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中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2357)

CONNECTED TRANSACTIONS

CAPITAL INCREASE IN SHAANXI HUAYAN AND AVIC KAITIAN

On 10 March 2020, AVIC Avionics entered into Shaanxi Huayan Capital Contribution Agreement with Shaanxi Huayan and AVIC Electric Measuring, pursuant to which AVIC Avionics and AVIC Electric Measuring as the existing shareholders will participate in the capital contributions in Shaanxi Huayan in a total amount of approximately RMB73.64 million on a pro-rata basis. As at the date of this announcement, Shaanxi Huayan is owned 80% by AVIC Avionics and 20% by AVIC Electric Measuring, respectively. Accordingly, AVIC Avionics will contribute an amount of approximately RMB58.91 million in cash in Shaanxi Huayan.

On 10 March 2020, AVIC Avionics entered into AVIC Kaitian Capital Contribution Agreement with AVIC Kaitian, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi, pursuant to which AVIC Avionics, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi as the existing shareholders will participate in the capital contributions in AVIC Kaitian in a total amount of approximately RMB50.55 million on a pro-rata basis. As at the date of this announcement, AVIC Kaitian is owned 88.3% by AVIC Avionics, 1.56% by Chengdu Aircraft Industry, 5.07% by AVIC Investment Holding and 5.07% by Chengdu Kaidi. Accordingly, AVIC Avionics will contribute an amount of approximately RMB44.64 million in cash in AVIC Kaitian.

As at the date of this announcement, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Each of Shaanxi Huayan and AVIC Kaitian is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC (i.e. the controlling Shareholder of the Company) indirectly as AVIC Electric Measuring, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi are subsidiaries of AVIC. Therefore, the capital contribution by AVIC Avionics in each of Shaanxi Huayan and AVIC Kaitian constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratio in respect of each of

aforementioned capital contributions exceeds 0.1% but is less than 5%, the entering into of each of Shaanxi Huayan Capital Contribution Agreement and AVIC Kaitian Capital Contribution Agreement is subject to the reporting and announcement requirement but is exempt from the independent Shareholders' approval requirement.

A. SHAANXI HUAYAN CAPITAL CONTRIBUTION AGREEMENT

On 10 March 2020, AVIC Avionics entered into Shaanxi Huayan Capital Contribution Agreement with Shaanxi Huayan and AVIC Electric Measuring, the principal terms of which are summarized as follows:

1. Date

10 March 2020

2. Parties

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

Shaanxi Huayan as the target company

3. Capital Contributions

The total amount of capital contributions in Shaanxi Huayan is approximately RMB73.64 million on a pro-rata basis. AVIC Avionics and AVIC Electric Measuring will contribute an amount of approximately RMB58.91 million and RMB14.73 million in cash, respectively.

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

4. Terms of Payment

The capital contributions shall be paid in a lump sum before 30 March 2020 unless otherwise agreed in writing.

B. AVIC KAITIAN CAPITAL CONTRIBUTION AGREEMENT

On 10 March 2020, AVIC Avionics entered into AVIC Kaitian Capital Contribution Agreement with AVIC Kaitian, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi, the principal terms of which are summarized as follows:

1. Date

10 March 2020

2. Parties

AVIC Avionics, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi as the existing shareholders, holding 88.30%, 1.56%, 5.07% and 5.07% equity interest in AVIC Kaitian, respectively;

AVIC Kaitian as the target company

3. Capital Contributions

The total amount of capital contributions in AVIC Kaitian is approximately RMB50.55 million on a pro-rata basis. AVIC Avionics, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi will contribute an amount of approximately RMB44.64 million, RMB0.79 million, RMB2.56 million and RMB2.56 million in cash, respectively.

The capital contributions 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 AVIC Kaitian.

4. Terms of Payment

The capital contributions shall be paid in a lump sum before 30 March 2020 unless otherwise agreed in writing.

C. REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE CAPITAL CONTRIBUTION AGREEMENTS

The shareholdings in Shaanxi Huayan and AVIC Kaitian remain unchanged after the capital contributions.

The capital contributions will be effectively utilized in the industrialization construction project of high-performance inertial sensor and application system of Shaanxi Huayan and the industrialization project of high security monitoring system of AVIC Kaitian, which will continuously increase the profitability and overall competitiveness of AVIC Avionics.

Each of Shaanxi Huayan Capital Contribution Agreement and AVIC Kaitian Capital Contribution Agreement is entered into by the parties on normal commercial terms after arm's length negotiation. The Directors (including the independent non-executive Directors) are of the view that the terms of the aforementioned agreements are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

D. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC Avionics is a non-wholly-owned subsidiary of the Company. Each of Shaanxi Huayan and AVIC Kaitian is a connected subsidiary of AVIC Avionics by virtue of being owned as to over 10% by AVIC (i.e. the controlling Shareholder of the Company) indirectly as AVIC Electric Measuring, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi are subsidiaries of AVIC. Therefore, the capital contribution by AVIC Avionics in each of Shaanxi Huayan and AVIC Kaitian constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable size test percentage ratio in respect of each of aforementioned capital contributions exceeds 0.1% but is less than 5%, the entering into of each of Shaanxi Huayan Capital Contribution Agreement and AVIC Kaitian Capital Contribution Agreement is subject to the reporting and announcement requirement but is exempt from the independent Shareholders' approval requirement.

Apart from Mr. Chen Yuanxian and Mr. Yan Lingxi, the Directors, who are the vice general manager and a department chief of AVIC, respectively and shall abstain from voting, none of the other Directors has or is deemed to have a material interest in the transactions contemplated under each of Shaanxi Huayan Capital Contribution Agreement and AVIC Kaitian Capital Contribution Agreement.

E. 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 56.04% equity interest in the Company directly and indirectly as at the date of this announcement.

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the 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 the existing shareholders of Shaanxi Huayan

AVIC Avionics is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. AVIC Avionics is a non-wholly-owned subsidiary of the Company holding 43.21% equity interest, which is mainly engaged in the manufacture of avionics products and related accessories.

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

Information on Shaanxi Huayan

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

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation and extraordinary items) of Shaanxi Huayan for the financial year ended 31 December 2018 and 31 December 2017 are set out below:

	For the year ended 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)
<i>Net profit before taxation and extraordinary items</i>	43,136,099.87	47,646,838.91
<i>Net profit after taxation and extraordinary items</i>	38,240,622.65	42,222,681.35

The book value of the net assets of Shaanxi Huayan as at 31 December 2018 prepared in accordance with Chinese Accounting Standards for Business Enterprises was approximately RMB643,876,360.

Information on the existing shareholders of AVIC Kaitian (other than AVIC Avionics)

Chengdu Aircraft Industry is mainly engaged in research and development and manufacturing of aviation products and aviation components.

AVIC Investment Holding is mainly engaged in industrial investment, equity investment and investment consulting services.

Chengdu Kaidi is mainly engaged in aircraft design and technology development transfer and service consulting of electromechanical products and computer software and hardware.

Each of them is a limited liability company incorporated in the PRC and is a subsidiary of AVIC as at the date of this announcement.

Information on AVIC Kaitian

AVIC Kaitian is a joint stock limited liability company incorporated in the PRC, which is mainly engaged in research, manufacturing and sale of air data system and various types of avionics, aviation instruments and sensors.

According to the China Accounting Standards for Business Enterprises, the net profits (before and after taxation and extraordinary items) of AVIC Kaitian for the financial year ended 31 December 2018 and 31 December 2017 are set out below:

	For the year ended 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)
<i>Net profit before taxation and extraordinary items</i>	8,448,550.54	46,822,579.49
<i>Net profit after taxation and extraordinary items</i>	10,522,718.47	39,895,540.62

The book value of the net assets of AVIC Kaitian as at 31 December 2018 prepared in accordance with Chinese Accounting Standards for Business Enterprises was approximately RMB992,718,602.05.

F. DEFINITIONS

“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), the controlling shareholder of the Company, holding 56.04% equity interest in the Company directly and indirectly as at the date of the announcement
“AVIC Avionics”	China Avionics Systems Co., Ltd.* (中航航空電子系統股份有限公司), a joint stock limited liability company whose A shares are listed on the Shanghai Stock Exchange and a non-wholly-owned subsidiary of the Company which is owned as to 43.21% by the Company as at the date of the announcement
“AVIC Electric Measuring”	AVIC Zhonghang Electric Measuring Instruments Co., Ltd.* (中航電測儀器股份有限公司), a joint stock limited liability company whose A shares are listed on the Shenzhen Stock Exchange and a subsidiary of AVIC as at the date of the announcement
“AVIC Investment Holding”	AVIC Investment Holding Co., Ltd.* (中航投資控股有限公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of the announcement
“AVIC Kaitian”	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a joint stock limited liability company incorporated in the PRC and a subsidiary of AVIC Avionics as at the date of the announcement
“AVIC Kaitian Capital Contribution Agreement”	the capital contribution agreement entered into among AVIC Avionics, AVIC Kaitian, Chengdu Aircraft Industry, AVIC Investment Holding and Chengdu Kaidi on 10 March 2020 in relation to capital contributions in AVIC Kaitian in cash on a pro-rata basis
“Board”	the board of directors of the Company
“Chengdu Aircraft Industry”	Chengdu Aircraft Industry (Group) Co., Ltd.* (成都飛機工業(集團)有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of the announcement
“Chengdu Kaidi”	Chengdu Kaidi Aircraft Design Co., Ltd.* (成都凱迪飛行器設計有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of AVIC as at the date of the announcement
“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 same meaning as defined in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 incorporated in the PRC and a subsidiary of AVIC Avionics as at the date of the announcement
“Shaanxi Huayan Capital Contribution Agreement”	the capital contribution agreement entered into among AVIC Avionics, Shaanxi Huayan and AVIC Electric Measuring on 10 March 2020 in relation to capital contributions in Shaanxi Huayan in cash on a pro-rata basis
“Shareholders”	the shareholders of the Company
“subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules

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

Beijing, 10 March 2020

As at the date of this announcement, the Board comprises executive Directors Mr. Chen Yuanxian and Mr. Wang Xuejun, non-executive Directors Mr. Yan Lingxi, Mr. Lian Dawei, and Mr. Xu Gang as well as independent non-executive Directors Mr. Liu Renhuai, Mr. Liu Weiwu and Mr. Wang Jianxin.

** For identification purpose only*