbin Aircraft on the same basis that Harbin Aircraft can charge the Group, we consider the margin of not more than 8.0% is fair and reasonable.

Based on the above, given that (i) the Government-prescribed Price is determined, or subject to approval, by the relevant price control authorities and the industry regulators in the PRC; (ii) the Market Price is determined with reference to the terms of comparable transactions with independent third parties or by tender procedures in accordance with the relevant PRC laws and regulations or other means; and (iii) the Contractual Price is determined with reference to the historical profit margin of the Group and the average profit margin of industrial enterprises, we are of the view that the pricing principles are fair and reasonable.

Having considered (i) the principal business of the Group; (ii) the background of the Capital Contribution by AVIC in Harbin Aircraft; (iii) our assessment on the pricing principles; and (iv) the analysis performed on the Non-Exempt Annual Caps in the section headed “4.3 Assessment to the Non-Exempt Annual Caps” of this letter, we are of the view that the terms of the Non-Exempt Transactions are fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

#### 4. Non-Exempt Annual Caps

##### 4.1 Historical amounts and Non-Exempt Annual Caps

The following table sets forth the historical amounts and the Non-Exempt Annual Caps for the eight months ending 31 December 2023 (“8MFY2023”) and the year ending 31 December 2024 (“FY2024”).

<i>RMB</i> <i>million</i>	<b>Historical</b> <b>figures for</b> <b>FY2021</b>	<b>Historical</b> <b>figures for</b> <b>FY2022</b>	<b>Proposed</b> <b>caps for</b> <b>8MFY2023</b>	<b>Proposed</b> <b>caps for</b> <b>FY2024</b>
<b><i>Revenue transactions of the Group</i></b>				
– Supply of products and provision of services by the Group to Harbin Aircraft and its subsidiary	9,415	12,552	18,600	27,700

##### 4.2 Basis of determining the Non-Exempt Annual Caps

The Non-Exempt Annual Caps 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 of sales volume of the Group’s product and the expected growth of relevant businesses of the Group in 2023 and 2024 are based on the development in the aviation industry and the existing and expected government orders and the production plan of the Group for the Transactions Period; and (iii) 5% to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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10% buffers to allow for any increase in the volume and/or the amount of the products and services, which is added based on the development in aviation industry and to satisfy the sudden needs or requests from the customers.

### *4.3 Assessment to the Non-Exempt Annual Caps*

In assessing the fairness and reasonableness of the Non-Exempt Annual Caps, we have reviewed the historical transaction amounts of revenue transactions of the Group for the two years ended 31 December 2022 and we noted that the historical transaction amounts for FY2022 have increased by approximately 33.3% as compared with that for FY2021.

We have also reviewed the calculation of the Non-Exempt Annual Caps and understood that the Non-Exempt Annual Caps are the sum of estimated transaction amounts prepared by the relevant subsidiaries of the Group in 8MFY2023 and FY2024 with certain buffers. We have discussed with the Management and it is confirmed that the estimated transaction amounts are calculated based on the existing and expected government orders. We also noted that the proposed cap for 8MFY2023 was calculated as the estimated transaction amounts for FY2023 deducting the estimated transaction amounts for the four months ending 30 April 2023, and the proposed cap for FY2024 is the same as the estimated transaction amounts for the year ending 31 December 2023 (“**FY2023**”) as shown in the calculation.

We have discussed with the Management and understood that the estimated transaction amounts in the calculation of the Non-Exempt Annual Caps are mainly contributed by the transaction amounts between (i) Harbin Aircraft and its subsidiaries and (ii) certain listed subsidiaries of the Company and their subsidiaries. In this regard, we have reviewed the announcements of such listed subsidiaries in relation to the implementation of connected transactions in 2022, and noted that the expected sale of products and provision of services provided by such listed subsidiaries to their connected parties for 2023 represents significant increase as compared to their historical transaction amounts in FY2022, which is in line with the expected increase as shown in the calculation of the estimated transaction amounts for FY2023.

In view of the above, we consider the Non-Exempt Annual Caps are fair and reasonable.

## **5. Internal control**

As advised by the Management and set out in the Letter from the Board, the Company will apply an internal control mechanism to the Harbin Aircraft Mutual Products and Services Supply Agreement, details of which are included in the sections headed “F. INTERNAL CONTROL MECHANISM”.

Pursuant to Rules 14A.55 and 14A.56 of the Hong Kong Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and provide confirmation letter regarding the continuing connected transactions of the Company each year. We have reviewed the annual reports of the Company for FY2020 and FY2021 and noted that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions during such years and provided the relevant confirmation letter. As confirmed with the Company, the independent non-executive Directors and the auditor of the Company have also reviewed the continuing connected transactions during FY2022 and provided the relevant confirmation letter; and the Company will continue to comply with the relevant annual review requirement under the Hong Kong Listing Rules on an on-going basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we are of the view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the Harbin Aircraft Mutual Products and Services Supply Agreement and the Non-Exempt Annual Caps, therefore the interests of the Company and its Shareholders would be safeguarded.

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Non-Exempt Transactions and the Non-Exempt Annual Caps are fair and reasonable; and (ii) the Non-Exempt Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-Exempt Transactions and the Non-Exempt Annual Caps to be proposed at the AGM.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Dian Deng**  
*Managing Director*

*Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required: (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, are set out below:

Name	Class of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to share capital in issue	Nature of Shares held
<b>Director</b>					
Yan Lingxi	H Shares	Beneficial owner	267,740	0.003%	Long position
<b>Supervisors</b>					
Zheng Qiang	H Shares	Beneficial owner	239,687	0.003%	Long position
		Interest of spouse	966	0.000%	Long position
Zhao Zhuo	H Shares	Beneficial owner	69,110	0.001%	Long position

*Note:* As at the Latest Practicable Date, Mr. Zheng Qiang held 33,500 A shares in AVIC Industry-Finance Holdings Co., Ltd.\* (中航工業產融控股股份有限公司) (“**AVIC Industry-Finance**”), representing approximately 0.0003% of the total issued share capital of AVIC Industry-Finance. Mr. Sun Jizhong held 48,513 A shares in AVIC Shenfei Aircraft Company Limited\* (中航沈飛股份有限公司) (“**AVIC Shenfei**”), representing approximately 0.002% of the total issued share capital of AVIC Shenfei. AVIC Industry-Finance and AVIC Shenfei are subsidiaries of AVIC, and therefore each of them is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions of the Company and its associated corporations (within the meaning of Part XV of the SFO): (i) pursuant to Divisions 7 and 8 of Part XV of

the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange; or (ii) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Hong Kong Listing Rules, required to be notified to the Company and the Hong Kong Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, the following person(s) (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Class of Shares	Capacity	Number of Shares	Approximate	Nature of
				percentage of shareholdings to the same class of Shares in issue	
AVIC <sup>(Note 1)</sup>	H Shares	Beneficial owner; Interest in controlled corporation	3,553,069,569	57.21%	Long Position
Tianjin Free Trade Zone Investment	Domestic Shares <sup>(Note 2)</sup>	Beneficial owner	1,250,899,906	83.36%	Long Position
	Domestic Shares <sup>(Note 2)</sup>	Beneficial owner	249,769,500	16.64%	Long Position
Airbus <sup>(Note 3)</sup>	H Shares	Beneficial owner	312,255,827	5.03%	Long Position

*Notes:*

- Out of the 3,553,069,569 H Shares held by AVIC, 3,297,780,902 H Shares are held as beneficial owner and 183,404,667 H Shares are held through AVIC Airborne Systems Co., Ltd.\* (中航機載系統有限公司), its wholly-owned subsidiary, 18,346,000 H Shares are held by AVIC through China Aviation Industry (Hong Kong) Company Limited\* (中國航空工業集團(香港)有限公司), its wholly-owned subsidiary, and 53,538,000 H Shares are held through AVIC Industry-Finance, its non-wholly-owned subsidiary.
- Pursuant to the equity acquisition and share issuance agreement dated 28 November 2019, the Company proposed to issue a number of 1,500,669,406 Domestic Shares as the consideration for the acquisition, among which, a number of 1,250,899,906 and 249,769,500 Domestic Shares were issued to AVIC and Tianjin Free Trade Zone Investment, respectively. The issuance of Domestic Shares was completed on 24 December 2020.
- European Aeronautic Defence and Space Company – EADS N.V. officially changed its name to Airbus on 1 January 2014.

Save and except that Mr. Liu Bingjun (a non-executive Director of the Company) is the vice director of the Capital Operation Department of AVIC, none of the Directors was also a director and/or employee of the above substantial shareholders.

**4. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**5. NO MATERIAL ADVERSE CHANGE**

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published accounts of the Company were made up) up to and including the Latest Practicable Date.

**6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any asset which had been, since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**7. CONSENT AND QUALIFICATION OF EXPERT**

The following is the qualifications of the expert who has given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Maxa Capital	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, the above expert did not have any shareholding interest in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been, since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and references to its name included in this circular in the form and context in which it is included.

#### **8. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

#### **9. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

#### **10. MISCELLANEOUS**

This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

#### **11. DOCUMENTS ON DISPLAY**

Electronic copy of the Harbin Aircraft Mutual Products and Services Supply Agreement is published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<https://www.avichina.com/>) for a period of 14 days from the date of this circular (both days inclusive).

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## NOTICE OF AGM

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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)

#### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “AGM”) of AviChina Industry & Technology Company Limited\* (the “Company”) will be held at 9 a.m. on Thursday, 18 May 2023 at Avic Hotel, No. 10 Yi, Central East Third Ring Road, Chaoyang District, Beijing, the PRC to consider and approve the following resolutions:

#### ORDINARY RESOLUTIONS

1. The resolution relating to the Report of the Board of the Company for the year ended 31 December 2022;
2. The resolution relating to the Report of the Supervisory Committee of the Company for the year ended 31 December 2022;
3. The resolution relating to the audited financial statements of the Company for the year ended 31 December 2022;
4. The resolution relating to the profit distribution plan (including distribution of 2022 final dividend) of the Company for the year ended 31 December 2022;
5. The resolution relating to the re-appointment of Da Hua Certified Public Accountants LLP (大華會計師事務所 (特殊普通合夥)) as the auditor of the Company for the financial year 2023 and the determination of its remuneration;
6. The resolution relating to the appointment of Mr. Sun Jizhong as an executive Director of the Company with a term of office commencing from the date on which his proposed appointment is approved at the AGM until the date on which the election of the new session of the Board is resolved at the annual general meeting to be convened in 2024, and the grant of an authorization to the remuneration committee of the Board to determine his remuneration and the grant of an authorization to an executive Director of the Company to sign the relevant service contract on behalf of the Company with him;

\* For identification purpose only

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## NOTICE OF AGM

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7. The resolution relating to the continuing connected transaction agreement entered into between the Company and Harbin Aircraft:

**“THAT:**

the terms of the Harbin Aircraft Mutual Products and Services Supply Agreement and the proposed caps in respect of the revenue transactions thereunder for the eight months ending 31 December 2023 and the year ending 31 December 2024 be and are hereby approved, ratified and confirmed; and any Director or authorised representative of the chairman of the Board be and is hereby authorised to implement and take all steps and to do all acts and things as may be necessary or desirable to give effect and/or to complete the continuing connected transactions contemplated thereunder and all other matters ancillary thereto, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder and to make changes or amendments to the aforesaid agreement, as such Director or authorised representative may in his absolute discretion deem fit.”

8. The resolution(s) to be proposed at the AGM by shareholders holding 3% or more of the total number of the Company’s shares carrying voting rights, if any, by way of ordinary resolution(s).

### SPECIAL RESOLUTIONS

9. **“THAT:**

- (1) subject to the required approval or endorsement from or registration with the relevant regulatory authorities in the PRC, the proposed amendments to the Articles of Association (details of which are set out in the section headed “Proposed Amendments to the Articles of Association” in the letter from the Board contained in the AGM Circular) be and are hereby approved and confirmed; and
- (2) any one of the Directors or authorized representative of the Chairman of the Board be and is hereby authorized to implement and take all steps and to do all acts and things as may be necessary or desirable to give effect to the proposed amendments to the Articles of Association, including, without limitation, to obtain all necessary approvals from the relevant regulatory authorities in the PRC, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder, as such Director or authorized representative may in his absolute discretion deem appropriate.”

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## NOTICE OF AGM

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10. **“THAT:**

- (1) subject to the required approval or endorsement from or registration with the relevant regulatory authorities in the PRC, the proposed amendments to the Rules Governing the Operation of Shareholders’ General Meeting (details of which are set out in the section headed “Proposed Amendments to the Rules Governing the Operation of Shareholders’ General Meeting” in the letter from the Board contained in the AGM Circular) be and are hereby approved and confirmed; and
- (2) any one of the Directors or authorized representative of the Chairman of the Board be and is hereby authorized to implement and take all steps and to do all acts and things as may be necessary or desirable to give effect to the proposed amendments to the Rules Governing the Operation of Shareholders’ General Meeting, including, without limitation, to obtain all necessary approvals from the relevant regulatory authorities in the PRC, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder, as such Director or authorized representative may in his absolute discretion deem appropriate.”

11. To consider, and if thought fit, pass the following resolution on the proposed general mandate to issue Shares:

**“THAT:**

- (1) the Board be and is hereby granted, during the Relevant Period (as hereafter defined), an unconditional general mandate to issue, allot and/or deal with additional shares in the capital of the Company (whether Domestic Shares or H Shares), and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
  - (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;
  - (b) the aggregate nominal amount of the Domestic Shares and/or the H Shares to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board other than pursuant to the share option scheme (if any) adopted by the Company for the grant or issue of shares of the Company, shall not exceed:
    - i. 20 percent of the aggregate nominal amount of the Domestic Shares in issue; and/or
    - ii. 20 percent of the aggregate nominal amount of the H Shares in issue, respectively,

in each case as at the date of passing of this resolution; and

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## NOTICE OF AGM

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- (c) the Board will only exercise its power under the general mandate in accordance with the Company Law and the Listing Rules (as each of them may be amended from time to time) and only if all necessary approvals from or filing with the China Securities Regulatory Commission and/or other relevant government authorities in the People's Republic of China are obtained;

and, for the purposes of this resolution:

“**Relevant Period**” means the period from the date of passing this resolution until whichever is the earliest of:

- i. the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
  - ii. the expiration of the 12-month period following the passing of this resolution; or
  - iii. the date on which the authority granted to the Board set out in this resolution is revoked or varied by a special resolution of the Company in a general meeting.
- (2) contingent on the Board resolving to exercise the general mandate and/or issue shares pursuant to paragraph (1) of this resolution, the Board be and is hereby authorized:
- (a) to approve, execute and do, or procure to be executed and done all such documents, deeds and matters which it may consider necessary in connection with the exercise of the general mandate and/or the issue of shares, including but not limited to the time, price, quantity and place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
  - (b) to determine the use of proceeds, and to make all necessary filings and registration with the relevant authorities in the People's Republic of China, Hong Kong and/or other places and jurisdictions (as appropriate); and
  - (c) to increase the registered capital of the Company and make all necessary amendments to the Articles of Association to reflect such increase and to register the increased capital with the relevant authorities so as to reflect the new capital and/or share capital structure of the Company.”



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## NOTICE OF AGM

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12. To consider, and if thought fit, pass the following resolution on the proposed general mandate to repurchase Shares:

**“THAT:**

- (1) subject to paragraphs (2) and (3) below, the exercise by the Board during the Relevant Period (as defined in paragraph (4) below) of all the powers of the Company to repurchase Domestic Shares and/or H Shares in issue, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body, is approved;
- (2) the aggregate nominal value of Domestic Shares or H Shares authorized to be repurchased pursuant to the approval in paragraph (1) above during the Relevant Period (as defined in paragraph (4) below) shall not exceed 10% of the aggregate nominal value of Domestic Shares or H Shares in issue, respectively, as at the date of the passing of this special resolution;
- (3) the approval in paragraph (1) above shall be conditional upon:
  - (a) the special resolution to be passed at each of the AGM, the Domestic Share Class Meeting and the H Share Class Meeting shall be of the same terms as the resolution set out in this paragraph (except for this sub-paragraph (3)(a));
  - (b) compliance with the relevant requirements of the Company Law and the regulations of the regulatory authorities (including the Stock Exchange) of the place of listing of the Company as amended from time to time; and
  - (c) the approval of or the filing with the State Administration of Foreign Exchange, China Securities Regulatory Commission and/or any other regulatory authorities (if applicable) as may be required by the laws, rules and regulations of the PRC has been obtained or made.
- (4) For the purpose of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution in the AGM, the Domestic Share Class Meeting and the H Share Class Meeting until whichever is the earliest of:
  - (a) the conclusion of the next annual general meeting of the Company following the passing of this special resolution;
  - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or other applicable laws to be held;

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## NOTICE OF AGM

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- (c) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of the Shareholders at a general meeting, by a special resolution of Domestic Shareholders at a class meeting for Domestic Shareholders or by a special resolution of H Shareholders at a class meeting for H Shareholders; or
  - (d) the date of expiration of a period of 12 months after this special resolution has been passed at each of the AGM, the Domestic Share Class Meeting and the H Share Class Meeting.
- (5) the Board is hereby authorized to:
- (a) formulate and implement specific repurchase plans, including but not limited to the repurchase price, the amount of repurchases, the timing and period for repurchases;
  - (b) notify creditors and publish announcements in accordance with the requirements of the Company Law, the Articles of Association and the relevant requirements of the Stock Exchange (if applicable) as amended from time to time;
  - (c) open a foreign stock account and complete the corresponding procedure of change in foreign exchange registration;
  - (d) perform the relevant approval procedure in accordance with the requirements of the regulatory authority and the place of listing, including filing with China Securities Regulatory Commission;
  - (e) complete the procedure for the cancellation of the repurchased Shares, the reduction of the Company's registered capital, the amendment of the relevant clauses of the Articles of Association relating to, among other things, the total amount of share capital and structure of shareholding, and perform the relevant domestic and foreign registration and filing procedures according to the statutory requirements in the PRC and foreign regions; and
  - (f) sign and execute other documents and complete other matters relevant to repurchases of Shares."
13. The resolution(s) to be proposed at the AGM by Shareholders holding 3% or more of the total number of the Company's shares carrying voting rights, if any, by way of special resolution(s).

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

Beijing, 27 April 2023

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## NOTICE OF AGM

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*Notes:*

(1) For details regarding Resolutions No. 1 – No. 6 and No. 9 – No. 12, please refer to the circular of the Company dated 27 April 2023 (“**AGM Circular**”) regarding “ (1) Proposed Change of Executive Director; (2) Proposed Amendments to the Articles of Association and the Rules Governing the Operation of Shareholders’ General Meetings; (3) Proposed General Mandate to Issue Shares; (4) Proposed Distribution of 2022 Final Dividend; (5) Proposed General Mandate to Repurchase Shares and Notice of Annual General Meeting, Notice of Class Meeting for Holders of H Shares, Notice of Class Meeting for Holders of Domestic Shares”. For details regarding Resolution No. 7, please refer to the circular of the Company dated 27 April 2023 in relation to “Continuing Connected Transactions – Entering into of the Harbin Aircraft Mutual Products and Services Supply Agreement; and Notice of Annual General Meeting”. Unless indicated otherwise, capitalised terms used in the respective resolutions shall have the same meanings as those defined in the respective circulars.

(2) Resolution No. 7 above will be voted by poll by the Independent Shareholders.

**(3) CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY TO ATTEND AND VOTE AT THE AGM**

As disclosed in the announcement of the Company dated 15 March 2023, the H Share register of members of the Company will be closed from Friday, 28 April 2023 to Thursday, 18 May 2023 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of the Company’s H Shares and Domestic Shares whose names appear on the Company’s Register of Members at the opening of business on Thursday, 18 May 2023 are entitled to attend and vote at the AGM.

In order to be eligible to attend and vote at the AGM, holders of the Company’s H Shares shall lodge all transfer instruments together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company’s H Shares Registrar, not later than 4:30 p.m. on Thursday, 27 April 2023 at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queens’ Road East, Wanchai, Hong Kong.

**(4) CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY TO RECEIVE THE 2022 FINAL DIVIDEND**

The Board recommended the payment of a final dividend for the year 2022 in an aggregate amount of RMB616,906,579.36, representing a dividend of RMB0.08 per Share (2021: RMB0.08 per Share), calculated based on the existing number of total issued Shares of 7,711,332,242 Shares as at the Latest Practicable Date, which is subject to adjustment based on the number of the total issued Shares of the Company as at the Record Date (as defined below). Subject to the approval of the Shareholders at the AGM, the aforementioned dividend is expected to be paid by the Company on or before 30 June 2023. Further announcement will be made in this regard in due course.

The 2022 final dividend will be paid to those Shareholders whose names appear on the Company’s register of members at the close of business on Friday, 2 June 2023 (the “**Record Date**”). To determine the identity of the Shareholders entitled to receive the final dividend, the Company’s register of members will be closed from Sunday, 28 May 2023 to Friday, 2 June 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to receive the 2022 final dividend, all transfer instruments accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company’s H shares registrar, not later than 4:30 p.m. on Thursday, 25 May 2023 at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queens’ Road East, Wanchai, Hong Kong.

**(5) REGISTRATION PROCEDURES FOR ATTENDING THE AGM**

The Shareholder or its proxies shall produce his identification proof. If a corporation Shareholder’s legal representative or any other person authorized by the board of directors or other governing body of such corporate Shareholder attends the AGM, such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative and the valid authorization document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorization of that legal representative or other person.

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## NOTICE OF AGM

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**(6) PROXIES**

- a. Any Shareholder who is entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf at the AGM. A proxy needs not be a Shareholder. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the AGM.
- b. Any Shareholder shall appoint its proxy in writing. The instrument appointing a proxy must be in writing signed under the hand of the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument shall be affixed with the seal of the body corporate or shall be signed by the directors of the board of the body corporate or by attorneys duly authorized. If the instrument is signed by an attorney of the appointer, the power of attorney authorizing the attorney to sign or other documents of authorization must be notarially certified. In order to be valid, the form of proxy, and a notarially certified copy of the power of attorney or other documents of authorization, where appropriate, must be delivered in the case of holders of Domestic Shares, to the correspondence address designated by the Company, and in the case of holders of H Shares, to Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, at 17M Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the AGM and return of a form of proxy will not preclude a Shareholder from attending AGM or any adjournment thereof (as the case may be) in person and voting at the AGM if he or she so wishes.

**(7) THE AGM IS EXPECTED TO LAST FOR HALF A DAY. SHAREHOLDERS ATTENDING THE MEETING ARE RESPONSIBLE FOR THEIR OWN TRANSPORTATION AND ACCOMMODATION EXPENSES.**

Designated address of the Company:

6/F, Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC (Postal code: 100029)

Telephone No: 86-10-58354348

Facsimile No: 86-10-58354310

Attention: Ms. Pu Yuanqing

*As at the date of this notice, 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.*