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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)

**FURTHER INFORMATION IN RELATION TO THE
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement (the “**Announcement**”) of AviChina Industry & Technology Company Limited* (the “**Company**”) dated 22 August 2023 in relation to, among others, the New Agreements and the Proposed Revised Caps. Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with further information in relation to the New Agreements and the Proposed Revised Caps.

1. In relation to the basis of determination of the proposed caps for the Finance Lease Services under the Finance Lease and Factoring Framework Agreement, it is expected that the aviation industry, especially the avionics business, will maintain steady growth and the Group's investment in relevant fixed assets is expected to increase. Based on the Group's business development plan (which considers factors including the expected investment amount and quantity of fixed assets for the Group's business development, the historical investment amount and quantity of fixed assets, and the historical and forecasted price trends of fixed assets) and negotiations with AVIC Lease, the Group forecasted its financing needs for investment in fixed assets which are mainly for its avionics businesses (for example, machinery equipment including manufacturing lines and testing aircrafts), and the expected transaction amount under each of the direct lease services and sale and leaseback services for the three years ending 31 December 2026 is approximately RMB1,000 million to satisfy the Group's financing needs in this regard.

In relation to the historical transaction amount of the Finance Lease Services during the two years ended 31 December 2022 and the six months ended 30 June 2023, the Group did not utilise the caps for direct lease services and sale and leaseback services during such period because the Group did not utilise the Finance Lease Services for the purchase of fixed assets as much as it expected during such period after considering its cash flow status.

As the Group considered that the Finance Lease Services would improve its capital usage efficiency and enable the Group to optimise its financial management, and also offer greater flexibility on the financing terms compared to other financial institutions such as commercial banks, the Group believes that the Finance Lease Services would make a suitable channel

complementary to other financing channels available to the Group.

2. In relation to the basis of determination of the Proposed Revised Cap for the expenditure transactions under the Existing Mutual Service Supply Agreement for the year ending 31 December 2023, the Proposed Revised Cap is derived based on the historical transaction amount for the year ended 31 December 2021 and 31 December 2022 (being RMB375 million and RMB414 million respectively) and the expected increase of the Group's purchase amount as a result of the Share Swap and Absorption. The expected additional purchase amount as a result of the Share Swap and Absorption is approximately RMB240 million for the year ending 31 December 2023. Furthermore, according to the signed contracts, orders and the Group's manufacturing plan and business development, it is expected that the Group will incur an additional approximately RMB300 million for engaging manufacturing-related labour services for aviation entire aircraft business and an additional approximately RMB130 million for engineering services to be procured by AVIC CAPDI under the Existing Mutual Service Supply Agreement as compared to the year ended 31 December 2022.
3. Under the Government-prescribed Price, the profit margin shall be determined by the relevant authorities. As 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 Government-prescribed Price (and the relevant profit margin) is on normal commercial terms and fair and reasonable.
4. The transactions under the Shenyang Xinghua Mutual Product and Service Supply Framework Agreement do not cover those transactions between Shenyang Xinghua Group and AVIC Avionics Group since those transactions are covered under the AVIC Avionics Mutual Product and Service Supply Framework Agreement. Please refer to paragraph 2.4 under Section I of the Announcement for further information.

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

Beijing, 13 September 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*