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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)**

**POTENTIAL CONNECTED TRANSACTION  
CAPITAL CONTRIBUTION IN SHAANXI HUAYAN**

**CAPITAL CONTRIBUTION AGREEMENT**

In order to enhance Shaanxi Huayan's operating capability and to seize opportunities in areas such as the application of aviation technology in advanced manufacturing industries, the board of directors of AVIC Airborne has approved on 24 October 2023 to enter into the Capital Contribution Agreement with AVIC Electric Measuring and Shaanxi Huayan, pursuant to which AVIC Airborne and AVIC Electric Measuring as the existing shareholders, will make capital contribution on a pro-rata basis to Shaanxi Huayan in the amount of RMB160 million and RMB40 million in cash, respectively.

Upon Completion, the registered capital of Shaanxi Huayan will increase from RMB500 million to RMB700 million, and the shareholdings of AVIC Airborne and AVIC Electric Measuring in Shaanxi Huayan will remain unchanged.

**LISTING RULES IMPLICATIONS**

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

As the highest of the applicable percentage ratios (other than the profits ratio) in respect of the capital contribution by AVIC Airborne in Shaanxi Huayan exceeds 0.1% but is less than 5%, such transaction is subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **CAPITAL CONTRIBUTION**

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The principal terms of the Capital Contribution Agreement are summarised as follows:

### **1. Parties**

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

Shaanxi Huayan as the target company.

### **2. Capital Contribution**

The total amount of capital contribution in Shaanxi Huayan is RMB200 million on a pro-rata basis. AVIC Airborne and AVIC Electric Measuring will make the capital contribution of RMB160 million and RMB40 million in cash, respectively, at the price of RMB1 per registered capital. AVIC Airborne intends to use its own funds to finance the capital contribution.

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

### **3. Terms of Payment**

The Capital Contribution shall be paid in a lump sum within 10 working days from the effective date of the Capital Contribution Agreement.

### **4. Conditions Precedent to the Effectiveness of the Capital Contribution Agreement**

The Capital Contribution Agreement shall take effect from the date on which all of the following conditions precedent have been fulfilled:

- (1) each of AVIC Airborne, AVIC Electronic Measuring and the Company having completed its internal decision-making procedures in respect of the Capital Contribution;

- (2) AVIC Airborne and AVIC Electronic Measuring having made a shareholders' resolution of Shaanxi Huayan in respect of the Capital Contribution; and
- (3) All necessary approvals for the Capital Contribution having been obtained.

The parties expect to enter into the Capital Contribution Agreement within 15 days after the publication of this announcement.

## **REASONS AND BENEFITS OF THE CAPITAL CONTRIBUTION**

Upon Completion, the registered capital of Shaanxi Huayan will increase from RMB500 million to RMB700 million, and the shareholdings of AVIC Airborne and AVIC Electric Measuring in Shaanxi Huayan will remain unchanged.

The Capital Contribution will enable Shaanxi Huayan to seize opportunities in areas such as the application of aviation technology in advanced manufacturing industries, thereby enhancing its operating capability and overall competitiveness.

Having considered the above, the Directors (including the independent non-executive Directors) consider that although the transactions contemplated under the Capital Contribution Agreement are not conducted in the normal and usual course of business of the Group, the terms of the Capital Contribution Agreement and the transactions contemplated thereunder were negotiated on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

## **GENERAL INFORMATION**

### **Information on AVIC**

AVIC is controlled by the State Council of the PRC, and is mainly engaged in the development and manufacture of aviation products and non-aviation products. AVIC is the controlling shareholder of the Company, holding 60.25% equity interest in the Company directly and indirectly as at the date of this announcement.

### **Information on the Company**

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

### **Information on AVIC Airborne**

AVIC Airborne is a joint stock limited company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, AVIC Airborne is a 16.50%-owned subsidiary of the Company, and is mainly engaged in the manufacture and sale of avionics systems and aviation electromechanical systems products.

## Information on AVIC Electric Measuring

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

## Information on Shaanxi Huayan

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

The audited net profits (before and after taxation) of Shaanxi Huayan prepared under the China Accounting Standards for Business Enterprise for the year ended 31 December 2021 and 31 December 2022 are set out below:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation	59,310,514.17	68,917,170.85
Net profit after taxation	56,154,004.75	63,140,773.18

The unaudited book value of net assets of Shaanxi Huayan as at 30 June 2023 prepared under the China Accounting Standards for Business Enterprises was approximately RMB953.76 million.

## LISTING RULES IMPLICATIONS

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

As the highest of the applicable percentage ratios (other than the profits ratio) in respect of the capital contribution by AVIC Airborne in Shaanxi Huayan exceeds 0.1% but is less than 5%, such transaction is subject to the reporting and announcement requirement but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Liu Bingjun, a non-executive Director, who is also a vice director of the Capital Operation Department of AVIC, will abstain from voting on the relevant Board resolution approving the terms of the Capital Contribution Agreement and the transactions contemplated thereunder in accordance with the Company Law of the PRC and the Listing Rules. Save as disclosed above, none of other Directors has or is deemed to have a material interest in such transaction.

## DEFINITIONS

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

“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 60.25% equity interest in the Company directly and indirectly as at the date of this announcement
“AVIC Airborne”	China Avionics Systems Co., Ltd.* (中航機載系統股份有限公司), a joint stock limited company whose A shares are listed on the Shanghai Stock Exchange and a connected subsidiary of the Company as at the date of the announcement
“AVIC Electric Measuring”	AVIC Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司), a joint stock limited company whose A shares are listed on the Shenzhen Stock Exchange and a subsidiary of AVIC as at the date of the announcement
“Board”	the board of directors of the Company
“Capital Contribution”	the capital contribution by AVIC Airborne and AVIC Electric Measuring in Shaanxi Huayan in cash on a pro-rata basis pursuant to the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement to be entered into among AVIC Avionics, AVIC Electric Measuring and Shaanxi Huayan in relation to the Capital Contribution
“Company”	AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“Completion”	the completion of the Capital Contribution
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Huayan”	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd.* (陝西華燕航空儀錶有限公司), a limited liability company established in the PRC and a connected subsidiary of AVIC Airborne as at the date of the announcement
“Shareholders”	the shareholders of the Company
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“%”	percent

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

Beijing, 24 October 2023

*As at the date of this announcement, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, non-executive Directors Mr. Lian Dawei, Mr. Liu Bingjun, Mr. Xu Gang and Mr. Wang Jun as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.*

*\* For identification purpose only*