THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and reply slip 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)

I. NON-EXEMPT TRANSACTIONS AND MAJOR TRANSACTION:
(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS;
(2) PROPOSED REVISION OF ANNUAL CAPS FOR 2026;
AND
II. NOTICE OF EGM

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

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 9 to 53 of this circular. A letter from the Independent Board Committee is set out on page 54 of this circular. A letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 55 to 109 of this circular.

The notice convening the EGM of AviChina Industry & Technology Company Limited* to be held at 9:00 a.m. on Friday, 11 December 2026 at Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC is set out on pages 120 to 122 of this circular.

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

26 October 2026

* *For identification purposes only*

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

"14th Five-Year Plan"	the Fourteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China for the period from 2021 to 2025
"15th Five-Year Plan"	the Fifteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China for the period from 2026 to 2030
"associates"	has the same meaning ascribed to it 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 59.63% of all issued Shares as at the Latest Practicable Date
"AVIC Group"	AVIC and its subsidiaries (excluding the Group)
"AVIC Airborne"	AVIC Airborne Systems Co., Ltd.* (中航機載系統股份有限公司) (previously known as 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 connected subsidiary of the Company as at the Latest Practicable Date
"AVIC Airborne Group"	AVIC Airborne and its subsidiaries
"AVIC Airborne Mutual Product and Service Supply Framework Agreement"	the AVIC Airborne mutual product and service supply framework agreement entered into between the Company and AVIC Airborne dated 26 August 2026
"AVIC CAPDI"	China Aviation Planning and Design Institute (Group) Co., Ltd.* (中國航空規劃設計研究總院有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"AVIC Finance"	AVIC Finance Co., Ltd.* (中航工業集團財務有限責任公司), a limited liability company established in the PRC and a subsidiary of AVIC as at the Latest Practicable Date

"AVIC Finance Factoring Services"	the receivable factoring services provided by AVIC Finance to the Group under the Existing Financial Services Framework Agreement and to be provided under the Financial Services Framework Agreement
"AVIC Mutual Product Supply Framework Agreement"	the mutual product supply framework agreement entered into between AVIC and the Company dated 31 August 2026
"AVIC Mutual Service Supply Framework Agreement"	the mutual service supply framework agreement entered into between AVIC and the Company dated 31 August 2026
"AVICOPTER"	AVICOPTER PLC (中航直升機股份有限公司), a joint stock limited company whose A shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CBIRC"	the China Banking and Insurance Regulatory Commission
"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"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"connected subsidiary(ies)"	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 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 the average profit margin among the related industrial enterprises, the average profit margin in the aviation industry and the profits previously received by the Group or AVIC Group for similar products, raw materials or services.

	The specified percentage used to determine the Contractual Price is the maximum profit margin under the relevant continuing connected transaction agreements, and specific prices will be determined under separate agreements in each transaction, and the profit margin is in line with industry practice. The above Contractual Price mechanism is applicable not only to the supply of products or services by the Group, but also vice versa by AVIC Group and AVIC Airborne Group.
"controlling Shareholder(s)"	has the same meaning as defined in the Hong Kong Listing Rules
"Deposit Services"	the deposit services to be provided by AVIC Finance to the Group under the Existing Financial Services Framework Agreement or the Financial Services Framework Agreement
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the ordinary domestic Share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for or credited as fully paid in RMB by PRC nationals and/or PRC corporate entities
"EGM"	the extraordinary general meeting of the Company to be held at 9:00 a.m. on Friday, 11 December 2026 at Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC for the purposes of considering and, if thought fit, approving, among other things, (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
"Existing Agreements"	the Existing AVIC Mutual Product Supply Agreement, the Existing AVIC Mutual Service Supply Agreement, the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement, and the Existing Financial Services Framework Agreement
"Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement"	the mutual product and service supply framework agreement entered into between the Company and AVIC Airborne and dated 22 August 2023, for a term of three years commencing from 1 January 2024
"Existing AVIC Mutual Product Supply Agreement"	the mutual product supply framework agreement entered into between AVIC and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024

"Existing AVIC Mutual Service Supply Agreement"	the mutual service supply framework agreement entered into between AVIC and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024
"Existing Financial Services Framework Agreement"	the financial services framework agreement entered into between AVIC Finance and the Company and dated 22 August 2023, for a term of three years commencing from 1 January 2024
"Financial Services Framework Agreement"	the financial services framework agreement entered into between AVIC Finance and the Company dated 31 August 2026
"Forstar"	AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), a subsidiary of JONHON
"GDP"	the gross domestic product
"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.
"Group"	the Company and its subsidiaries from time to time (in particular, in respect of the AVIC Airborne Mutual Product and Service Supply Framework Agreement, the Company and its subsidiaries (other than the AVIC Airborne Group) from time to time)
"H Share(s)"	the ordinary Share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are traded in HK dollars and listed on the Hong Kong Stock Exchange
"Hongdu Aviation"	Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a joint stock limited company whose A shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping, to advise the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed 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), to advise the Independent Board Committee and the Independent Shareholders on (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
"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 EGM to approve (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029 and (ii) the Proposed Revised Caps
"Independent Third Parties"	independent third parties (to the best of the Directors' knowledge, information and belief having made all reasonable enquiry), including the ultimate beneficial owners of such parties, 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)
"JONHON"	Jonhon Optronic Technology Co., Ltd (中航光電科技股份有限公司), a joint stock limited liability company whose A shares are listed on the Shenzhen Stock Exchange, a subsidiary of the Company
"Latest Practicable Date"	Tuesday, 20 October 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Loan Services"	the loan services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
"Market Price"	the price as determined in the following sequence: (i) where there are comparable market prices or charging rates standards determined by independent third parties under normal commercial terms for the transaction, the transaction price shall be determined at such price or standard; or (ii) if there are no such comparable market prices of independent third parties, the transaction price shall be fixed by the price of non-connected transactions between the Company and independent third parties: (a) where the Company is the buyer, 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 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 after taking into account the transaction volumes and business relationship between the Company and purchasers according to the Company's internal sales policy. The Market Price will be determined or approved by the authorised departments/persons of the specific entities within the Group in particular transactions
"NBS"	the National Bureau of Statistics of the PRC (中國國家統計局)
"NFRA"	the National Financial Regulatory Administration * (國家金融監督管理總局), the successor of the CBIRC
"Non-exempt Transactions"	(i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, (iii) the expenditure transactions contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement, (iv) the Deposit Services contemplated under the Financial Services Framework Agreement, (v) the Other Financial Services under the Financial Services Framework Agreement, and (vi) the Proposed Revised Caps, which are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules
"Non-financing Guarantee Letter Services"	the non-financing guarantee letter services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement

"Original Annual Caps"	the original annual caps for the year ending 31 December 2026 for the transactions under the Existing AVIC Mutual Service Supply Agreement
"Other Financial Services"	in respect of the Existing Financial Services Framework Agreement, such financial services (including but not limited to bill acceptance and discounting services) as approved by the CBIRC (other than the Deposit Services, the Loan Services, the Settlement Services, the guarantee services and the AVIC Finance Factoring Services) provided/to be provided by AVIC Finance to the Group in respect of the Financial Services Framework Agreement, such financial services (including but not limited to bill acceptance and discounting services) as approved by the NFRA (other than the Deposit Services, the Loan Services, the Settlement Services, the Non-financing Guarantee Letter Services and the AVIC Finance Factoring Services) to be provided by AVIC Finance to the Group
"Partly Exempt Transactions"	(i) the AVIC Finance Factoring Services contemplated under the Financial Services Framework Agreement, and (ii) the revenue transactions contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement which are subject to reporting, announcement and annual review requirements but are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules
"PBOC"	the People's Bank of China
"percentage ratio(s)"	has the same meaning ascribed to it under the Hong Kong Listing Rules
"PRC"	the People's Republic of China
"Proposed Revised Cap(s)"	the proposed revised caps for the year ending 31 December 2026 for the transactions under the Existing AVIC Mutual Service Supply Agreement
"Renewal Agreements"	the AVIC Mutual Product Supply Framework Agreement, the AVIC Mutual Service Supply Framework Agreement, the AVIC Airborne Mutual Product and Service Supply Framework Agreement and the Financial Services Framework Agreement
"RMB"	Renminbi, the lawful currency of the PRC

"Settlement Services"	the settlement services to be provided by AVIC Finance to the Group under the Financial Services Framework Agreement
"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 RMB1.00 each in the capital of the Company
"Shareholders"	holder(s) of Shares
"subsidiary(ies)"	has the same meaning as defined in the Hong Kong Listing Rules
"substantial Shareholder(s)"	has the same meaning as defined in the Hong Kong Listing Rules
"%"	percent



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 Directors:
Mr. Yan Lingxi *(Chairman)*
Mr. Sun Jizhong

Non-executive Directors:
Mr. Xu Dongsheng
Mr. Wang Rong
Ms. Hu Shiwei
Mr. Gao Jiming

Independent non-executive Directors:
Mr. Liu Weiwu
Mr. Mao Fugen
Mr. Lin Guiping

Registered Office:
2nd floor, Building 27
No. 26 Xihuan South Street
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

26 October 2026

To the Shareholder(s):

Dear Sir or Madam,

I. NON-EXEMPT TRANSACTIONS AND MAJOR TRANSACTION: (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS; (2) PROPOSED REVISION OF ANNUAL CAPS FOR 2026; AND II. NOTICE OF EGM

INTRODUCTION

References are made to the announcements of the Company dated 26 August 2026 and 31 August 2026 in relation to, among other things, (1) the renewal of continuing connected transactions under the Existing Agreements; and (2) the proposed revision of annual caps for 2026 under the Existing AVIC Mutual Service Supply Agreement.

* *For identification purposes only*

The purpose of this circular is to provide you with, among other things, information relating to the resolutions to be considered and, if appropriate, approved at the EGM:

(1) details relating to (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps;

(2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders;

(3) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders; and

(4) the notice of the EGM.

I. THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS

1. Background

References are made to the announcements of the Company dated 22 August 2023, 13 September 2023 and 29 August 2025, and the circular dated 28 November 2023 in relation to, among other things, the continuing connected transactions of the Group with AVIC, AVIC Airborne and AVIC Finance contemplated under each of the Existing Agreements.

As the Existing Agreements will expire on 31 December 2026 and the Group intends to continue to enter into the transactions of similar nature after the expiry date, the Company entered into the Renewal Agreements for a term of three years commencing from 1 January 2027 to continue the Group's continuing connected transactions. The Renewal Agreements comprise the mutual product supply framework agreement and mutual service supply framework agreement with AVIC; the financial services framework agreement with AVIC Finance; and the mutual supply of aviation products and services with AVIC Airborne. The principal terms of the Renewal Agreements are generally consistent with those of the Existing Agreements, with proposed annual caps for the relevant transactions for the three years ending 31 December 2029.

2. The Renewal Agreements

2.1 The AVIC Mutual Product Supply Framework Agreement

As the Existing AVIC Mutual Product Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various products for its businesses, the Company entered into the AVIC Mutual Product Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Product Supply Framework Agreement are summarised as follows:

Date	:	31 August 2026
Parties	:	AVIC (for itself and on behalf of its subsidiaries) The Company (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of products	:	AVIC will supply to the Group the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products (including but not limited to aviation entire aircraft and aviation parts and components) and the related sales and ancillary services. The Group will supply to AVIC the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products (including but not limited to helicopters, airplanes and aviation parts and components to AVIC Group) and the related sales and ancillary services. The Group is the only production platform of helicopters and main production platform of trainer aircraft for AVIC Group. Under the AVIC Mutual Product Supply Framework Agreement, the Group primarily provides the aviation entire aircraft (mainly trainers and general aircraft), and aviation parts and components (mainly avionics products and electromechanical products and optronics products) to AVIC Group, and AVIC Group primarily provides the relevant parts and components to the Group which are necessary for the manufacturing of helicopters and trainers, such as control and navigation systems researched and developed by AVIC Group.
Key transaction principles	:	If any independent third party can supply the same type of products on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use products supplied by the Group or AVIC Group (as the case may be).

If any independent third party can supply the same type of products at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to procure products from that independent third party.

The quality standard of the products and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the products under the agreement will be determined as follows: (i) as most products under the AVIC Mutual Product Supply Framework Agreement are designated aviation products, the Government-prescribed Price shall apply; (ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; and (iii) if there is no Market Price, the Contractual Price shall apply.

Note: Please refer to "Government-prescribed Price", "Market Price" and "Contractual Price" as set out in the "Definitions" section and the "Internal Control and Pricing Mechanism" section of this circular for the detailed definitions and principles of the terms.

Payment : Specific payment terms (including time and method of payment) are to be agreed between the parties by entering into the specific product supply agreement under each transaction.

2.2 The AVIC Mutual Service Supply Framework Agreement

As the Existing AVIC Mutual Service Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various services for its business operations, the Company entered into the AVIC Mutual Service Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Service Supply Framework Agreement are summarised as follows:

Date : 31 August 2026

Parties : AVIC (for itself and on behalf of its subsidiaries)

		The Company (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of services	:	AVIC Group will supply certain services relating to the production and business operations of the Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment purchase, maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services; (vii) cultural, educational, hygienic, social security and logistic services; (viii) import and export agency services; (ix) test flight and technology and quality monitoring services; (x) engineering and equipment subcontracting services; and (xi) other related services. The Group will supply certain services relating to the production and business operations of AVIC Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services;(vii) enterprise entrustment services; (viii) engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services; and (ix) other related services.
Key transaction principles	:	If any independent third party can supply the same type of services on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use the services supplied by the Group or AVIC Group (as the case may be). If any independent third party can supply the same type of services at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to opt for the services supplied by that independent third party.

The quality standard of the services and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the services under the agreement will be determined as follows:

(i) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply;

(ii) for services such as construction, transportation, design, consultation and network design, and other services where the Market Price is available, the Market Price as determined by tender procedures or other means (as the case may be) shall apply;

(iii) for the engineering technology services to be supplied by the Group to AVIC Group (including design, consultation and supervision services), and the engineering and equipment subcontracting services supplied by AVIC Group to the Group, the Market Price or where applicable, the Market Price as determined by tender procedures shall apply. Such tender procedures shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding); and

(iv) if there is no Market Price (for the provision of property management and maintenance services; equipment maintenance, repair and leasing services; cultural, educational, hygienic, social security and logistic services; import and export agency services; test flight and technology and quality monitoring services; and entrustment services), the Contractual Price shall apply.

Note: Please refer to "Government-prescribed Price", "Government-guidance Price", "Market Price" and "Contractual Price" as set out in the "Definitions" section and the "Internal Control and Pricing Mechanism" section of this circular for the detailed definitions and principles of the terms.

Payment : Specific payment terms (including time and method of payment) are to be agreed between the parties by entering into specific services agreements under each transaction.

2.3 The Financial Services Framework Agreement

As the Existing Financial Services Framework Agreement is due to expire on 31 December 2026, and the Group continues to have the need of the financial services from AVIC Finance from time to time, the Company entered into the Financial Services Framework Agreement with AVIC Finance.

Principal terms of the Financial Services Framework Agreement are summarised as follows:

Date : 31 August 2026

Parties : The Company (for itself and on behalf of its subsidiaries)

AVIC Finance

Term : Three years from 1 January 2027 to 31 December 2029

Financial services : Pursuant to the Financial Services Framework Agreement, AVIC Finance has agreed to provide the Group with the Deposit Services, the Loan Services, the Settlement Services, the Non-financing Guarantee Letter Services, the AVIC Finance Factoring Services and the Other Financial Services (i.e. such other financial services (including but not limited to bill acceptance and discounting services) as approved by the NFRA).

The Group is entitled to select the financial institutions providing the financial services, the amount of deposits and borrowings and the time of withdrawal of deposits based on its business needs.

Pricing principles : The pricing principles for services under the Financial Services Framework Agreement are as follows:

(1) Deposit Services

The interest rates for the Group's RMB deposits with AVIC Finance shall not be lower than the listed average interest rates (掛牌平均利率, being the average of the RMB deposit interest rates publicly listed by the major commercial banks in the PRC for deposits of the same type and tenor as the relevant deposit placement as at the relevant date) for the same type of deposits offered by major commercial banks of the PRC during the same period.

Before placing a deposit with AVIC Finance, the relevant Group entity will determine the applicable listed average interest rate and obtain contemporaneous executable quotations from at least two independent major commercial banks in the PRC for deposits of substantially the same type, tenor and amount, where available. The interest rate offered by AVIC Finance must not be lower than the listed average interest rate offered by the major commercial banks. The relevant comparison and approval record will be retained in accordance with the Group's internal control procedures.

(2) Loan Services

The interest rates for the loans to be granted to the Group by AVIC Finance shall not exceed the upper limit of the Loan Prime Rate (LPR) for loans of the same tenor as published by the National Interbank Funding Center under the authorization of the PBOC. Such interest rate shall also not exceed the rate charged by AVIC Finance during the same period for loans of the same type extended to third parties with comparable pricing factors (including credit rating, loan tenor, business type and enterprise category), nor shall it exceed the average interest rate determined by major commercial banks in the PRC for comparable loans.

(3) Non-financing Guarantee Letter Services

The fees to be charged by AVIC Finance for the provision of the Non-financing Guarantee Letter Services shall not be higher than the fees charged by AVIC Finance during the same period for providing non-financing guarantees to any third party with the same credit rating, nor shall such fees be higher than the fees charged by major commercial banks in the PRC to the Group for comparable non-financing guarantees.

(4) AVIC Finance Factoring Services

The fees to be charged by AVIC Finance for the provision of the AVIC Finance Factoring Services shall not be higher than (a) the average fees charged by AVIC Finance to any third party with the same price determination factors as the Group during the same period (including credit rating, term, business category, enterprise category); and (b) the average fees charged by the major commercial banks in the PRC for the same type of services.

(5) Other Financial Services

The fees to be charged by AVIC Finance for the provision of the Other Financial Services shall not be higher than (a) the maximum fees determined by the PBOC for the same type of financial services (if applicable); (b) the fees charged by major commercial banks in the PRC for the same type of services during the same period; and (c) the fees charged for the same type of financial services offered by AVIC Finance to any third party with the same credit rating.

Please refer to paragraph 4 of Section I of this circular for the proposed annual caps for the Deposit Services, the AVIC Finance Factoring Services and the Other Financial Services.

Other major terms : When AVIC Finance provides the Deposit Services to the Group, AVIC Finance is obliged to provide the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business.

AVIC Finance shall strictly operate in accordance with the risk monitoring indicators issued by NFRA such as the capital adequacy ratio and liquidity ratio, comply with the provisions of the Administrative Measures for Financial Companies of Enterprise Group (《企業集團財務公司管理辦法》), and ensure the secure operation of the funds settlement network, control funding risks, and safeguard the security of funds deposited by the Group. AVIC Finance shall also undertake to immediately notify the Group upon the occurrence of, among others, (i) failure to pay maturing debts, delinquency on large loans, serious malfunctions in critical information systems, robbery or fraud, or the imposition of coercive measures by competent authorities against the directors and senior management of AVIC Finance or their involvement in serious disciplinary violations or criminal cases; (ii) any significant organizational changes, equity transactions, or operational risks that may affect the normal business operations of AVIC Finance; and (iii) breach of certain provisions of the Administrative Measures for Financial Companies of Enterprise Group, and the Group shall have the right to unilaterally terminate the Financial Services Framework Agreement.

2.4 The AVIC Airborne Mutual Product and Service Supply Framework Agreement

The Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement entered into by the Company and AVIC Airborne is due to expire on 31 December 2026. As the Group continues to have the need to procure from and supply to AVIC Airborne Group various products and services in its business, the Company entered into the AVIC Airborne Mutual Product and Service Supply Framework Agreement with AVIC Airborne.

Principal terms of the AVIC Airborne Mutual Product and Service Supply Framework Agreement are summarised as follows:

Date : 26 August 2026

Parties	:	The Company (for itself and on behalf of its subsidiaries, excluding AVIC Airborne Group) AVIC Airborne (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of products and services	:	The Group will supply to AVIC Airborne Group aviation parts and components, raw materials, related manufacturing, labour services, and engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services, etc. AVIC Airborne Group will supply to the Group aviation electronic products, mechanical electronics, parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services.
Pricing principles	:	The price of products and/or services under the agreement will be determined as follows: (i) as most products under the AVIC Airborne Mutual Product and Service Supply Framework Agreement are designated aviation products, the Government-prescribed Price shall apply; (ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; (iii) if there is no Market Price, the Contractual Price shall apply; (iv) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply; if such power was not originally procured at Government-prescribed Price or Government-guidance Price, the Market

Price as determined by tender procedures or other means (as the case may be) shall apply; if there is no Market Price, the Contractual Price shall apply;

(v) for production and labour services where Market Price is available, the Market Price as determined through tender procedures or other means (as the case may be) shall apply; if there is no Market Price, the Contractual Price shall apply; and

(vi) for engineering technology services (including design, consultation and supervision services), project engineering main contracting and equipment main contracting services, and engineering and equipment subcontracting services, the Market Price and (if applicable) the Market Price as determined by tender procedures shall apply. The tender procedures mentioned above shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding).

Note: Please refer to "Government-prescribed Price", "Government-guidance Price", "Market Price" and "Contractual Price" as set out in "Definitions" section and "Internal Control and Pricing Mechanism" section for detailed definition and principles of this circular.

Payment : The parties will collect payment according to the AVIC Airborne Mutual Product and Service Supply Framework Agreement and the specific contracts entered into by the relevant member of the Group and AVIC Airborne Group for the provision of products or services.

Other major terms : If any independent third party can supply the same type of products or services at a better price than AVIC Airborne Group or the Group (as the case may be) offers, the Group or AVIC Airborne Group (as the case may be) shall be entitled to opt for the products or services supplied by that independent third party.

Subject to the terms of the AVIC Airborne Mutual Product and Service Supply Framework Agreement, if the product or service supplied by and the terms and conditions of supply given by AVIC Airborne Group or the Group (as the case may be) does not satisfy the needs of the Group or AVIC Airborne Group (as the case may be) in any aspect, the latter can procure identical or similar products or services from an independent third party.

3 Historical Amounts of the Continuing Connected Transactions under the Existing Agreements

Set out below are the historical amounts of the continuing connected transactions under the Existing Agreements for the two years ended 31 December 2025 and the six months ended 30 June 2026 and the corresponding annual caps and utilisation rates.

	Year ended 31 December 2024 *(RMB' million)*	**Year ended 31 December 2025** *(RMB' million)*	**Six months ended 30 June 2026** *(RMB' million)*
Expenditure transactions of the Group			
Existing AVIC Mutual Product Supply Agreement *Note 1*	9,798	12,287	4,547
Annual cap	20,980	24,320	26,000 *Note 5*
Utilisation rate	46.7%	50.5%	17.5%
Existing AVIC Mutual Service Supply Agreement *Note 2*	1,132	1,373	870
Annual cap	1,610	1,400	1,500 *Note 5*
Utilisation rate	70.3%	98.1%	58.0%
Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement *Note 3*	2,079	2,115	768
Annual cap	2,800	3,000	3,100 *Note 5*
Utilisation rate	74.3%	70.5%	24.8%

	Year ended 31 December 2024 *(RMB' million)*	Year ended 31 December 2025 *(RMB' million)*	Six months ended 30 June 2026 *(RMB' million)*
Revenue transactions of the Group			
Existing AVIC Mutual Product Supply Agreement *Note 1*	22,947	24,159	9,874
Annual Cap	43,350	45,220	51,760 *Note 5*
Utilisation Rate	52.9%	53.4%	19.1%
Existing AVIC Mutual Service Supply Agreement *Note 2*	4,082	4,992	2,428
Annual Cap	5,600	5,000	5,300 *Note 5*
Utilisation Rate	72.9%	99.8%	45.8%
Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement *Note 3*	609	519	366
Annual Cap	1,100	1,100	1,200
Utilisation Rate	55.4%	47.2%	30.5%
Transactions under the Existing Financial Services Framework Agreement			
Maximum daily outstanding balance of deposits (including accrued interests) for deposit services *Note 4*	29,301	29,301	22,825
Annual Cap	45,000	45,000	45,000 *Note 5*
Utilisation Rate	65.1%	65.1%	50.7%
Maximum daily outstanding factoring balance (including factoring prepayment, factoring fee and factoring handling charges) of AVIC Finance Factoring Services *Note 4*	63	–	–
Annual Cap	5,000	5,000	5,000 *Note 5*
Utilisation Rate	1.3%	–	–
Other Financial Services *Note 4*	177	–	7
Annual Cap	3,000	3,000	3,000 *Note 5*
Utilisation Rate	5.9%	–	0.2%

Notes:

1. *Historical utilisation under the Existing AVIC Mutual Product Supply Agreement*

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected transaction volume between the Group and the AVIC Group during the corresponding year, the anticipated growth in the relevant business attributable to the PRC government's demand for aviation-related products, the development prospects of the aviation industry, and the potential orders to and from the AVIC Group.

   The low historical utilisation rates of the existing annual caps were principally attributable to an industry-wide moderation in the pace of defence equipment procurement during 2024 to 2026, a period of transition from the conclusion of the 14th Five-Year Plan to the commencement of the 15th Five-Year Plan. During this period, the alignment of new and existing production plans, updates to procurement catalogues and the finalisation of annual procurement budgets involved temporary uncertainties, resulting in a more prudent industry-wide pace of order placements and a slower pace of implementation of the Group's relevant business. Please refer to section 4.2 below for further details.

   Separately, settlement of the transactions usually concentrates in the second half of the year. For illustrative purposes only, the transaction amounts of the revenue transactions for the first half and second half of 2025 represented approximately 40.3% and 59.7%, respectively, of the total revenue transaction amount for the year ended 31 December 2025. This historical settlement pattern is disclosed solely to explain the timing of transactions and does not, by itself, indicate the amount of transactions that may be recorded during the remainder of 2026.

2. *Historical utilisation under the Existing AVIC Mutual Service Supply Agreement*

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected transaction volume between the Group and the AVIC Group during the corresponding year, the anticipated growth in the relevant business attributable to the PRC government's demand for aviation-related services (including but not limited to aviation engineering services), the development prospects of the aviation industry, and the potential orders to and from the AVIC Group.

   Separately, settlement of the transactions usually concentrates in the second half of the year. Accordingly, the utilisation rate for the six months ended 30 June 2026 is an interim measure. This historical settlement pattern is disclosed solely to explain the timing of transactions and does not, by itself, indicate the amount of transactions that may be recorded during the remainder of 2026. For details about the revision of the Original Annual Caps to the Proposed Revised Caps, please refer to Section II below.

3. *Historical utilisation under the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement*

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected intra-group transaction volume between the Group and the AVIC Airborne Group during the corresponding year. Settlement of the transactions may be concentrated in the second half of the year, depending on the timing of production, delivery, acceptance and settlement under the relevant projects. Accordingly, the transaction amount for the six months ended 30 June 2026 is an interim amount and should not be extrapolated mechanically to the full year. The foregoing is included solely to explain the timing of transactions and does not, by itself, indicate the amount of transactions that may be recorded during the remainder of 2026.

4. *Historical utilisation for the Deposit Services and Other Financial Services under the Existing Financial Services Framework Agreement*

   The Group determines whether to use the financial services of AVIC Finance on a transaction-by-transaction basis, having regard to, among other things, the nature, timing, the funding needs of the relevant Group member, the service tenor and the prevailing terms offered by available financing providers. The Group intends to maintain diversified financing channels and retain flexibility in utilising relevant services from AVIC Finance, thereby ensuring access to the best available quotes and services when needed. As such, the annual caps for the corresponding years were determined based on the possible transactions between the Group and third party financial institutions (including AVIC Finance and external independent financial institutions) so as to maintain the flexibility to opt for the best financial services available to the Group.

5. *The annual cap for 2026 applies to the full year ending 31 December 2026. As at the Latest Practicable Date, the Group conducts connected transactions in compliance with the respective annual caps for 2026.*

4. Proposed Annual Caps for the Continuing Connected Transactions under the Renewal Agreements

4.1 Proposed annual caps for the continuing connected transactions under the Renewal Agreements

Based on the factors set out in paragraph 4.2 under this Section I, the Directors have estimated the annual caps for each of the continuing connected transactions for each of the three years ending 31 December 2029, which are set out below. In determining the proposed annual caps, the nature of the relevant transactions, historical transaction amounts and utilisation of the existing annual caps, the expected requirements of the Group, the applicable pricing mechanisms, and the relevant internal control arrangements have been considered. The Company has also considered the policy direction under the 15th Five-Year Plan, including the PRC's continued support for the aviation and aerospace industry and the low-altitude economy and its business plans including its continuous expansion to new market areas and international business layout and participation in the global aviation market. The Company has assessed each transaction direction and financial service category separately, as the timing of delivery, acceptance and settlement and the measure used for the applicable cap may differ materially.

(1) Non-exempt Transactions

	Year ending 31 December 2027 *(RMB' million)*	Year ending 31 December 2028 *(RMB' million)*	Year ending 31 December 2029 *(RMB' million)*	Cross-reference to this circular *(RMB' million)*
Expenditure transactions of the Group				
AVIC Mutual Product Supply Framework Agreement	19,060	19,630	19,830	Paragraph 2.1 under Section I
AVIC Mutual Service Supply Framework Agreement	3,190	3,280	3,280	Paragraph 2.2 under Section I
AVIC Airborne Mutual Product and Service Supply Framework Agreement	2,500	2,600	2,800	Paragraph 2.4 under Section I
Revenue transactions of the Group				
AVIC Mutual Product Supply Framework Agreement	33,830	35,700	37,510	Paragraph 2.1 under Section I
AVIC Mutual Service Supply Framework Agreement	6,820	7,360	7,720	Paragraph 2.2 under Section I
Transactions under the Financial Services Framework Agreement				
Maximum daily outstanding balance of deposits (including accrued interests) for Deposit Services	43,000	43,000	43,000	Paragraph 2.3 under Section I
Other Financial Services	2,000	2,000	2,000	Paragraph 2.3 under Section I

(2) Partly Exempt Transactions

	Year ending 31 December 2027 *(RMB' million)*	Year ending 31 December 2028 *(RMB' million)*	Year ending 31 December 2029 *(RMB' million)*	Cross-reference to this circular *(RMB' million)*
Revenue transactions of the Group				
AVIC Airborne Mutual Product and Service Supply Framework Agreement	800	900	1,000	Paragraph 2.4 under Section I
Transactions under the Financial Services Framework Agreement				
Maximum daily outstanding factoring balance (including factoring prepayment, factoring fee and factoring handling charges) of AVIC Finance Factoring Services	1,000	1,000	1,000	Paragraph 2.3 under Section I

4.2 Basis of determination of the proposed annual caps

(1) General factors

The year 2026 marks a pivotal year for the Outline of the 15th Five-Year Plan for National Economic and Social Development, as it ushers in a new chapter and charts a new course. The Report on the Work of the PRC Government for 2026 clearly outlined the need to cultivate and strengthen the aviation and aerospace industry, the low altitude economy, quantum technology, embodied AI, brain-computer interfaces and expand AI plus initiatives. The aviation and aerospace industry has been explicitly designated as an emerging industry. The low-altitude economy has been included in the Government Work Report for the third consecutive year, following 2024 and 2025 while overseas business continues to expand.

The Company will also firmly seize this historic opportunity, remain steadfast in its strategic objectives, focus on core capabilities and value creation, continue to deepen reform and innovation, accelerate the formation of new quality productive forces, and make every effort to drive the high-quality development of the Group.

In preparing the estimation of the proposed annual caps, the Company has considered the policy direction under the 15th Five-Year Plan, including the PRC's continued support for the aviation and aerospace industry and the low-altitude economy. In particular, the PRC national defence expenditure budget amounted to RMB1.81 trillion for 2025 and RMB1.94 trillion for 2026, representing an annual increase by 7.2% and 6.9%, respectively, while national policies continue to support the development of the aviation and aerospace industry and the low-altitude economy. The Group continues to develop its helicopter and trainer aircraft businesses, aviation ancillary systems, including avionics and electromechanical products, and aviation engineering services, and to explore relevant low-altitude and general aviation application scenarios.

According to the General Aviation Equipment Innovation and Application Implementation Plan (2024-2030)《通用航空裝備創新應用實施方案(2024-2030年)》issued by relevant PRC authorities, general aviation equipment is expected to become a strong driver of the low-altitude economy and form a trillion-yuan market by 2030. The Group will continue to update its AC series product portfolio, accelerate the commercialisation of electric aircraft and general aviation equipment, and explore low-altitude logistics and aerial cultural and tourism applications. Based on the Company's current business plan and subject to research and development, airworthiness certification, commercialisation, market development, customer demand and order execution, the Group expects that aggregate revenue from low-altitude-economy-related business for the three years ending 31 December 2029 will be approximately RMB5,000 million.

The Group will also continue to optimise its international business layout, coordinate the allocation of overseas market resources and participate in the global aviation market. Based on the Company's current business plan and subject to market development, customer demand and order execution, the Group expects that international business revenue for the three years ending 31 December 2029 will be approximately RMB5,000 million per annum. Given the closely integrated aviation supply chain, the expected development of the Group's aviation products and related services may give rise to sales to AVIC Group and corresponding procurement of specialised parts, components and services from AVIC Group. The above revenue expectations represent the Group's broader business outlook and the actual transaction amounts will depend on customer demand, confirmed orders, production plans, delivery schedules, project progress and settlement arrangements.

Based on the national development plan as well as the expected growth of the Group, the Company reasonably expects the potential increase in revenue and costs of manufacturing for its products and provision of services in the forthcoming three years, which set out the foundations for determining the annual caps for the transactions below.

(2) AVIC Mutual Product Supply Framework Agreement

Under the AVIC Mutual Product Supply Framework Agreement, the Group primarily provides the aviation entire aircraft, avionics products and electromechanical products to AVIC Group, and AVIC Group primarily provides the relevant parts and components to the Group which are necessary for the manufacturing of the aforesaid aviation entire aircraft, avionics products and electromechanical products.

Revenue transactions

The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) historical transaction amount and expected growth

The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account:

(a) the historical increase in the past two years in the PRC national defence expense budget at a pace of approximately 7% per annum;

(b) the expected growth of relevant business in 2027 based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group;

(c) the expected sales of products of the Group, for the year ending 31 December 2026 and the sales-volume outlook for the 15th Five-Year Plan period. Based on orders on hand and communications with relevant users, the Group expects that the sales volume of its relevant products during the 15th Five Year Plan period will be broadly in line with that during the 14th Five-Year Plan period, save that the sales volume of certain products models is expected to increase by approximately 6%;

(d) the historical transaction amount of approximately RMB22,947 million and RMB24,159 million respectively for the year ended 31 December 2024 and 31 December 2025; and

(e) the revenue growth of the Group from RMB60,296 million for 2021 to RMB89,442 million for 2025, representing a CAGR of 10.4%.

The expected growth and demand reflect orders, orders under negotiation, the delivery schedule, expected sales of the Group's relevant aviation products and the quantified effect of Chinese government demand, aviation-industry development plans under the 15th Five-Year Plan, new products and AVIC Group's business development and expansion.

In particular, the Group expects that the expansion of low-altitude application scenarios, such as emergency rescue, logistics transportation and other civil aviation applications, will support demand for helicopters, trainer aircraft and other aviation products, as well as the related avionics products, electromechanical products, flight-control systems and other aviation ancillary systems supplied by the Group. The Group is also advancing the industrialisation of aviation scientific and technological achievements and the development of intelligent electric aircraft flight-control technologies. In addition, the Group will also continue to optimise its international business layout, coordinate the allocation of overseas market resources and participate in the global aviation market.

As disclosed in paragraph 4.2(1) in this section above, the Group is expected to achieve a total revenue of up to RMB20,000 million for its low-altitude and international businesses for the three years ending 31 December 2029.

AVIC Group will procure products based on the orders received from its customers and its internal production demands. AVIC Group requires such entire aircraft products as trainer, general aircraft for its customers and aviation parts and components systems related to its aviation industry chain for its production. The actual transaction amounts will depend on the actual demand, order progress, delivery schedule and settlement arrangements for the relevant products.

(ii) adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of AVIC Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of AVIC Group in the future.

The proposed annual cap for the year ending 31 December 2027 of RMB33,830 million represents a growth of approximately 40.0% compared to the actual transacted amount in 2025 and a decrease of approximately 34.6% from annual cap for the year ending 31 December 2026. Such increase has taken into account the following: (i) the expected

growth in business of the Group for 2026, for example, a subsidiary of the Company expects an increase of over 20% in 2026 as compared with 2025 in undertaking scientific research and development projects; and (ii) the expected growth of relevant business based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group. The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are in line with the expected transaction amounts, with a buffer of 5%-10% for the proposed annual caps to cover the potential product demands of AVIC Group. The proposed annual caps for 2028 and 2029 will increase around 5.5% and 5.1%, respectively, compared with the proposed annual caps for the previous years, which is in line with the GDP of the PRC for the years 2023 to 2025, with annual growth rates of 5.2%, 5% and 5% for the past three years respectively and therefore the Company confirmed that the projection of the proposed annual caps for the three years ending 31 December 2029 are fair and reasonable and on normal commercial terms and in the interest of the Company and its Shareholders.

Expenditure transactions

The proposed annual caps for the expenditure transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) historical transaction amount and expected growth in demand of the Group

The Group will purchase relevant raw materials and components from AVIC Group for the manufacturing of the entire aviation aircraft, related avionics products and electromechanical products. The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of approximately RMB9,798 million and RMB12,287 million respectively for the year ended 31 December 2024 and 31 December 2025; and (ii) based on the Group's orders and production plans, the procurement of raw materials and components in 2026 is expected to increase as compared to the historical transaction amounts. The potential increase in the Group's sales of aviation products and related systems under the 15th Five-Year Plan described above will correspondingly require the Group to increase its procurement of raw materials, parts and components, finished and semi-finished aviation products from AVIC Group for the manufacture, assembly, testing and delivery of the relevant products. In particular, as the scope of supporting procurement for certain new product models expands, the Group expects to incur additional procurement from AVIC Group of approximately RMB600 million in respect of a particular product model. The Company also expects that, in accordance with the applicable

pricing mechanism and having regard to potential fluctuations in raw-material costs, the procurement unit prices of certain relevant products including but not limited to engines, electronic control systems and related components, may be approximately 30% higher than those assumed in the original forecast, which will directly affect the aggregate transaction amount. The manufacture and upgrading of helicopters, trainer aircraft and other aviation products also require specialised avionics products, electromechanical products, control and navigation systems and other matching parts and components supplied by members of AVIC Group. The Company has taken these factors into account in determining the proposed annual caps for the expenditure transactions. The actual procurement amount and timing will depend on the Group's confirmed orders, production plans, component-delivery schedules, applicable pricing and project progress.

As the procurement of products has become more stable since the direction under the 15th Five-Year Plan is clearer, the expenditure transactions for 2027 are expected to be lower than the annual cap for the year 2026. The annual growth rate of the expenditure transactions for each of 2028 to 2029 is expected to be approximately 3% and 1%, respectively.

(ii) adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of the Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of the Group in the future.

As mentioned above, the Company takes a positive view of its business growth under the 15th Five-Year Plan. The proposed annual caps for the expenditure transactions for the three years ending 31 December 2029 are in line with the expected increase in transaction volume of the Group. However, the Company has adopted a more prudent approach toward the procurement while awaiting clearer government demand, and therefore, it set a lower annual cap for the year ending 31 December 2027 than the cap for the year ending 31 December 2026 of RMB26,000 million. The proposed caps for the two years ending 31 December 2029 are approximately 3% and 1%, respectively, above the preceding year's proposed annual caps of which such increases are minimal.

To conclude, in estimating the proposed annual caps for the revenue and expenditure transactions for the three years ending 31 December 2029, the Company has taken into account the policy direction under the 15th Five-Year

Plan as an industry factor in preparing its underlying business forecasts. The 15th Five-Year Plan has not been applied as a separate or fixed assumed growth rate. Instead, the Company has considered the potential effect of the development of the aviation industry and the low-altitude economy on the expected demand for the Group's aviation products and the corresponding production and procurement requirements of the Group. The proposed annual caps are derived from the relevant sales, production and procurement forecasts, having regard to the anticipated timing of orders, delivery, acceptance and settlement of the relevant products, together with the applicable buffer where appropriate.

(3) The AVIC Mutual Service Supply Framework Agreement

Revenue transactions

The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) provision of aviation engineering and labour services to AVIC Group

The Group mainly provides aviation engineering services to AVIC Group through AVIC CAPDI. The proposed annual caps for the three years ending 31 December 2029 are determined with reference to the Group's estimated annual growth rate of approximately 5% for its aviation engineering services.

As the Group also expects an increase in provision of labour services to AVIC Group in 2028 and 2029, the year-on-year growth rates for revenue from these transactions in 2028 and 2029 are projected to be 8% and 5% respectively, compared with the previous year's forecast.

The Group expects a steady growth of the aviation engineering industry, and the provision of aviation engineering services will continue to be a key driver of the Group's revenue transactions under the AVIC Mutual Service Supply Framework Agreement. In line with the general direction of the 15th Five-Year Plan, the aviation engineering business of the Group is expected to further develop by exploring opportunities to expand its aviation engineering services, strengthening its role in supporting AVIC Group's aviation capability development and accelerating its transition towards overall integration capability. Under the 15th Five-Year Plan, the Group has established a development goal for its aviation engineering business, with revenue of close to RMB10 billion by 2030. In particular, the Group expects that revenue from equipment-integration businesses in the aviation engineering fields will increase during the 15th Five-Year Plan period, subject to market demand, project opportunities and implementation and the Group's business plans.

AVIC CAPDI expects its growth of aviation engineering business. As an indication, the aggregate tender award amounts of the ten largest awarded aviation engineering projects in 2026 amounted to RMB2,507.14 million, representing an increase of approximately 75% from RMB1,432.66 million in 2025. The terms of these aviation engineering projects are generally two to three years. Accordingly, their implementation, completion and settlement during the relevant contract periods are expected to support the Group's aviation engineering-services revenue transactions, subject to the actual progress of the relevant projects. Based on the aforesaid, the Company expects the growth will continue at a similar level as compared to 2026.

The actual revenue transaction amounts for the year ended 31 December 2025 represented 99.8% of the applicable cap. For illustrative purposes, a straight-line annualisation of the actual transaction amount for the six months ended 30 June 2026 would be RMB4,856 million for revenue transactions, representing approximately 91.6% of the Original Annual Cap. Having regard to the expected implementation and settlement of the relevant aviation engineering projects and the expected service demand during the remainder of 2026, the Board proposes to revise the Original Annual Cap to the Proposed Revised Cap.

The proposed annual cap for the year ending 31 December 2027 of RMB6,820 million should be read together with the Proposed Revised Cap of RMB6,110 million for the year ending 31 December 2026. On this basis, the proposed annual cap for 2027 represents an increase of approximately 11.6% from the updated 2026 level. Although the proposed annual cap for 2027 represents an increase of approximately 36.6% as compared with the actual transaction amount for 2025, such comparison does not reflect the increase in service requirements underlying the Proposed Revised Cap for 2026. The proposed annual cap for 2027 therefore reflects a measured progression from the updated 2026 level, rather than a sudden further increase.

The proposed annual caps for the years ending 31 December 2028 and 2029 are RMB7,360 million and RMB7,720 million, respectively, representing annual increases of approximately 7.9% and 4.9%, respectively, over the preceding year's proposed annual cap. The progressively lower annual growth rates reflect the Company's expectation of steady growth in the provision of aviation engineering services and labour and other supporting services in 2028 and 2029, while maintaining a prudent approach to the estimation of future service requirements.

(ii) adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of AVIC Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, and the potential business development and expansion of AVIC Group in the future. In view of a CAGR of approximately 10.4% of the Group's revenue for the four years from 2021 to 2025, the Company considers that the aforesaid buffer is a reasonable projection for future transactions.

Expenditure transactions

The proposed annual caps for the three years ending 31 December 2029 for the expenditure transactions are determined with reference to, among other things, the following factors:

(i) provision of labour services by AVIC Group

AVIC Group mainly provides labour services such as corresponding outsourcing and comprehensive services to the Group. Along with the business development and increase of the Group's sales volume, the labour expenditures (such as entrusted processing and subcontracting related services) are expected to increase. Based on the signed contracts, orders, historical transaction amounts and the Group's manufacturing plan, the Group expects the proposed annual cap of the expenditure transactions for the year ending 31 December 2027 will be similar to that of the expenditure transactions of the Proposed Revised Cap for the year ending 31 December 2026; and for the years ending 31 December 2028 and 31 December 2029, their proposed annual caps are expected to be increased by approximately 3% as compared to the proposed annual cap for the year ending 31 December 2027.

The proposed annual caps for provision of services by AVIC Group align with the three year forecast for the Company's aviation engineering services and labour services segments, based on signed contracts, orders and the Group's manufacturing plan. For the expenditure transactions for the year ending 31 December 2026, the Company has taken into account the expected increase in entrusted processing related service and subcontracting expenses. In particular, a subsidiary of the Company will deliver specific products by the end of 2026 and settle the entrusted processing fees of approximately RMB1,400 million. In addition, in light of AVIC CAPDI's revenue growth, the related subcontracting expenses are expected to amount to approximately RMB1,000 million in 2026.

The actual expenditure transaction amounts for the year ended 31 December 2025 represented 98.1% of the applicable annual cap. For illustrative purposes, a straight-line annualisation for the actual transaction amount for the six months ended 30 June 2026 would be RMB1,740 million, of which the Original Annual Cap is insufficient for expenditure transactions. Therefore, the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps. The proposed annual cap of RMB3,190 million for the year ending 31 December 2027 should be read together with the Proposed Revised Cap of RMB3,180 million for the year ending 31 December 2026. Accordingly, the proposed annual cap for 2027 is broadly in line with the Proposed Revised Cap for 2026, rather than representing a further material increase from the updated 2026 level. The proposed annual caps for 2028 and 2029 are RMB3,280 million and RMB3,280 million, respectively, reflecting the expected continuation of the relevant outsourcing labour and supporting-service requirements under the Group's production and project plans.

(ii) adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group in the future. It also aligns with the revenue growth of the Group at a CAGR of 10.4% from 2021 to 2025.

(4) The Financial Services Framework Agreement

Deposit Services

The proposed annual caps are maximum transaction limits and do not oblige the Group to place deposits at any particular level. The proposed annual caps for the Deposit Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 is lower than the annual caps under the Existing Financial Services Framework Agreement, which is determined with reference to, among other things, the following factors:

(i) the maximum daily outstanding balance of deposits (including accrued interests) of approximately RMB29,301 million, RMB29,301 million and RMB22,825 million placed by the Group in AVIC Finance in the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026;

(ii) the bank balances of the Group of approximately RMB39,335 million, RMB29,054 million and RMB30,986 million as at 31 December 2024, 31 December 2025, and 30 June 2026, and the accounts receivable of the Group of approximately RMB48,629.46 million, RMB55,366.74 million and RMB58,667.91 million for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026. While accounts receivables are not equivalent to immediately available cash and will not necessarily be collected or deposited with AVIC Finance at the same time, these balances demonstrate the scale of the Group's cash resources and expected customer receipts which may give rise to temporary increases in funds available for deposit;

(iii) the expected payments as may be made by major customers and the expected payment schedule for the products provided by the Group during the relevant period;

(iv) the expected growth in the business of the Group and AVIC Group, leading to an increasing demand for the Deposit Services with higher level of funds;

(v) the fund management strategy of the Group of allocating a certain percentage of funds to AVIC Finance for more efficient use of funds available; and

(vi) the three-year fund-management forecast covering all Group subsidiaries. In particular, the Company has taken into account the aggregate requests of approximately RMB36,000 million for Deposit Services for the financial year of 2026 with AVIC Finance of its A-share listed subsidiaries, being JONHON (including Forstar), AVICOPTER, AVIC Airborne and Hongdu Aviation, which have been duly considered and approved by their respective independent directors and boards of directors in accordance with the PRC laws and regulations as well as the respective listing rules of the stock exchanges where their A-shares are listed. These subsidiaries are the principal operating and cash-generating members of the Group, and their respective deposit limits were determined with reference to their business scale, expected cash receipts, operating and production expenditure, working-capital requirements and funding arrangements. Accordingly, their aggregate deposit limits provide a reasonable reference for assessing the subsidiaries' fund management requirements and potential maximum daily deposit balances. Other factors considered by the Company include the expected deposit requirements of other subsidiaries, accrued interest and potential fluctuations in the Group's cash position resulting from the timing differences between customer receipts and payments for procurement, production and other operating purposes. Although the maximum deposit balances of the foregoing subsidiaries are not expected to arise at the same time, the

Company considers it necessary to maintain sufficient flexibility in its fund management to accommodate temporary increases in available cash during the relevant period.

Based on the three-year fund-management forecast covering all Group subsidiaries, the forecast aggregate maximum daily deposit balance, including accrued interests, is consistent with the proposed annual caps. Although the peak deposit requirements of individual subsidiaries are not expected to arise at the same time, the proposed annual caps of RMB43,000 million for each of the three years ending 31 December 2029 have been set at a prudent level to accommodate potential timing differences in customer receipts and funding requirements.

AVIC Finance Factoring Services

The proposed annual caps for the AVIC Finance Factoring Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors: (i) the historical maximum daily outstanding factoring balance of the AVIC Finance Factoring Services for the year ended 31 December 2024, the year ended 31 December 2025 and the six months ended 30 June 2026, respectively; (ii) the total accounts receivable of the Group in its latest financial statements; (iii) the expected level, ageing profile and potential eligibility for factoring of accounts receivable for the three years ending 31 December 2027, 2028 and 2029; (iv) the expected demand of the Group for accounts receivable financing services from AVIC Finance; and (v) the need to maintain access to diversified financing sources and to compare, at the time each service is required, the all-in cost, tenor and other commercial terms offered by AVIC Finance with those offered by independent third-party financial institutions.

The Group's historical transaction amount for the AVIC Finance Factoring Services has been relatively low, being RMB63 million in 2024 and nil in 2025 and during the six months ended 30 June 2026. The Company considers that this historical utilisation does not, by itself, provide a complete indicator of its potential future maximum daily factoring requirement given that the related operations have not yet expanded significantly. The Group determines whether to use factoring services on a transaction-by-transaction basis, having regard to, among other things, the nature, timing, ageing and eligibility of the relevant receivables, expected customer collection dates, the funding requirements of the relevant Group member, the service tenor and the prevailing terms offered by available financing providers. The Group intends to maintain diversified financing channels and retain flexibility in utilizing relevant services from AVIC Finance, thereby ensuring access to the best available quotes and services when needed.

The Company will not be obliged to use the AVIC Finance Factoring Services. Before entering into any factoring transaction, the relevant member of the Group will assess its actual funding need and compare the relevant commercial terms with those available from independent third-party financial institutions in accordance with the pricing policy and internal control procedures set out in the Financial Services Framework Agreement. The Group will use the AVIC Finance Factoring Services only where the relevant terms are fair and reasonable, on normal commercial terms or terms no less favourable to the Group than those available from independent third parties, and otherwise comply with the applicable requirements under the Financial Services Framework Agreement and the Hong Kong Listing Rules.

Having considered the foregoing and the Group's expected requirements for working-capital management and accounts receivable financing during the term of the Financial Services Framework Agreement, the Directors (including the independent non-executive Directors) consider that the proposed annual caps for the AVIC Finance Factoring Services are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Other Financial Services

The proposed annual caps for the Other Financial Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors: (i) the historical amount of notes receivables (including banker's acceptance bills and commercial acceptance bills) of the Group of approximately RMB13,453.9 million, RMB10,583.7 million and RMB10,564.5 million for the years ended 31 December 2023, 2024 and 2025, respectively; (ii) the historical amount of notes receivables being endorsed or discounted before their due date of approximately RMB767.7 million, RMB606.4 million and RMB2,492.6 million for the years ended 31 December 2023, 2024 and 2025, respectively; (iii) the expected growth in bills receivable along with the Group's business growth and increase in revenue in view of the 15th Five-Year Plan, which would enable the Group to use more bill acceptance and discounting services for greater efficiency in the use of funds; (iv) the expected growth for financing needs of the Group given its future development; and (v) a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group, which aligns with the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group in the future.

The Company seeks to strike a balance between maintaining prudent caps and retaining sufficient flexibility to utilise various financing channels to enhance working capital efficiency. Accordingly, despite the relatively low historical utilisation rates, the Company has set the annual caps for the Other Financial Services for the three years ending 31 December 2029 at RMB2,000 million.

This represents a 33.3% reduction from the annual cap for the year 2026. Having considered the Group's historical level of notes receivable and the amounts of notes endorsed or discounted before maturity, its expected financing requirements and the need to retain sufficient flexibility to utilise bill acceptance and discounting services when appropriate, the Company considers that the proposed annual cap of RMB2,000 million for each of the three years ending 31 December 2029 is necessary to meet the Group's potential funding and working-capital requirements.

(5) AVIC Airborne Mutual Product and Service Supply Framework Agreement

The proposed annual caps for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) Intra-group transactions of the Group

The transactions under the AVIC Airborne Mutual Product and Service Supply Framework Agreement are intra-group transactions of the Group, and are mostly product pairing transactions between the Group's airborne companies (i.e. AVIC Airborne Group) and the Group's entire aircraft companies (mainly the helicopters and trainers). Avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the aviation entire aircraft. AVIC Airborne Group is the major supplier for the related avionics products and electromechanical products in the Group's helicopters and trainers. Therefore, when determining the proposed annual caps for the expenditure transactions with AVIC Airborne, the growth rates of the revenue transactions of AVIC Airborne Group under the AVIC Mutual Product Supply Framework Agreement have also been taken into account.

For expenditure transactions, the proposed annual cap for the year ending 31 December 2027 represents a decrease of approximately 19.4% from the annual cap for the year ending 31 December 2026. The proposed annual caps for the year ending 31 December 2028 and 31 December 2029 will increase by around 4.0% and 3.8% respectively, as compared with the proposed annual caps for the previous years. Such expenditure transactions are intra-group transactions of the Group and are mostly product pairing transactions between the AVIC Airborne Group and the Group's entire aircraft companies (mainly helicopters and trainers). Avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the aviation entire aircraft.

(ii) historical transaction amount and annual growth trend

The proposed annual caps for the expenditure and revenue transactions for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of the expenditure of approximately RMB2,079 million and RMB2,115 million respectively for the year ended 31 December 2024 and 31 December 2025; (ii) the historical transaction amount of the revenue of approximately RMB609 million and RMB519 million respectively for the year ended 31 December 2024 and 31 December 2025; and (iii) the expected growth of relevant business in 2027 based on the current operation plan, the Group expects an increase in the procurement of aviation components as well as an increase in sales to AVIC Airborne Group resulting from the growth of its aviation business. According to the Group's current operation plan, the Group will continue to promote the optimisation and upgrading of its helicopter and trainer aircraft businesses, advance the research and development, airworthiness certification, test flight verification, production and delivery of relevant aircraft models, and strengthen the digital and intelligent transformation of its aviation ancillary system and related businesses. As the manufacture, assembly, testing and delivery of helicopters and trainer aircraft require avionics products, electromechanical products and related aviation parts and components, the Group expects its procurement from AVIC Airborne Group of such products to increase in line with the relevant production and delivery requirements in 2027. The Group also expects to provide AVIC Airborne Group with aviation parts and components related to the aviation industry chain, manufacturing and labour services in support of its production requirements.

(iii) adequate buffer for potential demands of the Group

The Company also sets a 10% buffer for the proposed annual caps to cover the potential demands of the Group for the relevant products and services. The 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group in the future.

4.3 Assessment of the proposed annual caps for the three years ending 31 December 2029

In assessing the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2029, the historical transaction amounts and utilisation of the existing annual caps for the years 2023 to 2025, the relevant transaction-specific forecasts and cap bridges described above, the nature of the Group's business, the internal control procedures, pricing mechanism and the relevant business-expansion and demand factors have been taken into account. In particular, the Company has considered

forecasts for the year ending 31 December 2026, the relevant contracted and forecast order or service demand, the delivery, acceptance and settlement profile, the relevant maximum balance or transaction-flow methodology and the amount and basis of each buffer. In assessing the historical utilisation of the existing annual caps, the Company has taken into account the temporary industry-wide factors described above. Although the historical utilisation rates were relatively low, they were affected by the delayed procurement and order-release schedules prevailing during the transition between the 14th and 15th Five-Year Plans.

The proposed annual caps are maximum amounts and do not oblige the Group to transact at the cap levels. Subject to the foregoing factual confirmations and the agreement-specific cap analysis, the Directors consider that the terms of the relevant transactions and the proposed annual caps for the three years ending 31 December 2029 are fair and reasonable, 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 its Shareholders as a whole.

5. Reasons for and Benefits of Renewal of the Existing Continuing Connected Transactions

5.1 Continuing connected transactions (other than the transactions under the Financial Services Framework Agreement)

The aviation industry is complex and technology intensive. The manufacturing of an entire aircraft (including the Group's helicopters and trainers) requires different products, parts and components from different enterprises.

The Group is an aviation manufacturing enterprise mainly engaged in the research, development, manufacture and sales of aviation entire aircraft (mainly helicopters and trainer aircraft) and aviation parts and components (mainly avionics products and electromechanical products), and the provision of aviation engineering services.

AVIC Group is the only aviation manufacturer with complete industry chain, established with the support of the PRC's national government. It has the research and development capacities to manufacture aviation products independently, and it is mainly engaged in the manufacturing of aircraft, airborne equipment systems and other related ancillary products and systems.

(1) The AVIC Mutual Product Supply Framework Agreement

The Group is the only production platform of helicopters and main production platform of trainer aircraft for AVIC Group and it primarily provides the aviation entire aircraft (mainly trainers and general aircraft) and aviation parts and components (mainly avionics products, electromechanical products and optronics products) to AVIC Group under the AVIC Mutual Product Supply Framework Agreement to meet the orders received by AVIC Group from independent third parties and the production demands of AVIC Group.

The Group mainly procures from AVIC Group the necessary parts and components for manufacturing helicopters and trainers by the Group, such as control and navigation systems researched and developed by AVIC Group.

Due to the high technology barriers in aviation industry and the high quality requirements of customers, it is also difficult for the Group and AVIC Group to source substitute aviation products or aviation parts and components that fully meet comparable quality, specification and value standards in the PRC from other producers.

(2) The AVIC Mutual Service Supply Framework Agreement

The Group primarily provides the aviation engineering services to AVIC Group through AVIC CAPDI, and AVIC Group primarily provides labour services and other composite services to the Group.

(3) The AVIC Airborne Mutual Product and Service Supply Framework Agreement

The transactions contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement are intra-group transactions of the Group, and are mostly product pairing transactions between the Group's airborne companies (i.e. AVIC Airborne Group) and the Group's entire aircraft business.

AVIC Airborne's avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the entire aviation aircraft. AVIC Airborne Group is the major supplier for the related avionics products and electromechanical products in the Group's helicopters and trainers.

The Company considers that the products and services mutually provided by the relevant parties are different and are necessary for the business operations of the Group. Based on the following grounds, the Directors consider that it is beneficial to continue the relevant continuing connected transactions by way of entering into the Renewal Agreements as set out in Section I of this circular:

(a) the historical connection and long-standing business cooperation relationship between the Group and AVIC Group and AVIC Airborne;

(b) AVIC, AVIC Airborne and their respective 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;

(c) the continuing connected transactions between AVIC, AVIC Airborne, and their respective subsidiaries and the Group in relation to mutual supply of products and services have facilitated and will continue to facilitate the overall operations and growth of the Group's business; and

(d) the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from Somerley in respect of the Non-exempt Transactions) consider that such continuing connected transactions are and will continue to be conducted on normal commercial terms or better to the Group and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and the terms and the proposed annual caps of such continuing connected transactions will continue to be fair and reasonable to the Company.

Taking into account the transaction model between the Group and AVIC Group as described above, the Company considers that the Group can develop independently in a steady and healthy way, and there is no major reliance risk in this regard.

5.2 Continuing connected transactions under the Financial Services Framework Agreement

The reasons for the Group to enter into the Financial Services Framework Agreement are as follows:

(a) the terms (including the interest rates) on the Deposit Services, the Loan Services, the AVIC Finance Factoring Services and the Other Financial Services offered by AVIC Finance to the Group will be equal to or more favourable than those offered to the Group by major commercial banks in the PRC;

(b) AVIC Finance is regulated by the PBOC and the NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, so far as the Group is aware, AVIC Finance has internal control measures in place, the details of which are disclosed under Section IV of this circular, which ensure the safety of the Group's deposits with AVIC Finance;

(c) AVIC Finance's understanding of the Group's operations will enable it to provide more expedient and efficient services than major commercial banks in the PRC;

(d) pursuant to the relevant regulations of the PBOC and the NFRA, the customers of AVIC Finance are limited to the group members of AVIC Group, which will ensure more control by AVIC Finance of the risks that it may be exposed to as compared with other financial entities; and

(e) the Group could satisfy its demands for financial services in its daily business operations under the Financial Services Framework Agreement.

II. PROPOSED REVISION OF THE ANNUAL CAPS FOR 2026 UNDER THE EXISTING AVIC MUTUAL SERVICE SUPPLY AGREEMENT

1. Background

The Board expects that there will be an increase in the Group's demand for services related to manufacturing and business from AVIC Group as well as an increase in the Group's provision of aviation engineering services to AVIC Group, and the Original Annual Caps in respect of the expenditure transactions and revenue transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs.

Therefore the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps.

2. Proposed Revision of the Original Annual Caps

Set out below are details of the Proposed Revised Caps:

	Actual transaction amount for the six months ended 30 June 2026 RMB' million	Original Annual Caps for the year ending 31 December 2026 RMB' million	Proposed Revised Annual Caps for the year ending 31 December 2026 RMB' million
Expenditure Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	870	1,500	3,180
Revenue Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	2,428	5,300	6,110

3. Basis of Determination of the Proposed Revised Caps

The proposed revised caps for the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are derived based on (i) the historical transaction amount for the year ended 31 December 2024 and 31 December 2025 (the actual expenditure amount for the year ended 31 December 2025 was approximately RMB1,373 million, which approached the original annual cap of RMB1,500 million; the actual revenue amount for the year ended 31 December 2025 was approximately RMB4,992 million, which approached the original annual cap of RMB5,300 million); (ii) the expected increase of the Group's purchase amount for services relating to production and business operations from AVIC Group in 2026; and (iii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026.

The historical annual caps under the Existing AVIC Mutual Service Supply Agreement were not generally under-utilised. The actual expenditure and revenue transaction amounts for the year ended 31 December 2025 represented 98.1% and 99.8%, respectively, of the applicable annual caps. The actual transaction amounts of RMB870 million for expenditure transactions and RMB2,428 million for revenue transactions for the first half of 2026 should be read against the original caps of RMB1,500 million and RMB5,300 million, respectively for the year ending 31 December 2026. For illustrative purposes, a straight-line annualisation for figures in the first half of 2026 would be RMB1,740 million, of which the Original Annual Cap is insufficient for expenditure transactions and RMB4,856 million for revenue transactions, representing approximately 91.6% of the Original Annual Cap. The Company has considered separately service categories, signed contracts, orders, expected completion dates and settlement dates in determining the forecast amount for the second half of 2026.

For the revenue transactions, considering (i) they usually concentrate in the second half of the year, and (ii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026, the Original Annual Caps for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs. It is expected that (i) new material contracts entered into by the AVIC CAPDI in 2024 and 2025 were in excess of RMB1,000 million; and (ii) several engineering services projects originally scheduled for completion in 2025 will be delayed until the end of 2026.

For the expenditure transactions, considering (i) they are usually concentrated in the second half of the year; (ii) the expected increase of the Group's purchase amount of services relating to production and business operations from AVIC Group in 2026; and (iii) the expenditure transactions would be led by the growth of revenue transactions as mentioned above, the Original Annual Caps for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs. The labour service expenses will increase given that (i) a subsidiary of the Company will deliver specific products by the end of 2026 and settle the entrusted processing fee thereunder; and (ii) with AVIC CAPDI's engineering revenue growth, expenses such as subcontracting-related costs will increase accordingly.

4. Assessment of the Proposed Revised Caps

Considering the above basis, the Company considers that the Proposed Revised Caps of RMB3,180 million for expenditure transactions and RMB6,110 million for revenue transactions are fair and reasonable and are necessary to meet the expected demand for the relevant services for the remainder of 2026 as explained above.

5. Reasons and Benefits for the Proposed Revised Caps

The entering of the Proposed Revised Caps is beneficial to and necessary for the business operations of the Group, as the continued growth and increase of the aviation engineering and procurement services of the Group is expected to result in an increase in transaction amounts under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

III. HONG KONG LISTING RULES IMPLICATIONS

1. Continuing connected transactions implications

As at the date of this circular, AVIC is a controlling Shareholder of the Company holding directly and indirectly 59.63% of all issued Shares. AVIC Finance is a subsidiary of AVIC. AVIC Airborne is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and AVIC Airborne is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Renewal Agreements and the Existing Agreements (including the respective proposed annual caps and the Proposed Revised Caps) therefore constitute continuing connected transactions.

Fully exempt transactions

As (i) the Loan Services and the Non-financing Guarantee Letter Services under the Financial Services Framework Agreement will be entered into by the parties on normal commercial terms and no security over the assets of the Group or guarantee or counter-guarantee will be given by the Group in respect of the provision of financial assistance, and (ii) the Settlement Services will fall within the relevant de minimis threshold as stipulated under the Hong Kong Listing Rules, the Loan Services, the Non-financing Guarantee Letter Services and the Settlement Services are exempt from reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules. In the event that the Group is required to provide security over the assets of the Group or guarantee or counter-guarantee for the Loan Services and the Non-financing Guarantee Letter Services, the respective relevant member(s) of the Group and AVIC Finance shall enter into separate agreements, subject to satisfaction of the applicable disclosure and approval requirements by the Group in accordance with the rules of the relevant stock exchanges.

Partly Exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the revenue transactions contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement and (ii) the AVIC Finance Factoring Services contemplated under the Financial Services Framework Agreement exceed 0.1% but are less than 5%, such continuing connected transactions are subject to reporting, announcement and annual review requirements but are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt Transactions

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, (iii) the expenditure transactions contemplated

under the AVIC Airborne Mutual Product and Service Supply Framework Agreement, (iv) the Deposit Services contemplated under the Financial Services Framework Agreement, (v) the Other Financial Services contemplated under the Financial Services Framework Agreement, and (vi) the Proposed Revised Caps exceed 5%, such continuing connected transactions are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. Notifiable transactions implications

Major Transaction

As the highest applicable percentage ratio in respect of the Deposit Services under the Financial Services Framework Agreement exceeds 25%, the Deposit Services also constitute a major transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Discloseable Transaction

As the highest applicable percentage ratio in respect of the Other Financial Services under the Financial Services Framework Agreement exceeds 5% but is less than 25%, the Other Financial Services also constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

General

The non-executive Directors, namely Mr. Xu Dongsheng, Mr. Wang Rong, and Ms. Hu Shiwei, all of whom hold positions in AVIC, had abstained from voting on the relevant Board resolution(s) approving (i) the transactions contemplated under the Renewal Agreements and the proposed annual caps and (ii) the Proposed Revised Caps in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the above-mentioned continuing connected transactions and the proposed revision.

For the Partly Exempt Transactions, the Directors (including the independent non-executive Directors) consider that (i) the terms of the Partly Exempt Transactions and the proposed annual caps for those transactions are fair and reasonable on the basis as explained above; and (ii) the Partly Exempt Transactions are on normal commercial terms or better, 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.

For the Non-exempt Transactions, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that (i) the terms of the Non-exempt Transactions and the proposed annual caps for those transactions; and (ii) the Proposed Revised Caps are fair and

reasonable on the basis as explained above and on normal commercial terms or better, 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.

Shareholders should note that all the proposed annual caps as set out in this circular should not be construed as an assurance or forecast by the Company of the future revenue of the Group.

IV. INTERNAL CONTROL AND PRICING MECHANISM

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

1. 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;

2. 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 pricing and internal control measures applicable to the relevant agreements include, as applicable, Government-prescribed Price or Government-guidance Price, Market Price or tender procedures, Contractual Price and the ability to use an independent third party where it offers better commercial terms. Pursuant to the above measures, the subsidiaries of the Company manage the pricing terms through an internal transparent management system. The selling price is determined with reference to the internal price set by the subsidiary according to the applicable pricing system and after joint approvals from the sales department and the financial departments. Likewise, the purchase price will be determined after seeking and comparing prices offered by the selected suppliers in the pricing system of Market Price and after approvals from relevant departments. If the bidding process applies, the price will be determined through the bidding process in accordance with the applicable PRC laws and regulations. The internal audit departments in the subsidiaries of the Company will also audit the various business activities including procurement and sales;

   (a) For Government-prescribed Price, it is determined as follows:

   The price which is 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. As the majority of the products supplied under the Government-prescribed Prices are specialised

aviation products and is made on a case-by-case basis, the Government-prescribed Price shall be determined by the relevant authorities in accordance with their internal procedures, requirements, and standards, and shall apply to transactions for specific aviation products in the industry.

(b) For the Market Price, it is determined as follows:

(i) where comparable market prices or charging-rate standards are offered by independent third parties on normal commercial terms for the relevant transaction, the transaction price shall be determined by reference to such price or standard; or

(ii) if there are no such comparable market prices or charging-rate standards offered by independent third parties, the transaction price shall be determined by reference to the price of non-connected transactions between the Company and independent third parties, as follows:

a. where the Company is the buyer, the relevant procurement method will be selected in accordance with the applicable PRC laws and regulations and the Company's internal procurement policy. Tender procurement, inquiry procurement and competitive negotiation procurement each require the participation of at least three qualified suppliers. Negotiation procurement requires separate negotiations with at least two qualified suppliers. Direct procurement may be conducted with a specified supplier subject to the applicable procurement approval procedures and does not require a minimum number of quotations. The selection group will select the supplier from the supplier roster and determine the procurement price after considering the relevant selection criteria and completing the required internal approvals. The supplier roster and admission standards are set in accordance with the Company's internal procurement policies. The supplier roster is maintained by the procurement department, and suppliers included in the roster are required to satisfy the Company's standard supplier-admission criteria, with their basic information, validity of qualifications and approved product or service scope subject to ongoing management. In selecting the supplier, the Company will consider whether the supplier is able to meet the relevant procurement requirements, having regard to its qualifications, product or service scope, quality, delivery capability, service, price and past performance. The Company also conducts periodic supplier reviews and evaluates suppliers' performance, including their integrity, supply assurance, technological capability, compliance, safety and confidentiality, and environmental performance.

b. where the Company is the supplier, the transaction price will be determined through the relevant tender process conducted in accordance with the applicable PRC laws and regulations relating to tender and bidding and the Company's internal sales-pricing policy. As a general

commercial principle, factors such as higher or more stable transaction volumes and established long-term business relationships with customers may affect the price within the prescribed range. The Group treats both the connected persons and independent third parties customers on an equal basis. It will not offer preferential pricing merely because the customer is a connected person, and the price will remain no less favourable to the Group than the prices and terms for comparable transactions with independent third parties. The Market Price will be determined or approved by the authorised departments or persons of the relevant Group entity in respect of each particular transaction.

(c) For the Contractual Price, it is determined as follows:

As defined in the "Definitions" section, the specified percentage used to determine the Contractual Price is the maximum profit margin under the relevant agreements, and specific prices will be determined under separate agreements in each transaction and the profit margin is in line with industry practice upon making reference to the statistics as to the manufacture of railway, shipbuilding, aerospace, and other transportation equipment announced by the NBS from time to time. It recorded profit margins on operating revenue of 7.07% in 2024, 8.17% in 2025 and 7.8% for the five months ended 31 May 2026, calculated as total profit divided by operating revenue. The category includes industries other than aerospace and is therefore used as an external industry proxy rather than a pure aviation-industry measure.

Considering the limited application of the use of the Contractual Price which is not the default pricing method, that 8% mark-up which the Company has considered as the benchmark of general aviation from the NBS is the contractual maximum and each party can choose to purchase from independent third parties with more favourable terms and as a result of the completion and verification of the historical comparable transaction analysis, the Directors are of the view that the Contractual Price mechanism is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

3. 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 and risk management committee for review;

4. 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 or favourable commercial terms and pursuant to the framework agreements, with fair and reasonable terms and in the interests of the Company and its Shareholders as a whole, and will provide confirmation in the annual reports of the Company in accordance with the Hong Kong Listing Rules; and

5. The auditors of the Company shall also conduct annual review of the pricing and the annual caps of the continuing connected transactions under the framework agreements and provide comfort letters.

V. GENERAL INFORMATION

1. Information relating to 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.

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, holding directly and indirectly 59.63% equity interest in the Company as at the date of this circular.

3. Information of AVIC Airborne

AVIC Airborne is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. AVIC Airborne is a 16.50% owned subsidiary of the Company, which is mainly engaged in the manufacture of avionics products, electromechanical products and related accessories.

4. Information of AVIC Finance

AVIC Finance is a limited liability company established in the PRC and a subsidiary of AVIC as at the date of this circular. It is licensed by the NFRA and is engaged in the provision of financial services which principally include absorption of deposits of member companies, handling loans of member companies, handling bills discounting of member companies, handling funds settlement and acceptance/payment of member companies, providing entrustment loans to member companies, underwriting of debentures, non-financing guarantee letters, financial advisory services, credit certification and advisory agency services, inter-bank lending, handling bills acceptance of member companies, handling buyer's credit and spending credit of member companies, fixed-income investments, and other businesses as may be approved by the NFRA.

So far as the Group is aware, AVIC Finance is subject to the following internal control measures, which ensure the safety of the Group's deposits with AVIC Finance:

a. As a licensed financial institution in the PRC, AVIC Finance is under the supervision of the PBOC and the NFRA, including the regular examination of the audited financial statements and other relevant materials required to be filed by AVIC Finance, as well as face-to-face reviews and interviews with the senior management of AVIC Finance;

b. AVIC Finance has established strict internal control measures to ensure effective risk management and compliance with relevant laws and regulations, including the corporate governance structure, internal standards and policies and standard operating procedures, as well as intra-group check and balance mechanism; and

c. AVIC Finance will adopt the following additional internal control measures in respect of the Deposit Services provided by AVIC Finance under the Financial Services Framework Agreement: AVIC Finance shall provide the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business in respect of the Group's deposits with AVIC Finance during the period of having deposits with AVIC Finance.

VI. EGM

The notice convening the EGM of the Company to be held at 9:00 a.m. on Friday, 11 December 2026 at Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC is set out on pages 120 to 122 of this circular.

Form of proxy for use at the EGM is enclosed and is also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders who intend to appoint a proxy to attend the EGM 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 EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM or any adjournment thereof (as the case may be) and voting in person if you so wish.

As at the Latest Practicable Date, AVIC was a controlling Shareholder, holding directly and indirectly 3,503,070,569 H Shares and 1,250,899,906 Domestic Shares, representing 59.63% equity interest in the Company. AVIC and its associate(s), if any, will abstain from voting at the EGM in respect of the ordinary resolutions to be proposed in relation to (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

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 Renewal Agreements, and therefore no other Shareholder will be required to abstain from voting

at the EGM in respect of the ordinary resolutions to be proposed in relation to (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, the resolutions to be approved at the EGM will be voted by way of poll. The poll results announcement of the EGM will be published on the website of the Hong Kong Stock Exchange and the website of the Company.

VII. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 54 of this circular which contains the opinions and recommendations of the Independent Board Committee on (a) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (b) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026; (ii) the letter from Somerley, the Independent Financial Adviser, set out on pages 55 to 109 of this circular which contains its advice on (a) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (b) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 (together with the principal factors and reasons considered in arriving at such advice) to the Independent Board Committee and the Independent Shareholders; 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 Somerley, are of the view that (i) the Non-exempt Transactions are on normal commercial terms and are in the ordinary and usual course of business of the Group; and (ii) the terms of the Non-exempt Transactions and the proposed caps for such transactions for the three years ending 31 December 2029 and the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are fair and reasonable 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 resolutions to be proposed at the EGM.

Yours faithfully,
By Order of the Board
AviChina Industry & Technology Company Limited
Yan Lingxi
Chairman

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)

26 October 2026

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular (the "**Circular**") of the Company dated 26 October 2026 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 (i) the terms of the Non-exempt Transactions and the proposed annual caps for such transactions for the three years ending 31 December 2029; and (ii) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Somerley 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 9 to 53 of the Circular, and the letter from Somerley set out on pages 55 to 109 of the Circular.

Having considered the advice given by Somerley, we are of the opinion that (i) the Non-exempt Transactions are on normal commercial terms and are in the ordinary and usual course of business of the Group; (ii) the terms of the Non-exempt Transactions and the proposed caps for such transactions for the three years ending 31 December 2029 and the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are fair and reasonable 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 relevant ordinary resolutions to be proposed at the EGM.

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 purposes only*

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

26 October 2026

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE EXISTING AGREEMENTS AND PROPOSED REVISION OF ANNUAL CAPS FOR 2026

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with (i) the AVIC Mutual Product Supply Framework Agreement; (ii) the AVIC Mutual Service Supply Framework Agreement; (iii) the expenditure transactions contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement (the "**Expenditure Transactions with AVIC Airborne**"); (iv) the Deposit Services and the Other Financial Services contemplated under the Financial Services Framework Agreement (collectively, the "**Non-Exempt CCTs Renewal**"); and (v) the Proposed Revised Caps under the Existing AVIC Mutual Service Supply Agreement. Details of the Non-Exempt Transactions are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its shareholders dated 26 October 2026, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, AVIC is a controlling shareholder of the Company holding directly and indirectly 59.63% of all issued Shares. AVIC Finance is a subsidiary of AVIC. AVIC Airborne is a connected subsidiary of the Company by virtue of being directly and indirectly owned as to over 10% by AVIC. Accordingly, each of AVIC, AVIC Finance and AVIC Airborne is a connected person of the Company under the Hong Kong Listing Rules and the Non-Exempt Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2029 of (i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement; (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement; (iii) the Expenditure Transactions with AVIC Airborne contemplated under the AVIC Airborne

Mutual Product and Service Supply Framework Agreement; (iv) the Deposit Services contemplated under the Financial Services Framework Agreement; (v) the Other Financial Services contemplated under the Financial Services Framework Agreement; and (vi) the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 exceed 5%, such continuing connected transactions are subject to reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping, has been formed to advise the Independent Shareholders on the Non-Exempt Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

We are not associated or connected with the Company, AVIC, AVIC Airborne, AVIC Finance or their respective core connected persons or associates. In the two years prior to this appointment, save for having acted as the independent financial adviser to Continental Aerospace Technologies Holding Limited (232.HK), a subsidiary of AVIC, in relation to the continuing connected transactions and proposed annual caps as disclosed in its circular dated 13 November 2024, we have not had any other engagement with the Group. Apart from normal professional fees paid or payable to us in connection with the aforementioned past engagement and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, AVIC, AVIC Airborne, AVIC Finance or their respective close associates or core connected persons. We do not consider the past engagement as independent financial adviser gives rise to any conflict in our acting as the Independent Financial Adviser in respect of the Non-Exempt Transactions. Accordingly, we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules and are considered eligible to give independent advice on the Non-Exempt Transactions and the proposed annual caps.

In formulating our advice and recommendation, we have reviewed information of the Company, including but not limited to, (i) the annual reports of the Company for the year ended 31 December 2024 ("**FY2024**") (the "**2024 Annual Report**") and 31 December 2025 ("**FY2025**") (the "**2025 Annual Report**") and the interim report of the Company for the six months ended 30 June 2026 ("**1H2026**") (the "**2026 Interim Report**"); (ii) the announcement of the Company in relation to the Non-Exempt Transactions; and (iii) other information contained in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed by the Directors and management of the Company (collectively, the "**Management**"), which we have assumed to be true, accurate and complete in all material respects at the time they were made and will remain true, accurate and complete in all material aspects up to the date of the EGM. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied by them and that the opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Company, AVIC, AVIC Airborne and AVIC Finance, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Non-Exempt Transactions, the respective proposed annual caps for the year ending 31 December 2027, 2028 and 2029 (the "**2027-2029 Annual Caps**") and the Proposed Revised Caps, we have considered the following principal factors and reasons:

1. Information on the parties

1.1 The Company

The Company is a joint stock limited liability company established 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.

Set out below is the summary of the financial information of the Group for FY2024, FY2025, six months ended 30 June 2025 ("**1H2025**") and 1H2026 as extracted from the 2025 Annual Report and the 2026 Interim Report:

	For the six months ended 30 June		**For the year ended 31 December**	
	2025	**2026**	**2024**	**2025**
	RMB'million (Restated)	*RMB'million*	*RMB'million*	*RMB'million*
Operating Income	37,465	37,812	86,971	89,442
– Aviation entire aircraft	10,339	8,840	28,472	28,552
– Aviation Ancillary System and Related Business	22,583	24,061	48,504	51,054
– Aviation Engineering Services	4,543	4,911	9,995	9,836
Operating profit	3,105	2,580	6,042	5,367
Net profit attributable to the owners of the parent company	1,030	823	2,187	1,765

Among the financial statement data disclosed above, the data for the 1H2025 are unaudited and restated. As disclosed in the 2026 Interim Report, in June 2026, AVIC Airborne Systems Co., Ltd.* (中航機載系統股份有限公司), a subsidiary of the Company, acquired equity interests through cash contribution to control AIC Yuhua (Shenzhen) Airborne Systems Industry Investment Partnership (Limited Partnership)* (航投譽華(深圳)機載系統產業投資合夥企業(有限合夥)), which was under the control of the Company's controlling shareholder, AVIC, and was included in the scope of consolidation. The Group has restated the comparative amounts of the consolidated balance sheet as at 31 December 2025, and the comparative amounts for January to June 2025 in the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement.

The restatement of the consolidated financial statements for the previous period due to the business combination under common control has had the following impacts on the Group's financial statements submitted of previous period:

	Previously presented January to June 2025 *RMB'million*	**Business combinations involving entities under common control** *RMB'million*	**Restated January to June 2025** *RMB'million*
Operating revenue	37,465		37,465
Total operating cost	34,712	3	34,715
– Operating cost	29,889		29,889
– Selling expenses	339		339
– Administrative expenses	2,064	3	2,067
– Research and development expenses	2,170		2,170
Operating profit	3,108	-3	3,105
Net profit	2,807	-3	2,804
Net profit attributable to the owners of the parent company	1,030		1,030

The revenue of the Group's aviation entire aircraft business in FY2025 amounted to RMB28,552.0 million, representing an increase of RMB80.5 million or 0.3% as compared with that of RMB28,471.5 million in FY2024. The revenue of the Group's aviation ancillary system and related business in FY2025 amounted to RMB51,053.8 million, representing an increase of RMB2,549.5 million or 5.3% as compared with that of RMB48,504.3 million in FY2024. The revenue of the Group's aviation engineering services business in FY2025 amounted to RMB9,836.4 million, representing a decrease of RMB158.6 million or 1.6% as compared with that of RMB9,995.0 million in FY2024. With the net effect of the above, the Group's operating income amounted to RMB89,442.2 million in FY2025, increased from RMB86,970.8 million in FY2024, representing an increase of approximately 2.8%. In FY2025, the net profit attributable to the owners of the parent company for the year 2025 amounted to RMB1,765.1 million, representing a decrease of RMB422.3 million or 19.3% as compared with that of RMB2,187.4 million in the corresponding period of the preceding year, which was mainly attributable to the change in product structure during the year ended December 31, 2025, which resulted in the year-on-year decrease in gross profit margin and gross profit amount.

The revenue of the Group's aviation entire aircraft business in 1H2026 amounted to RMB8,840.3 million, representing a year-on-year decrease of 14.5%, which was mainly attributable to the decrease in sales volume of helicopter products in 1H2026. The revenue of the Group's aviation ancillary system and related business in 1H2026 amounted to RMB24,060.7 million, representing a year-on-year increase of 6.5%. The revenue of the Group's aviation engineering services business in 1H2026 amounted to RMB4,910.6 million, representing a year-on-year increase of 8.1%, which was mainly attributable to the year-on-

year increase of construction revenue in 1H2026. With the net effect of the above, the Group's operating income amounted to RMB37,811.6 million in 1H2026, representing an increase of RMB346.3 million or 0.9% as compared with that of RMB37,465.3 million in the corresponding period of last year. In 1H2026, the net profit attributable to the owners of the parent company amounted to RMB822.9 million, representing a decrease of 20.1% as compared with that of RMB1,030.3 million in the corresponding period of last year. The decrease was mainly attributable to the decrease in benefits from the additional value-added tax credit policy in 1H2026 and the year-on-year increase in finance costs and other period expenses of the Group in 1H2026.

	As at 31 December		**As at 30 June**
	2024	**2025**	**2026**
	RMB'million	*RMB'million (Restated)*	*RMB'million*
Total assets	202,044	206,848	205,690
Total liabilities	105,396	107,223	105,890
Total shareholders' equity attributable to parent company	34,148	35,043	35,152

Due to a business combination under common control within the Group, AIC Yuhua (Shenzhen) Airborne Systems Industry Investment Partnership (Limited Partnership)* (航投譽華(深圳)機載系統產業投資合夥企業(有限合夥)) has been included in the scope of consolidation of the Group. Accordingly, the comparative amounts of the consolidated balance sheet as at 31 December 2025 have been restated and are set out below for illustrative purposes as follows:

	Previously presented 31 December 2025	**Business combinations involving entities under common control**	**Restated 31 December 2025**
	RMB'million	*RMB'million*	*RMB'million*
Total current assets	161,693	4	161,697
Total non – current assets	44,909	242	45,151
Total assets	206,602	246	206,848
Total liabilities	107,223		107,223

As at 31 December 2025, total assets of the Group amounted to approximately RMB206,848.2 million, which mainly comprised of (i) accounts receivable of approximately RMB55,366.7 million; (ii) inventories of approximately RMB42,114.5 million; (iii) monetary funds of approximately RMB30,443.5 million; and (iv) fixed assets of approximately RMB27,118.2 million.

As at 31 December 2025, total liabilities of the Group amounted to approximately RMB107,222.9 million, which mainly comprised of (i) accounts payable of approximately RMB51,095.3 million; (ii) borrowings of approximately RMB20,686.6 million; (iii) notes payable of approximately RMB12,375.3 million; and (iv) contract liabilities of approximately RMB10,878.8 million.

As at 31 December 2024 and 2025, total shareholders' equity attributable to the parent company amounted to approximately RMB34,148.0 million and RMB35,043.4 million, respectively, representing an increase of approximately 2.6%.

As at 30 June 2026, total assets of the Group amounted to approximately RMB205,689.7 million, which mainly comprised of (i) accounts receivable of approximately RMB58,667.9 million; (ii) inventories of approximately RMB45,009.1 million; (iii) monetary funds of approximately RMB31,375.2 million; and (iv) fixed assets of approximately RMB27,352.2 million.

As at 30 June 2026, total liabilities of the Group amounted to approximately RMB105,889.7 million, which mainly comprised of (i) accounts payable of approximately RMB57,653.7 million; (ii) borrowings of approximately RMB24,067.3 million; (iii) notes payable of approximately RMB4,329.0 million; and (iv) contract liabilities of approximately RMB9,854.4 million.

As at 30 June 2026, total shareholders' equity attributable to the parent company amounted to approximately RMB35,151.6 million.

1.2 Background 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 directly and indirectly 59.63% equity interest in the Company as at the Latest Practicable Date.

1.3 Background information of AVIC Airborne

AVIC Airborne is a joint stock limited liability company incorporated in the PRC, whose A shares are listed on the Shanghai Stock Exchange. AVIC Airborne is a 16.50% owned subsidiary of the Company, which is mainly engaged in the manufacture of avionics products and related accessories.

1.4 Background information of AVIC Finance

AVIC Finance is a limited liability company established in the PRC and a subsidiary of AVIC as at the Latest Practicable Date. It is licensed by the NFRA and is engaged in the provision of financial services which principally include absorption of deposits of member companies, handling loans of member companies, handling bills discounting of member companies, handling funds settlement and acceptance/payment of member companies, providing

entrustment loans to member companies, underwriting of debentures, non-financing guarantee letters, financial advisory services, credit certification and advisory agency services, inter-bank lending, handling bills acceptance of member companies, handling buyer's credit and spending credit of member companies, fixed-income investments, and other businesses as may be approved by the NFRA.

So far as the Group is aware, AVIC Finance is subject to the following internal control measures, which ensure the safety of the Group's deposits with AVIC Finance:

(a) As a licensed financial institution in the PRC, AVIC Finance is under the supervision of the PBOC and the NFRA, including the regular examination of the audited financial statements and other relevant materials required to be filed by AVIC Finance, as well as face-to-face reviews and interviews with the senior management of AVIC Finance;

(b) AVIC Finance has established strict internal control measures to ensure effective risk management and compliance with relevant laws and regulations, including the corporate governance structure, internal standards and policies and standard operating procedures, as well as intra-group check and balance mechanism; and

(c) AVIC Finance will adopt the following additional internal control measures in respect of the Deposit Services provided by AVIC Finance under the Financial Services Framework Agreement: AVIC Finance shall provide the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business in respect of the Group's deposits with AVIC Finance during the period of having deposits with AVIC Finance.

2. Reasons for and Benefits of the Non-Exempt CCTs Renewal

2.1 Continuing connected transactions (other than the transactions under the Financial Services Framework Agreement)

The aviation industry is complex and technology intensive. The manufacturing of an entire aircraft (including the Group's helicopters and trainers) requires different products, parts and components from different enterprises.

The Group is an aviation manufacturing enterprise mainly engaged in the research, development, manufacture and sales of aviation entire aircraft (mainly helicopters and trainer aircraft) and aviation parts and components (mainly avionics products and electromechanical products), and the provision of aviation engineering services.

AVIC Group is the only aviation manufacturer with complete industry chain, established with the support of the PRC's national government. It has the research and development capacities to manufacture aviation products independently, and it is mainly engaged in the manufacturing of aircraft, airborne equipment systems and other related ancillary products and systems.

(1) AVIC Mutual Product Supply Framework Agreement

The Group is the only production platform of helicopters and main production platform of trainer aircraft for AVIC Group and it primarily provides the aviation entire aircraft (mainly trainers and general aircraft) and aviation parts and components (mainly avionics products, electromechanical products and optronics products) to AVIC Group under the AVIC Mutual Product Supply Framework Agreement to meet the orders received by AVIC Group from independent third parties and the production demands of AVIC Group.

The Group mainly procures from AVIC Group the necessary parts and components for manufacturing helicopters and trainers by the Group, such as control and navigation systems researched and developed by AVIC Group.

Due to the high technology barriers in aviation industry and the high quality requirements of customers, it is also difficult for the Group and AVIC Group to source substitute aviation products or aviation parts and components that fully meet comparable quality, specification and value standards in the PRC from other producers.

(2) AVIC Mutual Service Supply Framework Agreement

The Group primarily provides aviation engineering services to AVIC Group through AVIC CAPDI, and AVIC Group primarily provides labour services and other composite services to the Group.

(3) The Expenditure Transactions with AVIC Airborne contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement

The Expenditure Transactions with AVIC Airborne contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement are intragroup transactions of the Group, and are mostly product pairing transactions between the Group's airborne companies (i.e. AVIC Airborne Group) and the Group's entire aircraft business.

AVIC Airborne's avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the entire aviation aircraft. AVIC Airborne Group is the major supplier for the related avionics products and electromechanical products in the Group's helicopters and trainers.

The Company considers that the products and services mutually provided by the relevant parties are different and are necessary for the business operations of the Group. Based on the following grounds, the Directors consider that it is beneficial to continue the relevant continuing connected transactions by way of entering into the Renewal Agreements:

(a) the historical connection and long-standing business cooperation relationship between the Group and AVIC Group and AVIC Airborne Group;

(b) AVIC, AVIC Airborne and their respective 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; and

(c) the continuing connected transactions between AVIC, AVIC Airborne and their respective subsidiaries and the Group in relation to mutual supply of products and services have facilitated and will continue to facilitate the overall operations and growth of the Group's business.

We have discussed with the Management the historical operational relationships, technical integration and cooperation between the Group and AVIC Group and AVIC Airborne. In light of:

(a) the long-established cooperation between the Group and AVIC Group and AVIC Airborne;

(b) the AVIC Mutual Product Supply Framework Agreement, AVIC Mutual Service Supply Framework Agreement and the AVIC Airborne Mutual Product and Service Supply Framework Agreement are essential for maintaining business stability and ensuring operational efficiency for the Group and AVIC Group on a mutual basis;

(c) the high technology barriers and the high standard of quality requirements in the aviation industry, comparable alternative business partners with similar specialized manufacturing capabilities and quality standards are difficult to be identified within the PRC; and

(d) transactions under the abovementioned mutual supply of products and services agreements facilitate the Group's overall operations and business growth on a non-exclusive basis,

we concur with the Directors that the entering into the AVIC Mutual Product Supply Framework Agreement, AVIC Mutual Service Supply Framework Agreement and the AVIC Airborne Mutual Product and Service Supply Framework Agreement are in the interests of the Company and the Shareholders.

2.2 Continuing connected transactions under the Financial Services Framework Agreement

As disclosed in the letter from the Board of the Circular, AVIC Finance was incorporated with the approval from the PBOC and holds a business license and financial permit and is a financial enterprise controlled by the controlling shareholder of the Company, which has strong comprehensive strength to provide efficient financial services to the Group's domestic and overseas operations.

The reasons for the Group entering into the Deposit Services and the Other Financial Services under the Financial Services Framework Agreement are as follows:

(a) the terms (including the interest rates) on the Deposit Services and the Other Financial Services offered by AVIC Finance to the Group will be equal to or more favourable than those offered to the Group by major commercial banks in the PRC;

(b) AVIC Finance is regulated by the PBOC and the NFRA and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, so far as the Group is aware, AVIC Finance has internal control measures in place, the details of which are disclosed in the section headed "IV. INTERNAL CONTROL MECHANISM" in the letter from the Board of the Circular, which ensure the safety of the Group's deposits with AVIC Finance;

(c) AVIC Finance's understanding of the Group's operations will enable it to provide more expedient and efficient services than major commercial banks in the PRC;

(d) pursuant to the relevant regulations of the PBOC and the NFRA, the customers of AVIC Finance are limited to the group members of AVIC Group, which will ensure more control by AVIC Finance of the risks that it may be exposed to as compared with other financial entities; and

(e) the Group could satisfy its demands for financial services in its daily business operations under the Financial Services Framework Agreement.

We have discussed with the Management the historical operational relationships, technical integration and cooperation between the Group and AVIC Finance. In light of (i) the long-standing and stable cooperation between the Group and AVIC Finance; and (ii) the fact that members of the Group may use AVIC Finance's services on a voluntary, non-exclusive basis and are under no obligation to engage AVIC Finance for any specific service, AVIC Finance is an additional, reliable and stable provider of financial services available to members of the Group and enhances the flexibility of the Group's capital management. Accordingly, we concur with the Directors the Deposit Services contemplated under the Financial Services Framework Agreement to be in the interests of the Company and its Shareholders.

Taking into account the above and considering that (i) the Non-Exempt CCTs Renewal is conducted in the ordinary and usual course of business of the parties; (ii) the Non-Exempt CCTs Renewal will be conducted on normal commercial terms or better to the Group; and (iii)

the Non-Exempt CCTs Renewal provides the Group with the flexibility, but not obligation to conduct business with AVIC Group, we consider that the Non-Exempt CCTs Renewal is in the interests of the Company and the Shareholders as a whole.

3. Terms of the Non-Exempt CCTs Renewal

3.1 AVIC Mutual Product Supply Framework Agreement

As the Existing AVIC Mutual Product Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various products for its businesses, the Company entered into the AVIC Mutual Product Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Product Supply Framework Agreement are summarised as follows:

Date	:	31 August 2026
Parties	:	AVIC (for itself and on behalf of its subsidiaries) The Company (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of products	:	AVIC will supply to the Group the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products (including but not limited to aviation entire aircraft and aviation parts and components) and the related sales and ancillary services. The Group will supply to AVIC the manufacturing raw materials, parts and components, finished and semi-finished aviation products involved in the production and operations of the respective aviation products (including but not limited to helicopters, airplanes and aviation parts and components to AVIC Group) and the related sales and ancillary services. The Group is the only production platform of helicopters and main production platform of trainer aircraft for AVIC Group. Under the AVIC Mutual Product Supply Framework Agreement, the Group primarily provides the aviation entire aircraft (mainly trainers and general aircraft), and aviation parts and components (mainly avionics products, electromechanical products and optronics products) to AVIC Group, and AVIC Group primarily provides the relevant

parts and components to the Group which are necessary for the manufacturing of helicopters and trainers, such as control and navigation systems researched and developed by AVIC Group.

Key transaction principles : If any independent third party can supply the same type of products on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use products supplied by the Group or AVIC Group (as the case may be).

If any independent third party can supply the same type of products at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to procure products from that independent third party.

The quality standard of the products and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the products under the agreement will be determined as follows: (i) as most products under the AVIC Mutual Product Supply Framework Agreement are designated aviation products, the Government-prescribed Price shall apply; (ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; and (iii) if there is no Market Price, the Contractual Price shall apply.

3.2 AVIC Mutual Service Supply Framework Agreement

As the Existing AVIC Mutual Service Supply Agreement is due to expire on 31 December 2026 and the Group from time to time needs to procure from or supply to AVIC Group various services for its business operations, the Company entered into the AVIC Mutual Service Supply Framework Agreement with AVIC.

Principal terms of the AVIC Mutual Service Supply Framework Agreement are summarised as follows:

Date	:	31 August 2026
Parties	:	AVIC (for itself and on behalf of its subsidiaries) The Company (for itself and on behalf of its subsidiaries)
Term	:	Three years from 1 January 2027 to 31 December 2029
Mutual supply of services	:	AVIC Group will supply certain services relating to the production and business operations of the Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment purchase, maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services; (vii) cultural, educational, hygienic, social security and logistic services; (viii) import and export agency services; (ix) test flight and technology and quality monitoring services; (x) engineering and equipment subcontracting services; and (xi) other related services. The Group will supply certain services relating to the production and business operations of AVIC Group including, without limitation, (i) supply of power such as electricity, water and steam; (ii) property management and maintenance; (iii) labour services; (iv) equipment maintenance, repair and leasing services; (v) construction and transportation; (vi) design, consultation and network related services; (vii) enterprise entrustment services; (viii) engineering technology (including but not limited to planning, consultation, design and supervision), project engineering main contracting and equipment main contracting services; and (ix) other related services.
Key transaction principles	:	If any independent third party can supply the same type of services on the same terms, AVIC Group or the Group (as the case may be) shall give preference to use the services supplied by the Group or AVIC Group (as the case may be). If any independent third party can supply the same type of services at a better price than AVIC Group or the Group (as the case may be) offers, the Group or AVIC Group (as the case may be) shall be entitled to opt for the services supplied

by that independent third party.

The quality standard of the services and the terms and conditions of supply given by AVIC Group to the Group shall not be less favourable than those offered by the independent third parties under comparable conditions.

Pricing principles : The price of the services under the agreement will be determined as follows:

(i) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply;

(ii) for services such as construction, transportation, design, consultation and network design and other services where the Market Price is available, the Market Price as determined by tender procedures or other means (as the case may be) shall apply;

(iii) for the engineering technology services supplied by the Group to AVIC Group (including design, consultation and supervision services), and the engineering and equipment subcontracting services supplied by AVIC Group to the Group, the Market Price or where applicable, the Market Price as determined by tender procedures shall apply. Such tender procedures shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding); and

(iv) if there is no Market Price (for the provision of property management and maintenance services; equipment maintenance, repair and leasing services; cultural, educational, hygienic, social security and logistic services; import and export agency services; test flight and technology and quality monitoring services; and entrustment services), the Contractual Price shall apply.

3.3 AVIC Airborne Mutual Product and Service Supply Framework Agreement

The Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement entered into by the Company and AVIC Airborne is due to expire on 31 December 2026. As the Group continues to have the need to procure from and supply to AVIC Airborne Group various products and services in its business, the Company entered into the AVIC Airborne Mutual Product and Service Supply Framework Agreement with AVIC Airborne.

Principal terms of the Expenditure Transactions with AVIC Airborne are summarised as follows:

Date : 26 August 2026

Parties : The Company (for itself and on behalf of its subsidiaries, excluding AVIC Airborne Group)

AVIC Airborne (for itself and on behalf of its subsidiaries)

Term : Three years from 1 January 2027 to 31 December 2029

Type of products and services : AVIC Airborne Group will supply to the Group aviation electronic products, mechanical electronics, parts and components, related manufacturing and labour services, and engineering and equipment subcontracting services.

Pricing principles : The price of products and/or services under the agreement will be determined as follows:

(i) as most products under the Expenditure Transactions with AVIC Airborne are designated aviation products, the Government-prescribed Price shall apply;

(ii) if there is no Government-prescribed Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply;

(iii) if there is no Market Price, the Contractual Price shall apply;

(iv) for power supply services such as the provision of electricity, water, steam, etc., if such power was originally procured at the Government-prescribed Price or the Government-guidance Price, the Government-prescribed Price or the Government-guidance Price shall apply; if such power was not originally procured at Government-prescribed Price or

Government-guidance Price, the Market Price as determined by tender procedures or other means (as the case may be) shall apply; if there is no Market Price, the Contractual Price shall apply;

(v) for production and labour services where Market Price is available, the Market Price as determined through tender procedures or other means (as the case may be) shall apply; if there is no Market Price, the Contractual Price shall apply; and

(vi) for engineering technology services (including design, consultation and supervision services), project engineering main contracting and equipment main contracting services, and engineering and equipment subcontracting services, the Market Price and (if applicable) the Market Price as determined by tender procedures shall apply. The tender procedures mentioned above shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which require tender and bidding).

Other major terms : If any independent third party can supply the same type of products or services at a better price than AVIC Airborne Group (as the case may be) offers, the Group (as the case may be) shall be entitled to opt for the products or services supplied by that independent third party.

Subject to the terms of the AVIC Airborne Mutual Product and Service Supply Framework Agreement, if the product or service supplied by and the terms and conditions of supply given by AVIC Airborne Group (as the case may be) does not satisfy the needs of the Group (as the case may be) in any aspect, the latter can procure identical or similar products or services from an independent third party.

3.4 Financial Services Framework Agreement

As the Existing Financial Services Framework Agreement is due to expire on 31 December 2026, and the Group continues to have the need of the financial services from AVIC Finance from time to time, the Company entered into the Financial Services Framework Agreement with AVIC Finance.

Principal terms of the Deposit Services and the Other Financial Services contemplated under the Financial Services Framework Agreement are summarised as follows:

Date : 31 August 2026

Parties : The Company (for itself and on behalf of its subsidiaries)

AVIC Finance

Term : Three years from 1 January 2027 to 31 December 2029

Financial services : Pursuant to the Financial Services Framework Agreement, AVIC Finance has agreed to provide the Group with the Deposit Services and the Other Financial Services (i.e. such other financial services (including but not limited to bill acceptance and discounting services) as approved by the NFRA).

The Group is entitled to select the financial institutions providing the financial services, the amount of deposits and borrowings and the time of withdrawal of deposits based on its business needs.

Pricing principles : The pricing principles for services under the Financial Services Framework Agreement are as follows:

(1) Deposit Services

The interest rates for the Group's RMB deposits with AVIC Finance shall not be lower than the listed average interest rates (掛牌平均利率, being the average of the RMB deposit interest rates publicly listed by the major commercial banks in the PRC for deposits of the same type and tenor as the relevant deposit placement as at the relevant date) for the same type of deposits offered by major commercial banks of the PRC during the same period.

Before placing a deposit with AVIC Finance, the relevant Group entity will determine the applicable listed average interest rate and obtain contemporaneous executable quotations from at least two independent major commercial banks in the PRC for deposits of substantially the same type, tenor and amount, where available. The interest rate offered by AVIC Finance must not be lower than the listed

average interest rate offered by the major commercial banks. The relevant comparison and approval record will be retained in accordance with the Group's internal control procedures.

(2) Other Financial Services

The fees to be charged by AVIC Finance for the provision of the Other Financial Services shall not be higher than (a) the maximum fees determined by the PBOC for the same type of financial services (if applicable); (b) the fees charged by major commercial banks in the PRC for the same type of services during the same period; and (c) the fees charged for the same type of financial services offered by AVIC Finance to any third party with the same credit rating.

Other major terms : When AVIC Finance provides the Deposit Services to the Group, AVIC Finance is obliged to provide the Group with necessary information, including monthly reports, semi-annual review reports, annual reports and risk indicators, and such annual reports shall be audited by an accounting firm qualified to conduct securities and futures-related business.

AVIC Finance shall strictly operate in accordance with the risk monitoring indicators issued by NFRA such as the capital adequacy ratio and liquidity ratio, comply with the provisions of the Administrative Measures for Financial Companies of Enterprise Group (《企業集團財務公司管理辦法》)(the "**Administrative Measures**"), and ensure the secure operation of the funds settlement network, control funding risks, and safeguard the security of funds deposited by the Group. AVIC Finance shall also undertake to immediately notify the Group upon the occurrence of, among others, (1) failure to pay maturing debts, delinquency on large loans, serious malfunctions in critical information systems, robbery or fraud, or the imposition of coercive measures by competent authorities against the directors and senior management of AVIC Finance or their involvement in serious disciplinary violations or criminal cases; (2) any significant organizational changes, equity transactions, or operational risks that may affect the normal business operations of AVIC Finance; and (3) breach of

certain provisions of the Administrative Measures, and the Group shall have the right to unilaterally terminate the Financial Services Framework Agreement.

4. Assessment of the terms of Non-Exempt CCTs Renewal

In order to assess the fairness and reasonableness of the terms of the Non-Exempt CCTs Renewal, we have obtained and reviewed (i) the Existing AVIC Mutual Product Supply Agreement; (ii) the Existing AVIC Mutual Service Supply Agreement; (iii) the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement; and (iv) the Existing Financial Services Framework Agreement (together, the "**Existing Non-Exempt Agreements**"). We noted that the major terms of the Non-Exempt CCTs Renewal are similar to those in the Existing Non-Exempt Agreements, which were approved by the independent shareholders at the extraordinary general meetings of the Company held on 19 December 2023.

4.1 The AVIC Mutual Product Supply Framework Agreement, the AVIC Mutual Service Supply Framework Agreement, and the Expenditure Transactions with AVIC Airborne

We noted that the pricing basis for (i) the transactions contemplated under the AVIC Mutual Product Supply Framework Agreement, (ii) the transactions contemplated under the AVIC Mutual Service Supply Framework Agreement, and (iii) the Expenditure Transactions with AVIC Airborne contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement will be determined as follows:

(i) the Government-prescribed Price or the Government-guidance Price;

(ii) if there is no Government-prescribed Price or the Government-guidance Price, then apply the Market Price (if it is available) or determining the Market Price by tender procedures, which, if applicable, shall be in compliance with the relevant PRC laws and regulations relating to tender and bidding (which set out, among other things, specific requirements for the bidders and construction projects which are required to go through tender and bidding), or other means (as the case may be); and

(iii) if there is no Market Price, then apply the Contractual Price.

(i) Government-prescribed Price or Government-guidance 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 the majority of the products of the Group are specific aviation products and Government-prescribed Price is usually adopted for specific aviation products of the Group, while such Government-prescribed Price will not be published and is not publicly available. The Government-prescribed Price shall be determined by the relevant authorities in accordance with their internal procedures, requirements, and standards, and shall apply to transactions for specific aviation products in the industry.

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.

Based on our discussion with the Management and our review of the product price management mechanisms published by relevant government authorities, we note that Government-prescribed Price or Government-guidance Price is set by competent state price control authorities and industry regulators in the PRC. Such prices are calculated and formulated to cover all relevant costs based on specific requirements and standards for each of the products/services required by the government, and were confirmed by the relevant price control authorities and the industry regulators in the PRC. The final price will then be determined with a specific profit margin approved by government authorities. We noted that such pricing mechanisms were adopted by authorities industry-wide to all market participants for specific defence and aviation products. No individual market participant is empowered to unilaterally adjust prices determined by the authorities, which renders the pricing non-discriminatory and subject to rigorous oversight by statutory bodies. The aforementioned mechanism ensures that transactions are carried out under standard statutory commercial terms and are fair and reasonable.

(ii) Market Price

We understand that the priority of pricing principles (i) and (ii) is in descending order such that Government-prescribed Price including Government-guidance Price (pricing principle (i) above) are always considered first if and where available. Market Price will only be applied if there is no Government-prescribed Price or Government-guidance Price and the determination of the Market Price will strictly follow the Company's internal control policy.

Market Price is the price as determined in the following sequence:

(i) where there are comparable market prices or charging rate 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 such prices or standards 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 relating to tender and bidding or by choosing the most favourable price among at least two 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.

We were given to understand that most transactions conducted pursuant to the Existing AVIC Mutual Product Supply Agreement and the expenditure transactions conducted pursuant to the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement were priced based on the Government-prescribed Price or Government-guidance Price. The Market Price may also be determined by other means, such as price inquiry and price comparison by fee quotations if tender procedures are not adopted. We have obtained and reviewed the Company's procurement management measures (the "**Procurement Measures**") from the Management. According to the Procurement Measures, in terms of the services of which the transaction amount reaches the particular standard prescribed in regulations, the Company shall obtain the abovementioned Market Prices through tendering or price inquiry and price comparison, if tendering was not adopted, and the final suppliers of services are determined based on the price quotations and other factors such as quality of products and services, technical advantages of the suppliers, performance capabilities of the suppliers, and qualification and relevant experience of the suppliers.

In respect of the Existing AVIC Mutual Product Supply Agreement, we understand that the vast majority of revenue transactions (i.e. the sales of products by the Group to AVIC Group) were conducted using the Government-prescribed Price or Government-guidance Price. Among the few relevant transactions adopting the Market Price, we have selected (i) two sample transactions, on a random basis, entered into between the Group and AVIC Group in 2024 and 2025 for products purchased by AVIC Group from the Group; and (ii) two sample transactions entered into between the Group and independent third parties during the same period for similar products purchased by independent third parties from the Group. Based on our review, we noticed that the terms of the products offered by the Group to AVIC Group were not less favourable to the Group than those offered to independent third parties. Given that there were limited number of transactions using the Market Price, and the samples covered major types of transactions using the Market Price under the Existing AVIC Mutual Product Supply

Agreement conducted during 2024 and 2025, we consider such samples fair and representative for the purpose of our analysis on whether the relevant pricing policies were adhered to.

In respect of the Existing AVIC Mutual Service Supply Agreement, we understand that almost all revenue transactions (i.e. the provision of services to AVIC Group by the Group) conducted based on the Market Price were in relation to engineering services. Therefore, we have selected (i) three sample contracts, on a random basis, pursuant to which the Group acted as supplier and provided engineering services to AVIC Group in 2024 and 2025; and (ii) three sample transactions, on a random basis, entered into between the Group and AVIC Group in 2024 and 2025 in respect of services provided by AVIC Group to the Group. We have also checked the National Public Resources Trading Platform website (www.ggzy.gov.cn) and the internal tendering platform of the Group and confirmed the tendering results. Given that the samples covered major types of transactions using the Market Price under the Existing AVIC Mutual Service Supply Agreement conducted during 2024 and 2025, we consider such samples fair and representative for the purpose of our analysis on whether the relevant pricing policies were adhered to.

In respect of the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement, we understand that almost all Expenditure Transactions with AVIC Airborne (i.e. the procurement of products and services from AVIC Airborne by the Group) were conducted using the Government-prescribed Price or Government-guidance Price. Among the few relevant transactions adopting the Market Price, we have selected (i) two sample transactions, on a random basis, entered into between the Group and AVIC Airborne in 2024 and 2025 for products purchased by the Group from AVIC Airborne; and (ii) two sample transactions entered into between the Group and independent third parties during the same period for similar products purchased by the Group from independent third parties. Based on our review, we noticed that the terms of the products offered by AVIC Airborne to the Group were not less favourable to the Group than those offered by independent third parties. Given that the samples covered major types of transactions using the Market Price under Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement conducted during 2024 and 2025, we consider such samples fair and representative for the purpose of our analysis on whether the relevant pricing policies were adhered to.

In view of the above, we consider that the Market Price determined by tender procedures or other means is fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

(iii) Contractual Price

Should neither of the pricing principles (i) and (ii) described above, namely Government-prescribed Prices or the Government-guidance Price and Market Prices, be applicable, the price for the products/services shall be determined based on the agreed 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 among the related industrial enterprises; (ii) the average profit margin in the aviation industry; and (iii) the profits previously received by the Group or AVIC Group for similar products, raw materials or services. The specified percentage used to determine the Contractual Price is the maximum profit margin under the relevant continuing connected transactions agreements and specific prices will be determined under separate 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 AVIC Group.

We have reviewed the statistical data published by the NBS for enterprises in the manufacture of railway, shipbuilding, aerospace, and other transportation equipment, and noted that the industry profit margins were 8.2% and 7.8% for the twelve months ended 31 December 2025 and the five months ended 31 May 2026, respectively. Based on the information published by the NBS, we noted that such profit margins were derived with reference to industrial enterprises, engaged in the manufacture of railway, shipbuilding, aerospace, and other transportation equipment, with a minimum designated size (i.e. with an annual revenue of RMB20 million or above). Furthermore, we have researched and reviewed the Standard Values for Enterprise Performance Evaluation (2025) (企業績效評價標準值) issued by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委考核分配局), which were set to ensure the relevant profit levels comply with the operational performance management requirements for state-owned enterprises. We noted that such an 8% maximum profit margin is overall in line with the reasonable profit levels of state-owned enterprises as reflected in the Standard Values for Enterprise Performance Evaluation (2025). We have also reviewed the 2024 Annual Report and 2025 Annual Report of the Company and noted that the Company recorded operating margins of approximately 6.9% and 6.0% for FY2024 and FY2025, respectively.

Given (i) the 8% profit margin is broadly consistent with the cited industry profit margins; (ii) the Contractual Price is determined with reference to cost plus not more than 8% profit margin, which could be higher than the historical operating profit margins of the Company for recent years; and (iii) the Group can charge AVIC and AVIC Airborne on the same basis that AVIC and AVIC Airborne can charge the Group, we are of the view that the Contractual Price is fair and reasonable.

4.2 The Deposit Services

In respect of the Deposit Services under the Financial Services Framework Agreement, we note and understand that the interest rates for the Group's RMB deposits with AVIC Finance shall not be lower than the listed average interest rates for the same type of deposits offered by major commercial banks of the PRC. In this regard, we have obtained a list of term deposits and notice deposits placed by the Group with AVIC Finance during the two years ended 31

December 2025 and the eight months ended 31 August 2026. From this list, we noted that all the deposits were generally in similar nature and can be categorized into term deposits or notice deposits. Given the similar nature of all the transactions, we have therefore selected the three largest transactions for each of the types of transaction of deposit services (i.e. term deposit and notice deposit) under the Existing Financial Services Framework Agreement between the Group and AVIC Finance in such period (the "**Deposit Samples**"). Given that the total of the six Deposit Samples covered various types of deposit service under the Existing Financial Services Framework Agreement between the Group and AVIC Finance and the Deposit Samples reviewed represent the three largest deposit transactions of each type of deposit service during the period as mentioned above, we consider such samples fair and representative for the purpose of our analysis on whether the relevant pricing policies were adhered to. We noted that each of the relevant deposit interest rates of the Deposit Samples was not lower than the rates offered by other independent commercial banks for similar deposits with a similar length of maturity (ranging 7 days to 12 months) during the same period. In view of the above, we are of the view that the pricing policy of the Deposit Services under the Financial Services Framework Agreement is fair and reasonable.

4.3 The Other Financial Services

In respect of the Other Financial Services under the Financial Services Framework Agreement, we have discussed with the Management and understood that Other Financial Services provided by AVIC Finance to the Group currently are mainly bill acceptance and discounting services while major commercial banks in the PRC normally request for deposits in addition to the fee charged for the same type of services, and the Group therefore would prefer to select AVIC Finance as the service provider in such situation. As advised by the Management, when selecting AVIC Finance as the service provider, the Group would compare the fees charged by major commercial banks in the PRC for the same type of services during the same period, to ensure that the services provided by AVIC Finance are no less favourable than such services offered by independent third parties.

As advised by the Management, when conducting such transactions with AVIC Finance, responsible personnel will ensure that the discount rates are no less favourable than those offered by independent third parties. We selected and reviewed three samples, on a random basis, for each of the bill acceptance and discounting services with a length of maturity of six months conducted over the past three years. Based on a total of six samples, we noted that (i) in respect of bill acceptance services, the commission fee rate or fee charged by AVIC Finance was lower than those charged by independent commercial banks for similar services with similar length of maturity and there was no requirement for deposit; and (ii) in respect of bill discounting services, the discount rates provided by AVIC Finance were no less favourable to the Group than those available from major commercial banks for similar services with similar length of maturity. Given that the samples covered each major type of Other Financial Services under the Financial Services Framework Agreement conducted over the past three years, we consider such samples fair and representative for the purpose of our analysis on whether the relevant pricing policies were adhered to.

5. The 2027-2029 Annual Caps

5.1 Historical transaction amounts

The table below sets out (i) the annual caps of amounts payable/receivable by the Company for each of the three years ended/ending 31 December 2024, 2025 and 2026, respectively; and (ii) the actual amounts paid/received by the Company for each of the two years ended 31 December 2024 and 2025 and for the six months ended 30 June 2026 under each of the Non-Exempt Transactions.

(RMB'million)	**FY2024**	**FY2025**	**1H2026**
Expenditure transactions of the Group			
Existing AVIC Mutual Product Supply Agreement *Note 1*			
Actual	9,798	12,287	4,547
Annual Cap	20,980	24,320	26,000 *Note 5*
Utilisation Rate	*46.7%*	*50.5%*	*17.5%*
Existing AVIC Mutual Service Supply Agreement *Note 2*			
Actual	1,132	1,373	870
Annual Cap	1,610	1,400	1,500 *Note 5*
Utilisation Rate	*70.3%*	*98.1%*	*58.0%*
Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement *Note 3*			
Actual	2,079	2,115	768
Annual Cap	2,800	3,000	3,100 *Note 5*
Utilisation Rate	*74.3%*	*70.5%*	*24.8%*

(RMB'million)	**FY2024**	**FY2025**	**1H2026**
Revenue transactions of the Group			
Existing AVIC Mutual Product Supply Agreement *Note 1*			
Actual	22,947	24,159	9,874
Annual Cap	43,350	45,220	51,760 *Note 5*
Utilisation Rate	*52.9%*	*53.4%*	*19.1%*
Existing AVIC Mutual Service Supply Agreement *Note 2*			
Actual	4,082	4,992	2,428
Annual Cap	5,600	5,000	5,300 *Note 5*
Utilisation Rate	*72.9%*	*99.8%*	*45.8%*

(RMB'million)	**FY2024**	**FY2025**	**1H2026**
Transactions under the Existing Financial Services Framework Agreement			
Maximum daily outstanding balances of deposits (including accrued interests) for Deposit Services *Note 4*			
Actual	29,301	29,301	22,825
Annual Cap	45,000	45,000	45,000 *Note 5*
Utilisation Rate	*65.1%*	*65.1%*	*50.7%*
Other Financial Services *Note 4*			
Actual	177	–	7
Annual Cap	3,000	3,000	3,000 *Note 5*
Utilisation Rate	*5.9%*	*0.0%*	*0.2%*

Notes:

1. Historical utilisation under the Existing AVIC Mutual Product Supply Agreement

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected transaction volume between the Group and AVIC Group during the corresponding year, the anticipated growth in the relevant business attributable to the PRC government's demand for aviation-related products, the development prospects of the aviation industry, and the potential orders to and from AVIC Group.

   The low historical utilisation rates of the existing annual caps were principally attributable to an industry-wide moderation in the pace of defence equipment procurement during 2024 to 2026, a period of transition from the conclusion of the 14th Five-Year Plan to the commencement of the 15th Five-Year Plan. During this period, the alignment of new and existing production plans, updates to procurement catalogues and the finalisation of annual procurement budgets involved temporary uncertainties, resulting in a more prudent industry-wide pace of order placements and a slower pace of implementation of the Group's relevant business.

   Separately, settlement of the transactions usually concentrates in the second half of the year. For illustrative purposes only, the transaction amounts of the revenue transactions for the first half and second half of 2025 represented approximately 40.3% and 59.7%, respectively, of the total revenue transaction amount for the year ended 31 December 2025. This historical settlement pattern is disclosed solely to explain the timing of transactions and does not, by itself, indicate the amount of transactions that may be recorded during the remainder of 2026.

2. Historical utilisation under the Existing AVIC Mutual Service Supply Agreement

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected transaction volume between the Group and AVIC Group during the corresponding year, the anticipated growth in the relevant business attributable to the PRC government's demand for aviation-related services (including but not limited to aviation engineering services), the development prospects of the aviation industry, and the potential orders to and from AVIC Group.

   Separately, settlement of the transactions usually concentrates in the second half of the year. Accordingly, the utilisation rate for the six months ended 30 June 2026 is an interim measure. This historical settlement pattern is disclosed solely to explain the timing of transactions and does not, by

itself, indicate the amount of transactions that may be recorded during the remainder of 2026. For details about the revision of the Original Annual Caps to the Proposed Revised Caps, please refer to Section II in the Circular.

3. Historical utilisation under the Existing AVIC Airborne Mutual Product and Service Supply Framework Agreement

   The annual caps for the three years ending 31 December 2026 were determined after taking into account the expected intra-group transaction volume between the Group and AVIC Airborne Group during the corresponding year. Settlement of the transactions usually concentrates in the second half of the year. The Company expects that the transaction amounts of both revenue and expenditure transactions in the second half of 2026 to be higher as compared to that of the first half of 2026. Accordingly, the transaction amount for the six months ended 30 June 2026 is an interim amount and should not be extrapolated mechanically to the full year. The foregoing is included solely to explain the timing of transactions and does not, by itself, indicate the amount of transactions that may be recorded during the remainder of 2026.

4. Historical utilisation for the Deposit Services and Other Financial Services under the Existing Financial Services Framework Agreement

   The Group determines whether to use the financial services of AVIC Finance on a transaction-by-transaction basis, having regard to, among other things, the nature, timing, the funding needs of the relevant Group member, the service tenor and the prevailing terms offered by available financing providers. The Group intends to maintain diversified financing channels and retain flexibility in utilising relevant services from AVIC Finance, thereby ensuring access to the best available quotes and services when needed. As such, the annual caps for the corresponding years were determined based on the possible transactions between the Group and third party financial institutions (including AVIC Finance and external independent financial institutions) so as to maintain the flexibility to opt for the best financial services available to the Group.

5. The annual cap for 2026 applies to the full year ending 31 December 2026. As at the Latest Practicable Date, the Group conducts connected transactions in compliance with the respective annual caps for 2026.

5.2 Basis of determination of the proposed annual caps

General factors

The year 2026 marks a pivotal year for the Outline of the 15th Five-Year Plan for National Economic and Social Development, as it ushers in a new chapter and charts a new course. Report on the Work of the PRC Government for 2026 clearly outlined the need to cultivate and strengthen the aviation and aerospace industry, the low altitude economy, quantum technology, embodied AI, brain-computer interfaces and expand AI plus initiatives. The aviation and aerospace industry has been explicitly designated as an emerging industry. The low-altitude economy has been included in the Government Work Report for the third consecutive year, following 2024 and 2025 while overseas business continues to expand.

The Company will also firmly seize this historic opportunity, remain steadfast in its strategic objectives, focus on core capabilities and value creation, continue to deepen reform and innovation, accelerate the formation of new quality productive forces, and make every effort to drive the high-quality development of the Group.

In preparing the estimation of the proposed annual caps, the Company has considered the policy direction under the 15th Five-Year Plan, including the PRC's continued support for the aviation and aerospace industry and the low-altitude economy. In particular, the PRC national defence expenditure budget amounted to RMB1.8 trillion for 2025 and RMB1.94 trillion for 2026, representing an annual increase by 7.2% and 6.9%, respectively, while national policies continue to support the development of the aviation and aerospace industry and the low-altitude economy. The Group continues to develop its helicopter and trainer aircraft businesses, aviation ancillary systems, including avionics and electromechanical products, and aviation engineering services, and to explore relevant low-altitude and general aviation application scenarios.

According to the General Aviation Equipment Innovation and Application Implementation Plan (2024-2030) 《通用航空裝備創新應用實施方案(2024-2030年)》 issued by relevant PRC authorities, general aviation equipment is expected to become a strong driver of the low-altitude economy and form a trillion-yuan market by 2030. The Group will continue to update its AC series product portfolio, accelerate the commercialisation of electric aircraft and general aviation equipment, and explore low-altitude logistics and aerial cultural and tourism applications. Based on the Company's current business plan and subject to research and development, airworthiness certification, commercialisation, market development, customer demand and order execution, the Group expects that aggregate revenue from low-altitude-economy-related business for the three years ending 31 December 2029 will be approximately RMB5,000 million.

The Group will also continue to optimise its international business layout, coordinate the allocation of overseas market resources and participate in the global aviation market. Based on the Company's current business plan and subject to market development, customer demand and order execution, the Group expects that international business revenue for the three years ending 31 December 2029 will be approximately RMB5,000 million per annum. Given the closely integrated aviation supply chain, the expected development of the Group's aviation products and related services may give rise to sales to AVIC Group and corresponding procurement of specialised parts, components and services from AVIC Group. The above revenue expectations represent the Group's broader business outlook and the actual transaction amounts will depend on customer demand, confirmed orders, production plans, delivery schedules, project progress and settlement arrangements.

Based on the national development plan as well as the expected growth of the Group, the Company reasonably expects a potential increase in revenue and costs of manufacturing for its products and provision of services in the forthcoming three years, which set out the foundations for determining the annual caps for the transactions below.

5.3 Assessment of the proposed annual caps for the three years ending 31 December 2029

As disclosed in the circular, in assessing the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2029, the historical transaction amounts and utilisation of the existing annual caps for the years 2023 to 2025, the relevant transaction-specific forecasts and cap bridges described above, the nature of the Group's business, the

internal control procedures, pricing mechanism and the relevant business-expansion and demand factors have been taken into account. In particular, the Company has considered forecasts for the year ending 31 December 2026, the relevant contracted and forecast order or service demand, the delivery, acceptance and settlement profile, the relevant maximum balance or transaction-flow methodology and the amount and basis of each buffer. In assessing the historical utilisation of the existing annual caps, the Company has taken into account the temporary industry-wide factors described above. Although the historical utilisation rates were relatively low, they were affected by the delayed procurement and order-release schedules prevailing during the transition between the 14th and 15th Five-Year Plans. The proposed annual caps are maximum amounts and do not oblige the Group to transact at the cap levels.

We have reviewed and discussed with the Management the calculation and basis used in formulating the proposed annual caps. As advised by the Management, we were given to understand that:

(a) China's domestic military-industrial value chain experienced phased pressure from 2023 to 2024. The primary drivers were phased personnel rotations and organisational restructuring within the national defence equipment procurement, price-review-and acceptance and project-approval systems. Against this industry backdrop, the implementation of national defence procurement plans across the industry generally slowed down, the issuance of new-order placements was deferred, and the acceptance timeline for existing projects was delayed. A substantial number of equipment procurement orders scheduled for implementation during the 14th Five-Year Plan period failed to be executed as planned, resulting in industry-wide order backlogs. Such deferred demand is expected to be released in a concentrated manner and implemented at an accelerated pace throughout the 15th Five-Year Plan cycle;

(b) the development of the Company's defence-related business and recognition of relevant product orders fell short of expectations during the corresponding years. This trend was consistent with the overall industry development tempo and represented a cyclical phenomenon across the sector. In addition, we have reviewed the Company's annual financial reports for the financial years 2021 to 2025. The data shows that revenue growth in FY2024 hit a five-year low at merely 2.6% year-on-year. Notably, the Company's aviation supporting systems segment recorded its first material decline in FY2024, with a year-on-year decrease of approximately 11%. Business pressures gradually eased and operating performance steadily recovered only in FY2025; and

(c) from the perspective of industry cyclical timing, while 2025-2026 represents a transitional phase between the conclusion of the 14th Five-Year Plan and the commencement of the 15th Five-Year Plan. Phased uncertainties existed in the alignment of old and new equipment plans, updates to procurement catalogues and the detailed implementation of annual procurement budgets. The overall pace of order placements across the industry remained prudent, which further slowed the pace of business execution for the Company in the relevant years. Owing to multiple objective factors including the aforementioned systemic industry adjustments, deferred

procurement timelines and uncertainties arising from plan-cycle transition, the overall utilisation rates of the connected-transaction annual caps in past years were low, an outcome materially influenced by the prevailing industry environment.

As discussed with the Management, the aforesaid factors do not undermine the reasonableness of the Company's determination of future annual caps. Future annual caps are principally determined based on: (i) the anticipated growth of the Group's relevant businesses in light of the policy tailwinds for the defence-military industry under the centenary goal for building a strong military, the PRC government's procurement demand for relevant aviation products, the future-development plans for the aviation industry, and potential orders from AVIC; and (ii) the Group's continued expansion into new-market segments, seizing development opportunities for domestically produced commercial aircraft and continuously optimising and expanding its global-business footprint. We have thoroughly-reviewed the Company's operating forecasts for the next three years, which are premised on prudent assumptions of steady recovery and normalised stable growth across each business segment. Furthermore, we have cross-checked publicly available data released by the Ministry of National Defence. China's national defence budget has maintained a steady growth rate of around 7% over the past five years, underpinning the fundamental conditions for industry development. Following the gradual dissipation of industry-wide headwinds and the expected rebound and release of sector demand from previous cyclical lows, together with the full launch of the 15th Five-Year Plan for equipment, the 2027-2029 period is expected to bring strong demand for the defence-military sector, and the Company's business is projected to return to a path of steady growth. Moreover, according to the 15th Five-Year Plan, China will accelerate the development of strategic emerging industries including aerospace, establish an advanced national defence science-and-technology industrial system, optimise the layout of the defence-related science-and-technology industry, improve equipment procurement-management systems, and promote the generalisation of military-civilian standards. These initiatives will give strong impetus to the Group's business expansion in civil aircraft, international markets and low-altitude economy-related sectors. We concur with the Board that the determination of future annual transaction caps is reasonable.

5.4 The 2027-2029 Annual Caps

The table below sets out the proposed annual caps of amounts payable/receivable by the Company for each of the three years ending 31 December 2027, 2028 and 2029. In determining the proposed annual caps, the nature of the relevant transactions, historical transaction amounts and utilisation of the existing annual caps, the expected requirements of the Group, the applicable pricing mechanisms, business plans and the relevant internal control arrangements have been considered. The Company has assessed each transaction direction and financial service category separately, as the timing of delivery, acceptance and settlement and the measure used for the applicable cap may differ materially.

	Proposed annual caps *RMB Million* For the years ending 31 December		
	2027	**2028**	**2029**
Expenditure transactions of the Group			
Mutual Product Supply Framework Agreement	19,060	19,630	19,830
Mutual Service Supply Framework Agreement	3,190	3,280	3,280
AVIC Airborne Mutual Product and Service Supply Framework Agreement	2,500	2,600	2,800
Revenue transactions of the Group			
Mutual Product Supply Framework Agreement	33,830	35,700	37,510
Mutual Service Supply Framework Agreement	6,820	7,360	7,720
Transactions under the Financial Services Framework Agreement			
Maximum daily outstanding balance of Deposits (including accrued interests) for the Deposit Services	43,000	43,000	43,000
Other Financial Services	2,000	2,000	2,000

5.5 Our assessment of the 2027-2029 Annual Caps

(1) AVIC Mutual Product Supply Framework Agreement

Under the AVIC Mutual Product Supply Framework Agreement, the Group primarily provides aviation entire aircraft, avionics products and electromechanical products to AVIC Group, and AVIC Group primarily provides the relevant parts and components to the Group which are necessary for the manufacturing of the aforesaid aviation entire aircraft, avionics products and electromechanical products.

Revenue transactions

The proposed annual caps for the revenue transactions contemplated under the AVIC Mutual Product Supply Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) Historical transaction amount and expected growth

The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account:

(a) the historical increase in the past two years in the PRC national defence expense budget at a pace of approximately 7% per annum;

(b) the expected growth of relevant business in 2027 based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group;

(c) the expected sales of products of the Group, for the year ending 31 December 2026 and the sales-volume outlook for the 15th Five-Year Plan period. Based on orders on hand and communications with relevant users, the Group expects that the sales volume of its relevant products during the 15th Five Year Plan period will be broadly in line with that during the 14th Five-Year Plan period, save that the sales volume of certain products models is expected to increase by approximately 6%;

(d) the historical transaction amount of approximately RMB22,947 million and RMB24,159 million respectively for the year ended 31 December 2024 and 31 December 2025; and

(e) the revenue growth of the Group from RMB60,296 million for 2021 to RMB89,442 million for 2025, representing a CAGR of 10.4%.

The expected growth of relevant business in 2027 based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group. The expected growth and demand reflects orders, orders under negotiation, the delivery schedule, expected sales of the Group's relevant aviation products and the quantified effect of Chinese government demand, aviation-industry development plans under the 15th Five-Year Plan, new products and AVIC Group's business development and expansion.

In particular, the Group expects that the expansion of low-altitude application scenarios, such as emergency rescue, logistics transportation and other civil aviation applications, will support demand for helicopters, trainer aircraft and other aviation products, as well as the related avionics products, electromechanical products, flight-control systems and other aviation ancillary systems supplied by the Group. The Group is also advancing the industrialisation of aviation scientific and technological achievements and the development of intelligent electric aircraft flight-control technologies. In addition, the Group will

also continue to optimise its international business layout, coordinate the allocation of overseas market resources and participate in the global aviation market.

AVIC Group will procure products based on the orders received from its customers and its internal production demands. AVIC Group requires such entire aircraft products as trainer, general aircraft for its customers and aviation parts and components systems related to its aviation industry chain for its production. The actual transaction amounts will depend on the actual demand, order progress, delivery schedule and settlement arrangements for the relevant products.

(ii) Adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of AVIC Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of AVIC Group in the future.

The proposed annual cap for the year ending 31 December 2027 of RMB33,830 million represents a growth of approximately 40.0% compared to the actual transacted amount in 2025 and a decrease of approximately 34.6% from annual cap for the year ending 31 December 2026. Such increase has taken into account the following: (i) the expected growth in business of the Group for 2026, for example, a subsidiary of the Company expects an increase of over 20% in 2026 as compared with 2025 in undertaking scientific research and development projects; and (ii) the expected growth of relevant business based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group. The proposed annual caps for the revenue transactions for the three years ending 31 December 2029 are in line with the expected transaction amounts, with a buffer of 5%-10% for the proposed annual caps to cover the potential product demands of AVIC Group. The proposed annual caps for the two year ending 31 December 2029 will increase around 5.5% and 5.1%, respectively, compared with the proposed annual caps for the previous years, which is in line with the GDP of the PRC for the years 2023 to 2025, with annual growth rates of 5.2%, 5% and 5% for the past three years respectively and therefore the Company confirmed that the projection of the proposed annual caps for the three years ending 31 December 2029 are fair and reasonable and on normal commercial terms and in the interest of the Company and its Shareholders.

As disclosed in the table above, the actual transaction amounts of revenue transactions contemplated under the Existing AVIC Mutual Product Supply Framework Agreement of the Group for FY2024 and FY2025 were

approximately RMB22,947 million and RMB24,159 million, respectively, representing approximately 52.9% and 53.4% of the respective existing annual caps. However, the corresponding actual transaction amount for 1H2026 was only RMB9,874 million, representing 19.1% of the existing annual cap for this year. We have discussed with the Management and understood that the settlement of the revenue transactions usually concentrated in the second half of the year and therefore the transaction amount of revenue transactions in the second half of 2026 is expected to be higher as compared to that for 1H2026. We have obtained and reviewed the 2024 and 2025 interim connected transactions monitor sheet of the Company and noted that the transacted amount of revenue transactions of the Group for 1H2024 and 1H2025 represented approximately 42.0% and 40.3% of such transaction amount for FY2024 and FY2025, respectively. Taking into account seasonal pattern and the potential rebound in sector demand as previously discussed, the Company expects the transaction amounts to be higher in the second half of 2026 as compared to that for the first half of the year.

We note that the proposed annual cap for the year ending 31 December 2027 ("**FY2027**") of RMB33,830 million represents a growth of approximately 40.0% compared to the actual transaction amount in FY2025 and a decrease of approximately 34.6% from the annual cap for the year ending 31 December 2026 ("**FY2026**"). As advised by the Management, such increase would be driven by (i) the expected sales of products of the Group for FY2026; and (ii) the expected growth of relevant business based on the Chinese government's demand for purchasing related aviation products, the future development plans of the aviation industry, and the potential orders from AVIC Group. The proposed annual caps for the year ending 31 December 2028 ("**FY2028**") and 2029 ("**FY2029**") will increase around 5.5% and 5.1% compared with the proposed annual cap for the previous year, respectively. We have reviewed the three-year forecast for the Company's aviation products segment and note that sales volumes of its products will increase steadily. Meanwhile, we noted that the proposed annual caps for the revenue transaction for FY2027, FY2028 and FY2029 are in line with the expected transaction amounts, with a buffer of 5% as shown in the Management's projection. We have reviewed the national and regional policy documents regarding China's "Low-Altitude Economy" and civil aviation initiatives under the current Five-Year Plan and noted that the low-altitude economy is being fostered on a large scale as an emerging pillar industry and general aviation equipment is expected to become a strong driver of the low-altitude economy and form a trillion-yuan market by 2030. Based on our research, according to the Civil Aviation Administration of China, it estimates that the country's low-altitude market will soar from RMB0.5 trillion in 2023 to RMB1.5 trillion in 2025 and as much as RMB3.5 trillion in 2035. Furthermore, it is the Group's intention to coordinate the allocation of overseas market resources and participate in the global aviation market. As disclosed in the 2025 Annual Report, steady progress was made by the Group in expanding the helicopter

market both domestically and internationally, with continued enhancement of global influence. For example, the L15 trainer had been delivered across borders and made its debut at multiple international airshows.

The applied buffer is in line with the 5% to 10% buffer for the proposed annual caps to cover the potential product demands of AVIC Group. We have reviewed the gross domestic product ("**GDP**") of the PRC for the years 2023 to 2025, with annual growth rates of 5.2%, 5% and 5% for the past three years. Accordingly, we are of the view that the assumptions adopted by the Management are prudent. Further, we have reviewed the annual reports of the Company from the year ended 31 December 2021 to FY2025, and noted that the Group's revenue recorded a compound annual growth rate ("**CAGR**") of approximately 10.4%. Thus, we consider the Management's projection to be fair and reasonable.

Expenditure transactions

The proposed annual caps for the expenditure transactions contemplated under the AVIC Mutual Product Supply Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) historical transaction amount and expected growth in demand of the Group

The Group will purchase relevant raw material and components from AVIC Group for the manufacturing of the entire aviation aircraft, related avionics products and electromechanical products. The proposed annual caps for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of approximately RMB9,798 million and RMB12,287 million respectively for the year ended 31 December 2024 and 31 December 2025; and (ii) based on the Group's orders and production plans, the procurement of raw materials and components in 2026 is expected to increase as compared to the historical transaction amounts. The potential increase in the Group's sales of aviation products and related systems under the 15th Five-Year Plan described above will correspondingly require the Group to increase its procurement of raw materials, parts and components, finished and semi-finished aviation products from AVIC Group for the manufacture, assembly, testing and delivery of the relevant products. In particular, as the scope of supporting procurement for certain new product models expands, the Group expects to incur additional procurement from AVIC Group of approximately RMB600 million in respect of a particular product model. The Company also expects that, in accordance with the applicable pricing mechanism and having regard to potential fluctuations in raw-material costs, the procurement unit prices of certain relevant products, including but not limited to engines, electronic control systems and related components, may be approximately 30% higher than those assumed in the original forecast, which will directly affect the aggregate transaction amount. We have reviewed the statistical data published by the NBS for enterprises in the

manufacture of railway, shipbuilding, aerospace, and other transportation equipment, and noted that the year-on-year growth rate of operating cost were 10.7%, 12.3% and 10.3% for each of the two years ended 31 December 2025 and the five months ended 31 May 2026, respectively. Based on the information published by the NBS, we noted that such year-on-year growth rate of operating cost were derived with reference to industrial enterprises, engaged in the manufacture of railway, shipbuilding, aerospace, and other transportation equipment, with a minimum designated size (i.e. with an annual revenue of RMB20 million or above). The manufacture and upgrading of helicopters, trainer aircraft and other aviation products require specialised avionics products, electromechanical products, control and navigation systems and other matching parts and components supplied by members of AVIC Group. The Company has taken these factors into account in determining the proposed annual caps for the expenditure transactions. The actual procurement amount and timing will depend on the Group's confirmed orders, production plans, component-delivery schedules, applicable pricing and project progress.

As the procurement of products has become more stable since the direction under the 15th Five-Year Plan is clearer, the expenditure transactions for 2027 are expected to be lower than in the annual cap for the year 2026. The annual growth rate of the expenditure transactions for each of 2028 to 2029 is expected to be 3% and 1%, respectively.

(ii) Adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential product demands of the Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, the research, development and manufacturing of the Group's possible new products, and the potential business development and expansion of the Group in the future.

As mentioned above, the Company takes a positive view of its business growth under the 15th Five-year Plan. The proposed annual caps for the expenditure transactions for the three years ending 31 December 2029 are in line with the expected increase in transaction volume of the Group. However, the Company has adopted a more prudent approach toward the procurement while awaiting clearer government demand, and therefore, it set a lower annual cap for the year ending 31 December 2027 than the cap for the year ending 31 December 2026 of RMB26,000 million. The proposed caps for the two years ending 31 December 2029 are approximately 3% and 1%, respectively, above the preceding year's proposed annual caps of which such increases are minimal.

As disclosed in the table above, the actual transaction amounts of expenditure transactions under the Existing AVIC Mutual Product Supply Framework Agreement of the Group for FY2024 and FY2025 were approximately

RMB9,798 million and RMB12,287 million, respectively, representing approximately 46.7% and 50.5% of the respective existing annual caps. However, the corresponding actual transaction amount for 1H2026 was only RMB4,547 million, representing 17.5% of the existing annual cap for FY2026. We have discussed with the Management and understood that the settlement of the expenditure transactions usually concentrates in the second half of the year and therefore the transaction amount of expenditure transactions in the second half of 2026 is expected to be higher as compared to that for 1H2026. We have obtained and reviewed the 2024 and 2025 interim connected transactions monitor sheet of the Company and noted that the transacted amount of expenditure transactions of the Group for the first half of 2024 and 1H2025 represented approximately 42.4% and 69.5% of such transaction amount for FY2024 and FY2025, respectively. Regarding the lower transaction amount in the second half of 2025 as compared to the first half of the year, as well as the relative low utilisation rate of the existing annual cap for FY2026, the Management advised that as 1H2026 marked the beginning of the 15th Five-Year Plan, the Company adopted a relatively prudent approach toward procurement while awaiting clearer government demand since the second half of 2025. As the Company has a clearer picture on the 15th Five-Year Plan in the second half of 2026, the seasonality of higher transaction amounts in the second half of the year is expected to be restored in 2026.

We noted that the proposed annual cap for FY2027 of RMB19,060 million represents a growth of approximately 55.1% compared to the actual transacted amount in FY2025 and a decrease of approximately 21.6% from the annual cap for FY2026. As advised by the Management, such increase would be driven by the expected increase in procurement of raw material and components in 2026 according to the production plan. We have reviewed the three-year forecast for the Company's aviation products segment and note that the expected demand for procurement of relevant raw material and components has become relatively stable, while demand in FY2027 is expected to moderate compared with FY2026, largely attributable to the relatively prudent approach adopted by the Company toward procurement in 1H2026 while awaiting clearer government demand. Meanwhile, we noted that the proposed annual caps for the expenditure transaction for FY2027, FY2028 and FY2029 are in line with the expected transaction amounts, with no buffer built into the Management's projection. Considering the aforesaid objective industry-specific factors, we concur that it is a reasonable projection. The proposed annual caps for FY2028 and FY2029 represent increases of approximately 3.0% and 1.0% as compared with the proposed annual cap for the previous year, respectively. Further, we have reviewed the annual reports of the Company from the year ended 31 December 2021 to FY2025, and noted that the Group's operating cost recorded a CAGR of approximately 10.9%. Based on our research, according to the Civil Aviation Administration of China, it estimates that the country's low-altitude market will

soar from RMB0.5 trillion in 2023 to RMB1.5 trillion in 2025 and as much as RMB3.5 trillion in 2035. Given that, we consider the Management's projection to be fair and reasonable.

To conclude, in estimating the proposed annual caps for the revenue and expenditure transactions for the three years ending 31 December 2029, the Company has taken into account the policy direction under the 15th Five-Year Plan as an industry factor in preparing its underlying business forecasts. The 15th Five-Year Plan has not been applied as a separate or fixed assumed growth rate. Instead, the Company has considered the potential effect of the development of the aviation industry and the low-altitude economy on the expected demand for the Group's aviation products and the corresponding production, the delayed procurement and order-release schedules prevailing during the transition between the 14th and 15th Five-Year Plans and the procurement requirements of the Group. The proposed annual caps are derived from the relevant sales, production and procurement forecasts, having regard to the anticipated timing of orders, delivery, acceptance and settlement of the relevant products, together with the applicable buffer where appropriate.

(2) AVIC Mutual Service Supply Framework Agreement

Revenue transactions

The proposed annual caps for the revenue transactions under the AVIC Mutual Service Supply Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

(i) Provision of aviation engineering and labour services to AVIC Group

The Group mainly provides aviation engineering services to AVIC Group through AVIC CAPDI. The proposed annual caps for the three years ending 31 December 2029 are determined with reference to the Group's estimated annual growth rate of approximately 5% for its aviation engineering services.

As the Group also expects an increase in provision of labour services to AVIC Group in 2028 and 2029, the year-on-year growth rates for revenue from these transactions in 2028 and 2029 are projected to be 8% and 5% respectively, compared with the previous year's forecast.

The Group expects steady growth of the aviation engineering industry, and the provision of aviation engineering services will continue to be a key driver of the Group's revenue transactions under the AVIC Mutual Service Supply Framework Agreement. In line with the general direction of the 15th Five-Year Plan, the aviation engineering business of the Group is expected to further develop by exploring opportunities to expand its aviation engineering services, strengthening its role in supporting AVIC Group's aviation capability development and

accelerating its transition towards overall integration capability. Under the 15th Five-Year Plan, the Group has established a development goal for its aviation engineering business, with revenue of close to RMB10 billion by 2030 as a targeted milestone. In particular, the Group expects that revenue from equipment-integration businesses in the aviation engineering fields will increase during the 15th Five-Year Plan period, subject to market demand, project opportunities and implementation and the Group's business plans.

AVIC CAPDI expects its growth of aviation engineering business. As an indication, the aggregate tender award amounts of the ten largest awarded aviation engineering projects in 2026 amounted to RMB2,507.14 million, representing an increase of approximately 75% from RMB1,432.66 million in 2025. The terms of these aviation engineering projects are generally two to three years. Accordingly, their implementation, completion and settlement during the relevant contract periods are expected to support the Group's aviation engineering-services revenue transactions, subject to the actual progress of the relevant projects. Based on the aforesaid, the Company expects the growth will continue at a similar level as compared to 2026.

(ii) Adequate buffer for potential demands of AVIC Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of AVIC Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry, and the potential business development and expansion of AVIC Group in the future. In view of a CAGR of approximately 10.4% of the Group's revenue for the four years from 2021 to 2025, the Company considers that the aforesaid buffer is a reasonable projection for future transactions.

As disclosed in the table above, the actual transaction amounts of revenue transactions of the Group for FY2024 and FY2025 were approximately RMB4,082 million and RMB4,992 million, representing approximately 72.9% and 99.8% of the respective existing annual caps. The corresponding actual transaction amount 1H2026 was RMB2,428 million, representing 45.8% of the existing annual cap for FY2026. As disclosed in the section "6. Proposed Revision of the Original Annual Caps" below, the existing annual cap for FY2026 will be revised accordingly.

The actual revenue transaction amounts for the year ended 31 December 2025 represented 99.8% of the applicable cap. For illustrative purposes, a straight-line annualisation of the actual transaction amount for the six months ended 30 June 2026 would be RMB4,856 million for revenue transactions, representing approximately 91.6% of the Original Annual Cap. Therefore, the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps. The proposed annual cap for the year ending 31 December 2027 of RMB6,820 million should be read together with the Proposed Revised Cap of RMB6,110 million for the year ending 31 December 2026. On

this basis, the proposed annual cap for 2027 represents an increase of approximately 11.6% from the updated 2026 level. Although the proposed annual cap for 2027 represents an increase of approximately 36.6% as compared with the actual transaction amount for 2025, we noted such comparison does not reflect the increase in service requirements underlying the Proposed Revised Cap for 2026. The proposed annual cap for 2027 therefore reflects a measured progression from the updated 2026 level, rather than a sudden further increase.

As advised by the Management, such increase would be driven by (i) the steady annual growth of the aviation engineering industry; and (ii) the increase in provision of labour services to AVIC Group. We have reviewed the three-year forecast for the Company's aviation engineering services segment and note that the provision of aviation engineering services would constitute the key driver of future revenue transaction. As discussed in the section "6. Proposed Revision of the Original Annual Caps" below, we have reviewed the contract list for existing projects (the "**Contract List**"), which covers the ten largest engineering contracts that AVIC CAPDI was successfully awarded by AVIC Group in each 2025 and 2026. According to the Contract List, the total amount of new engineering contracts signed exceeded RMB1,400 million and RMB2,500 million in 2025 and 2026, respectively. Meanwhile, we noted that the proposed annual caps for the revenue transaction for FY2027, FY2028 and FY2029 are in line with the expected transaction amounts, with a buffer of 10% as shown in the Management's projection. The applied buffer is in line with the 5% to 10% buffer for the proposed annual caps to cover the potential services demands of AVIC Group. The proposed annual caps for FY2028 and FY2029 represent increases of approximately 7.9% and 4.9% as compared with the proposed annual cap for the previous year, respectively. We have reviewed the annual reports of the Company for the year ended 31 December 2021 to FY2025, and noted that the Group's revenue recorded a CAGR of approximately 10.4%. The progressively lower annual growth rates reflect the Company's expectation of steady growth in the provision of aviation engineering services and labour and other supporting services in 2028 and 2029, while maintaining a prudent approach to the estimation of future service requirements. Thus, we consider the Management's projection to be fair and reasonable.

Expenditure transactions

The proposed annual caps for the three years ending 31 December 2029 for the expenditure transactions under the AVIC Mutual Service Supply Framework Agreement are determined with reference to, among other things, the following factors:

(i) Provision of labour services by AVIC Group

AVIC Group mainly provides labour services such as corresponding outsourcing and comprehensive services to the Group. Along with the business development and increase of the Group's sales volume, the labour expenditures (such as entrusted processing and subcontracting related services) are expected to increase. Based on the signed contracts, orders, historical transaction amounts

and the Group's manufacturing plan, the Group expects the proposed annual cap of the expenditure transactions for the year ending 31 December 2027 will be similar to that of the expenditure transactions of the Proposed Revised Cap for the year ending 31 December 2026. For the years ending 31 December 2028 and 31 December 2029, their proposed annual caps are expected to be increased by approximately 3% as compared to the proposed annual cap for the year ending 31 December 2027.

The proposed annual caps for provision of services by AVIC Group align with the three-year forecast for the Company's aviation engineering services and labour services segments, based on signed contracts, orders and the Group's manufacturing plan. For the expenditure transactions for the year ending 31 December 2026, the Company has taken into account the expected increase in entrusted processing related service and subcontracting expenses. In particular, a subsidiary of the Company will deliver specific products by the end of 2026 and settle the entrusted process fees of approximately RMB1,400 million. In addition, in light of AVIC CAPDI's revenue growth, the related subcontracting expenses are expected to amount to approximately RMB1,000 million in 2026.

(ii) Adequate buffer for potential demands of the Group

The Company also sets a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group. The 5% to 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group in the future. It also aligns with the revenue growth of the Group at a CAGR of 10.4% from 2021 to 2025.

As disclosed in the table above, the actual transaction amounts of expenditure transactions of the Group for FY2024 and FY2025 were approximately RMB1,132 million and RMB1,373 million, representing approximately 70.3% and 98.1% of the respective existing annual caps. The corresponding actual transaction amount for 1H2026 was RMB870 million, representing 58.0% of the existing annual cap for FY2026. As disclosed in the section "6. Proposed Revision of the Original Annual Caps" below, the existing annual cap for FY2026 will be revised correspondingly.

The actual expenditure transaction amounts for the year ended 31 December 2025 represented 98.1% of the applicable annual cap. For illustrative purposes, a straight-line annualisation for the actual transaction amount for the six months ended 30 June 2026 would be RMB1,740 million, of which the Original Annual Cap is insufficient for expenditure transactions. Therefore, the Board proposes to revise the Original Annual Caps to the Proposed Revised Caps. The proposed annual cap of RMB3,190 million for the year ending 31 December 2027 should be read together with the Proposed Revised Cap of RMB3,180 million for the year ending 31 December 2026. Accordingly, the proposed annual cap for 2027 is broadly in line with the Proposed Revised Cap for

2026, rather than representing a further material increase from the updated 2026 level. The proposed annual caps for 2028 and 2029 are RMB3,280 million and RMB3,280 million, respectively, reflecting the expected continuation of the relevant outsourcing labour and supporting-service requirements under the Group's production and project plans.

As advised by the Management, such increase would be driven by the expected increase in the provision of labour services by AVIC Group. We have reviewed the three year forecast for the Company's aviation engineering services and labour services segments and note that such projection is based on signed contracts, orders and the Group's manufacturing plan. As discussed in the section "6. Proposed Revision of the Original Annual Caps" below, we have reviewed the Contract List, which covers the ten largest engineering contracts that AVIC CAPDI was successfully awarded by AVIC Group in each of 2025 and 2026. According to the Contract List, the total amount of new engineering contracts signed exceeded RMB1,400 million and RMB2,500 million in 2025 and 2026, respectively. With the increasing number of engineering services contracts signed, expenses such as subcontracting-related costs will increase accordingly. We have obtained one subcontracting contract entered into between the Group and a subsidiary of AVIC Group in January 2026, reflecting such practice. According to the terms we reviewed, payments of the contract amount will be predominantly made to the subsidiary of AVIC Group in the form of labour services and the payment cycle is aligned with the construction period. Meanwhile, we noted that the proposed annual caps for the expenditure transaction for FY2027, FY2028 and FY2029 are in line with the expected transaction amounts, included a buffer of 8% as shown in the Management's projection.

The applied buffer is in line with the 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group. As mentioned above, the operating revenue of the industrial-scale enterprises across the country engaged in the manufacture of railway, ship, aerospace and other transportation-equipment for the years 2023 to 2025, recorded an average annual growth rate of approximately 10.3%, which is in line with the Management's projection. The proposed annual caps for FY2028 and FY2029 will increase around 2.8% and remain the same as compared with the proposed annual cap for the previous year, respectively. Further, given that the Group's operating cost recorded a CAGR of approximately 10.9% from 2021 to 2025, we consider that the Management's projection to be fair and reasonable.

(3) The Expenditure Transactions with AVIC Airborne contemplated under the AVIC Airborne Mutual Product and Service Supply Framework Agreement

The proposed annual caps for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors:

i. Intra-group transactions of the Group

The Expenditure Transactions with AVIC Airborne under the AVIC Airborne Mutual Product and Service Supply Framework Agreement are intra-group transactions of the Group, and are mostly product pairing transactions between the Group's airborne companies (i.e. AVIC Airborne Group) and the Group's entire aircraft companies (mainly the helicopters and trainers). Avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the aviation entire aircraft. AVIC Airborne Group is the major supplier for the related avionics products in the Group's helicopters and trainers. Therefore, when determining the proposed annual caps for the expenditure transactions with AVIC Airborne, the growth rates of the revenue transactions of AVIC Airborne Group under the AVIC Mutual Product Supply Framework Agreement have also been taken into account.

For expenditure transactions, the proposed annual cap for the year ending 31 December 2027 represents a decrease of approximately 19.4% from the annual cap for the year ending 31 December 2026. For expenditure transactions, the proposed annual caps for the year ending 31 December 2028 and 31 December 2029 will increase by around 4.0% and 3.8% respectively, as compared with the proposed annual caps for the previous years, respectively. Such expenditure transactions are intra-group transactions of the Group and are mostly product pairing transactions between AVIC Airborne Group and the Group's entire aircraft companies (mainly helicopters and trainers). Avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the aviation entire aircraft.

ii. Historical transaction amount and annual growth trend

The proposed annual caps for the expenditure transactions for the three years ending 31 December 2029 are determined after taking into account (i) the historical transaction amount of the expenditure of approximately RMB2,079 million and RMB2,115 million respectively for the year ended 31 December 2024 and 31 December 2025; (ii) the historical transaction amount of the revenue of approximately RMB609 million and RMB519 million respectively for the year ended 31 December 2024 and 31 December 2025; and (iii) the expected growth of relevant business in 2027 based on the current operation plan, the Group expects an increase in Group's procurement of aviation components as well as an increase in sales to AVIC Airborne Group resulting from the growth of its aviation business. According to the Group's current operation plan, the Group will continue to promote the optimisation and upgrading of its helicopter and trainer aircraft businesses, advance the research and development, airworthiness certification, test flight verification, production and delivery of relevant aircraft models, and strengthen the digital and intelligent transformation of its aviation ancillary system and related businesses. As the manufacture, assembly, testing and delivery of helicopters and trainer aircraft require avionics products, electromechanical products and related aviation parts and components, the Group expects its procurement from AVIC Airborne Group of such products to

increase in line with the relevant production and delivery requirements in 2027. The Group also expects to provide AVIC Airborne Group with aviation parts and components related to the aviation industry chain, manufacturing and labour services in support of its production requirements.

iii. Adequate buffer for potential demands of the Group

The Company also sets a 10% buffer for the proposed annual caps to cover the potential demands of the Group and/or AVIC Airborne Group for relevant products and services. The 10% buffer is added based on the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group and/or AVIC Airborne Group in the future.

As disclosed in the table above, the actual transaction amounts of expenditure transactions of the Group for FY2024 and FY2025 were approximately RMB2,079 million and RMB2,115 million, representing approximately 74.3% and 70.5% of the respective existing annual caps. The corresponding actual transaction amount for 1H2026 was only RMB768 million, representing 24.8% of the existing annual cap for FY2026. We have discussed with the Management and understood that the settlement of the expenditure transactions usually concentrates in the second half of the year and therefore the transaction amount of expenditure transactions in the second half of 2026 is expected to be higher as compared to that for 1H2026. We have obtained and reviewed the 2024 and 2025 interim connected transactions monitor sheet of the Company and noted that the transacted amount of expenditure transactions of the Group for 1H2024 and 1H2025 represented approximately 17.3% and 49.5% of such transaction amount for FY2024 and FY2025, respectively. Taking into account seasonal pattern and the potential rebound in sector demand as previously discussed, the Company expects the transaction amounts to be higher in the second half of 2026 as compared to that for the first half of the year.

As advised by the Management, such annual cap are determined after taking into account (i) the historical transaction amount of the expenditure of approximately RMB2,079 million and RMB2,115 million respectively for the year ended 31 December 2024 and 31 December 2025; and (ii) the expected growth of relevant business in 2027 based on the current operation plan, which is expected to lead to an increase in the Group's procurement of aviation components. The proposed annual caps for FY2028 and FY2029 will increase around 4.0% and 3.8% as compared with the proposed annual cap for the previous year, respectively.

We noted that the proposed annual cap for FY2027 of RMB2,500 million represents a growth of approximately 18.2% compared to the actual transacted amount in FY2025, representing a CAGR of approximately 8.7%, and a decrease of approximately 19.4% from the annual cap for FY2026. As mentioned in the letter from the board of the Circular, such expenditure transactions are intra-group transactions of the Group, and are mostly product pairing transactions between AVIC Airborne Group and the Group's

entire aircraft companies (mainly the helicopters and trainers). Avionics products and electromechanical products are necessary aviation parts and components for the manufacturing of the aviation entire aircraft. We have reviewed the annual reports of the Company from the year ended 31 December 2021 to FY2025, and noted that the revenue of the Group's aviation entire aircraft business and aviation ancillary system and related business from the year ended 31 December 2021 to FY2025 represents a CAGR of approximately 8.8% and 11.4%, respectively, which is in line with the projected CAGR by the Management.

(4) The Deposit Services contemplated under the Financial Services Framework Agreement

The proposed annual caps are maximum transaction limits and do not oblige the Group to place deposits at any particular level. The proposed annual caps for the Deposit Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 is lower than the annual caps under the Existing Financial Services Framework Agreement, which is determined with reference to, among other things, the following factors: (i) the maximum daily outstanding balance of deposits (including accrued interests) of approximately RMB29,301 million, RMB29,301 million and RMB22,825 million placed by the Group in AVIC Finance in the year ended 31 December 2024 and 2025 and the six months ended 30 June 2026; (ii) bank balances of the Group of approximately RMB30,986 million as at 30 June 2026; (iii) the expected payments as may be made by major customers and the expected payment schedule for the products provided by the Group during the relevant period; (iv) the expected growth in the business of the Group and AVIC Group, leading to an increasing demand for the Deposit Services with higher level of funds; (v) the fund management strategy of the Group of allocating a certain percentage of funds to AVIC Finance for more efficient use of funds available; and (vi) the three-year fund-management forecast covering all Group subsidiaries.

Based on the three-year fund-management forecast covering all Group subsidiaries, the forecast aggregate maximum daily deposit balance, including accrued interests, is consistent with the proposed annual caps. In particular, the Company has taken into account the aggregate requests of approximately RMB36,000 million for Deposit Services for the financial year of 2026 with AVIC Finance of its A-share listed subsidiaries, being JONHON (including Forstar), AVICOPTER, AVIC Airborne and Hongdu Aviation, which have been duly considered and approved by their respective independent directors and boards of directors in accordance with the PRC laws and regulations as well as the respective listing rules of the stock exchanges where their A-shares are listed. These subsidiaries are the principal operating and cash-generating members of the Group, and their respective deposit limits were determined with reference to their business scale, expected cash receipts, operating and production expenditure, working-capital requirements and funding arrangements. Accordingly, their aggregate deposit limits provide a reasonable reference for assessing the subsidiaries' fund management requirements and potential maximum daily deposit balances. Other factors considered by the Company include the expected deposit requirements of other subsidiaries, accrued interest and potential fluctuations in the Group's cash position

resulting from the timing differences between customer receipts and payments for procurement, production and other operating purposes. Although the maximum deposit balances of the foregoing subsidiaries are not expected to arise at the same time, the Company considers it necessary to maintain sufficient flexibility in its fund management to accommodate temporary increases in available cash during the relevant period. Although the peak deposit requirements of individual subsidiaries are not expected to arise at the same time, the proposed annual caps have been set at a prudent level to accommodate potential timing differences in customer receipts and funding requirements.

The proposed annual cap of RMB43,000 million for each of the three years ending 31 December 2029 is lower than the cap for the year ending 31 December 2026. A maximum daily outstanding balance is a peak-balance measure and cannot be meaningfully annualised by multiplying the peak of the first half of 2026 by two. The Company has therefore considered the forecast maximum daily Deposit Services balance requirements of the Group rather than applying a mechanical annualisation of the balance for the first half of 2026.

The proposed annual caps are maximum transaction limits and do not oblige the Group to place deposits at any particular level.

As disclosed in the table above, the actual transaction amounts of maximum daily outstanding balances of deposits (including accrued interests) for Deposit Services of the Group for FY2024 and FY2025 were approximately RMB29,301 million and RMB29,301 million, representing approximately 65.1% and 65.1% of the respective existing annual caps. The corresponding actual transaction amount for 1H2026 was approximately RMB22,825 million, representing 50.7% of the existing annual cap for FY2026. We have reviewed the financial reports for FY2024, FY2025 and 1H2026 and noted that accounts receivable were approximately RMB48,629 million, RMB55,367 million, and RMB58,668 million, respectively. Considering the level of accounts receivables, the expected payments that may be made by major customers and the expected payment schedule for the products provided by the Group during the relevant period, there is a possibility that the annual cap in respect of the Group's Deposit Services will be utilised in full. Also, we have reviewed the relevant A-share announcements related to A-share listed subsidiaries of the Company and noted the aggregated amount is consistent with the figure aforementioned. The proposed annual caps in respect of the Deposit Services for FY2027, FY2028 and FY2029 remain unchanged at RMB43,000 million per annum, representing a growth of approximately 46.8% compared to the actual transacted amount in FY2025 and a decrease of approximately 4.4% from the existing annual cap for FY2026. As advised by the Management, the proposed annual cap for the three years ending 31 December 2029 was calculated by summing the possible transaction amounts of all Group subsidiaries. Among which, the Management takes into account the expected payments that may be made by major customers and the expected payment schedule for the products provided by the Group during the relevant period. We have reviewed the Company's annual reports from the year ended 31 December 2021 to FY2025 and noted that the CAGR of

the Company's accounts receivable for the corresponding period was 26.9%. Furthermore, we have obtained and reviewed the three-year forecast of fund management from the Group, which includes all subsidiaries. We noted that the full list related to the forecast of fund management covering all nine sub-groups of the Company. We understand that the forecast prepared based on historical peak amount of each sub-group and the aggregated maximum daily deposit balance (including accrued interests) of all subsidiaries aligns with the proposed annual cap as mentioned above. While the maximum deposit balances of the foregoing subsidiaries are not expected to be reached at the same time, the Company requires flexibility in its fund management rather than being subject to rigid limits. This arises from the possibility that accounts receivable may be realised within the year as mentioned above, which may materially increase the amount of idle cash available for deposit with the Finance Company during the relevant period. As such, we consider the Management's current projections to be fair and reasonable.

(5) The Other Financial Services contemplated under the Financial Services Framework Agreement

The proposed annual caps for the Other Financial Services under the Financial Services Framework Agreement for the three years ending 31 December 2029 are determined with reference to, among other things, the following factors: (i) the historical amount of note receivables (including banker's acceptance bills and commercial acceptance bills) of the Group of approximately RMB13,453.9 million, RMB10,583.7 million and RMB10,564.5 million for the years ended 31 December 2023, 2024 and 2025, respectively; (ii) the historical amount of notes receivables being endorsed or discounted before their due date of approximately RMB767.7 million, RMB606.4 million and RMB2,492.6 million for the years ended 31 December 2023, 2024 and 2025, respectively; (iii) the expected growth in bills receivable along with the Group's business growth and increase in revenue in view of the 15th Five-Year Plan, which would enable the Group to use more bill acceptance and discounting services for greater efficiency in the use of funds; (iv) the expected growth for financing needs of the Group given its future development; and (v) a 5% to 10% buffer for the proposed annual caps to cover the potential services demands of the Group, which aligns with the GDP annual growth rates of 5.2%, 5% and 5% for the past three years, the development in national economy and aviation industry and the potential business development and expansion of the Group in the future.

The Company seeks to strike a balance between maintaining prudent caps and retaining sufficient flexibility to utilise various financing channels to enhance working capital efficiency. Accordingly, despite the relatively low historical utilisation rates, the Company has set the annual caps for the Other Financial Services for the three years ending 31 December 2029 at RMB2,000 million. This represents a 33.3% reduction from the annual cap for the year 2026.

As disclosed in the table above, the actual transaction amounts of Other Financial Services of the Group for FY2024 and FY2025 were approximately RMB177 million and nil. The corresponding actual transaction amount for 1H2026 was RMB7 million, representing 0.2% of the existing annual cap for FY2026. Regarding the relatively low utilisation rate for FY2026, we have discussed with the Management and understand that the relevant business has not been carried out on a large-scale basis and the historical utilisation does not, by itself, provide a complete indicator of its potential requirement on Other Financial Services. The Company desires to retain flexibility in using the relevant services so as to ensure that the Group can obtain the best quotations and services when such services are needed. The proposed annual caps in respect of the Other Financial Services for FY2027, FY2028 and FY2029 remain unchanged at RMB2,000 million per annum, representing a decrease of approximately 33.3% from the existing annual cap for FY2026. According to the 2025 Annual Report, we noted the notes receivable were stable at RMB10,584 million as at 31 December 2024 and RMB10,564 million as at 31 December 2025, respectively. Meanwhile, we noted the notes payable were stable at RMB12,623 million as at 31 December 2024 and RMB12,375 million as at 31 December 2025, respectively. Such outstanding balances of notes receivable and notes payable illustrate the demand for the provision of bill acceptance and bill discounting services to improve working capital efficiency. The Company will not be obliged to use Other Financial Services offered by AVIC Finance. When the Company selects AVIC Finance as a service provider, it will ensure that such services provided are no less favourable than those offered by independent third parties.

Based on the above, we are of the view that the 2027-2029 Annual Caps were determined based on reasonable estimation and after due and careful consideration. Taking into account the fact that (i) there is a long term and reliable business relationship between the Group and AVIC Group; (ii) the transactions pursuant to the Non-Exempt CCTs Renewal will be conducted on normal commercial terms; and (iii) the 2027-2029 Annual Caps provide the Group with flexibility, but not obligation to conduct business with AVIC Group, we are of the view that the 2027-2029 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

6. Proposed Revision of the Original Annual Caps

	Actual transaction amount for 1H2026 *RMB' million*	Original Annual Caps for FY2026 *RMB' million*	Proposed Revised Caps for FY 2026 *RMB' million*
Expenditure Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	870	1,500	3,180
Revenue Transactions of the Group			
Existing AVIC Mutual Service Supply Agreement	2,428	5,300	6,110

6.1 Basis of Determination of the Proposed Revised Caps

The proposed revised caps for the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 are derived based on (i) the historical transaction amount for the year ended 31 December 2024 and 31 December 2025 (the actual expenditure amount for the year ended 31 December 2025 was approximately RMB1,373 million, which approached the original annual cap of RMB1,500 million; the actual revenue amount for the year ended 31 December 2025 was approximately RMB4,992 million, which approached the original annual cap of RMB5,300 million); (ii) the expected increase of the Group's purchase amount for services relating to production and business operations from AVIC Group in 2026; and (iii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026.

The historical annual caps under the Existing AVIC Mutual Service Supply Agreement were not generally under-utilised. The actual expenditure and revenue transaction amounts for the year ended 31 December 2025 represented 98.1% and 99.8%, respectively, of the applicable annual caps. The actual transaction amounts of RMB870 million for expenditure transactions and RMB2,428 million for revenue transactions for the first half of 2026 should be read against the original caps of RMB1,500 million and RMB5,300 million, respectively for the year ending 31 December 2026. For illustrative purposes, a straight-line annualisation for figures in the first half of 2026 would be RMB1,740 million, of which the Original Annual Cap is insufficient for expenditure transactions and RMB4,856 million for revenue transactions, representing approximately 91.6% of the Original Annual Cap. The Company has considered separately service categories, signed contracts, orders, expected completion dates and settlement dates in determining the forecast amount for the second half of 2026.

For the revenue transactions, considering (i) they are usually concentrated in the second half of the year, and (ii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026, the Original Annual Caps for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs. As confirmed by the Company,

(i) the aggregate tender award amounts of the ten largest awarded aviation engineering projects by AVIC CAPDI in each of 2025 and 2026 were in excess of RMB3,900 million; and (ii) several engineering services projects originally scheduled for completion in 2025 will be delayed until the end of 2026.

For the expenditure transactions, considering (i) they are usually concentrated in the second half of the year; (ii) the expected increase of the Group's purchase amount of services relating to production and business operations from AVIC Group in 2026; and (iii) the expenditure transactions would be led by the growth of revenue transactions as mentioned above, the Original Annual Caps for the year ending 31 December 2026 will be insufficient to meet the Group's expected needs. As confirmed by the Company, the entrusted processing related service and subcontracting expenses will increase given that (i) a subsidiary of the Company will deliver specific products by the end of 2026 and settle the entrusted processing fee thereunder, from our review of the underlying documents, we noted such products are related to specific defence products in the amount of approximately RMB1,400 million; and (ii) in light of AVIC CAPDI's revenue growth, the related subcontracting expenses are expected to amount to approximately RMB1,000 million in 2026.

Considering the above basis, the Company considers that the Proposed Revised Caps of RMB3,180 million for expenditure transactions and RMB6,110 million for revenue transactions are fair and reasonable and are necessary to meet the expected demand for the relevant services for the remainder of 2026 as explained above.

6.2 Our assessment

In respect of revenue transactions under the Existing AVIC Mutual Service Supply Agreement, the actual transaction amounts of the Group for FY2024 and FY2025 were approximately RMB4,082 million and RMB4,992 million, representing approximately 72.9% and 99.8% of the respective existing annual caps. In addition, based on the actual transaction amounts for 1H2026, the annualised transaction amounts of revenue transactions of the Group for FY2026 will reach RMB4,856 million, representing approximately 91.6% of the Original Annual Cap. Considering (i) the expenditure transactions usually concentrate in the second half of the year; and (ii) the expected increase in the Group's provision of aviation engineering services to AVIC Group in 2026, the Original Annual Caps for FY2026 will be insufficient to meet the Group's expected needs. As advised by the Management, (i) the aggregate tender award amounts of the ten largest awarded aviation engineering projects by AVIC CAPDI in each of 2025 and 2026 were in excess of RMB3,900 million; and (ii) several engineering services projects originally scheduled for completion in 2025 will be delayed until the year-end of FY2026. We have obtained and reviewed the Contract List, which covers the ten largest engineering contracts that AVIC CAPDI was successfully awarded by AVIC Group in each of 2025 and 2026. According to the Contract List, the total amount of new engineering contracts signed exceeded RMB1,400 million and RMB2,500 million in 2025 and 2026, respectively. Given that the construction period generally ranges from two to three years, we consider the proposed revised annual caps in respect of revenue transactions are not unreasonable.

In respect of expenditure transactions under the Existing AVIC Mutual Service Supply Framework Agreement, the actual transaction amounts of the Group for FY2024 and FY2025 were approximately RMB1,132 million and RMB1,373 million, representing approximately 70.3% and 98.1% of the respective existing annual caps. In addition, based on the actual transaction amounts for 1H2026, the annualised transaction amounts of expenditure transactions of the Group for FY2026 will reach RMB1,740 million, exceeding the Original Annual Cap. Considering (i) the expenditure transactions usually concentrate in the second half of the year; (ii) the expected increase of the Group's purchase amount for services relating to production and business operations from AVIC Group in 2026; and (iii) the expenditure transactions would be led by the growth of revenue transactions as mentioned above, the Original Annual Caps for FY2026 will be insufficient to meet the Group's expected needs. We have discussed with the Management and understand that the outsourcing labour service expenses will increase given that (i) a subsidiary of the Company will deliver specific products by the end of FY2026 and settle the entrusted processing fees thereunder; and (ii) with AVIC CAPDI's engineering revenue growth, expenses such as subcontracting-related costs will increase accordingly. We have obtained and reviewed one subcontracting contract entered into between the Group and a subsidiary of AVIC Group in January 2026, which reflects such practice. According to the terms of such contract, payments will predominantly be made to the subsidiary of AVIC Group in the form of labour services and the payment cycle is aligned with the construction period as projected by the Company.

Given that (i) annualised transaction amount will be close to or exceed the Original Annual Caps; (ii) new material contracts will generate higher demand; and (iii) certain existing services may be delayed and completed by the year-end of FY2026, we consider the Proposed Revised Caps to be fair and reasonable.

7. Internal Control and Pricing Mechanism

The Company has established a series of internal control measures to ensure that the pricing basis for the continuing connected transactions of the Company will follow the prescribed pricing mechanism under the framework agreements, including:

(1) 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;

(2) 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 pricing and internal control measures applicable to the relevant agreements include, as applicable, Government-prescribed Price or Government-guidance Price, Market Price or tender procedures, Contractual Price and the ability to use an

independent third party where it offers better commercial terms. Pursuant to the above measures, the subsidiaries of the Company manage the pricing terms through an internal transparent management system. The selling price is determined with reference to the internal price set by the subsidiary according to the applicable pricing system and after joint approvals from the sales department and the financial departments. Likewise, the purchase price will be determined after seeking and comparing prices offered by the selected suppliers in the pricing system of Market Price and after approvals from relevant departments. If the bidding process applies, the price will be determined through the bidding process in accordance with the applicable PRC laws and regulations. The internal audit departments in the subsidiaries of the Company will also audit the various business activities including procurement and sales;

(a) For Government-prescribed Price, it is determined as follows:

The price which is 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. As the majority of the products supplied under the Government-prescribed Prices are specialised aviation products, and is made on a case-by-case basis. The Government-prescribed Price shall be determined by the relevant authorities in accordance with their internal procedures, requirements, and standards, and shall apply to transactions for specific aviation products in the industry.

(b) For the Market Price, it is determined as follows:

(i) where comparable market prices or charging-rate standards are offered by independent third parties on normal commercial terms for the relevant transaction, the transaction price shall be determined by reference to such price or standard; or

(ii) if there are no such comparable market prices or charging-rate standards offered by independent third parties, the transaction price shall be determined by reference to the price of non-connected transactions between the Company and independent third parties, as follows:

a. where the Company is the buyer, the relevant procurement method will be selected in accordance with the applicable PRC laws and regulations and the Company's internal procurement policy. Tender procurement, inquiry procurement and competitive bidding procurement each require the participation of at least three qualified suppliers. Negotiation procurement requires separate negotiations with at least two qualified suppliers. Direct procurement may be conducted with a specified supplier subject to the applicable procurement approval procedures and does not

require a minimum number of quotations. The selection group will select the supplier and determine the procurement price after considering the relevant selection criteria and completing the required internal approvals;

b. where the Company is the supplier, the transaction price will be determined through the relevant tender process conducted in accordance with the applicable PRC laws and regulations relating to tender and bidding and the Company's internal sales-pricing policy. As a general commercial principle, factors such as higher or more stable transaction volumes and established long-term business relationships with customers may affect the price within the prescribed range, only to the extent that they affect the relevant transaction costs and commercial terms. The Group treats both the connected persons and independent third parties customers on an equal basis. It will not offer preferential pricing merely because the customer is a connected person, and the price will remain no less favourable to the Group than the prices and terms for comparable transactions with independent third parties. The Market Price will be determined or approved by the authorised departments or persons of the relevant Group entity in respect of each particular transaction.

(c) For the Contractual Price, it is determined as follows:

As defined in the "Definitions" section, the specified percentage used to determine the Contractual Price is the maximum profit margin under the relevant agreements, and specific prices will be determined under separate agreements in each transaction and the profit margin is in line with industry practice upon making reference to the statistics as to the manufacture of railway, shipbuilding, aerospace, and other transportation equipment announced by the NBS from time to time. Considering the limited application of the use of the Contractual Price which is not the default pricing method, that 8% mark-up which the Company has considered as the benchmark of general aviation from the NBS is the contractual maximum and each party can choose to purchase from independent third parties with more favourable terms and as a result of the completion and verification of the historical comparable transaction analysis, the Directors are of the view that the Contractual Price mechanism is on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders.

(3) 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 and risk management committee for review;

(4) 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 or favourable commercial

terms and pursuant to the framework agreements, with fair and reasonable terms and in the interests of the Company and its Shareholders as a whole, and will provide confirmation in the annual reports of the Company in accordance with the Hong Kong Listing Rules; and

(5) The auditors of the Company shall also conduct annual review of the pricing and the annual caps of the continuing connected transactions under the framework agreements and provide comfort letters.

Furthermore, pursuant to Chapter 14A of the Listing Rules, the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance are subject to the following annual review requirements:

(a) the independent non-executive Directors must review the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance every year and confirm in the annual report that the transactions have been entered into:

  (1) in the ordinary and usual course of business of the Group;

  (2) on normal commercial terms or better; and

  (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) the auditors of the Company must provide a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance:

  (1) have not been approved by the Board;

  (2) were not, in all material respects, in accordance with the pricing policies of the Company;

  (3) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and

  (4) have exceeded the proposed annual caps.

(c) the Company must allow, and ensure that the counterparties to the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance; and

(d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of (a) the internal control measures adopted by the Group which ensure the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance are conducted on terms no less favourable to the Group than those between the Group and Independent Third Parties and our review of the sample documents as discussed in the sections above, in which the terms were in accordance with the agreements governing them and the prices were no less favorable to the Group than those with Independent Third Parties and/or the then government-prescribed price or the prevailing market price for the same or similar products/services; and (b) the reporting requirements attached to the transactions under the Listing Rules, in particular, (i) the restriction of the transaction value by way of annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the relevant agreements in relation to the transactions and the respective proposed annual caps not being exceeded, we are of the view that appropriate and effective internal control measures will be in place to govern the conduct of the Non-Exempt Transactions with AVIC, AVIC Airborne and AVIC Finance and assist in safeguarding the interests of the Company and the Independent Shareholders as a whole.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that the terms of the Non-Exempt Transactions are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-Exempt Transactions and the adoption of the respective annual caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 21 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2026 and the audited consolidated financial statements of the Group for the three years ended 31 December 2025 together with the relevant notes to the financial statements of the Group can be found on pages 14 to 91 of the interim report of the Group for the six months ended 30 June 2026, pages 79 to 270 of the annual report of the Group for the year ended 31 December 2025, pages 83 to 299 of the annual report of the Group for the year ended 31 December 2024 and pages 91 to 325 of the annual report of the Group for the year ended 31 December 2023.

Please also see below the hyperlinks to the interim report for the six months ended 30 June 2026 and the annual reports for the three years ended 31 December 2025.

(a) 2023 annual report:

English version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042500369.pdf

Chinese version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042500370_c.pdf

(b) 2024 annual report:

English version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0424/2025042400344.pdf

Chinese version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0424/2025042400345_c.pdf

(c) 2025 annual report:

English version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0422/2026042200287.pdf

Chinese version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0422/2026042200288_c.pdf

(d) 2026 interim report:

English version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0916/2026091600689.pdf

Chinese version:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0916/2026091600690_c.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 31 August 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding borrowings of approximately RMB22,653,462,701, comprising secured and/or guaranteed borrowings of approximately RMB801,910,129 and unsecured and unguaranteed borrowings of approximately RMB21,851,552,572.

Included in the outstanding secured and/or guaranteed borrowings, amounts of approximately RMB693,954,841 and RMB37,304,165 were secured by accounts receivable and buildings, machinery and equipment of certain subsidiaries of the Group, respectively, and an amount of approximately RMB70,651,123 represented guaranteed borrowings.

Lease liabilities

As at 31 August 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding lease liabilities of approximately RMB461,839,622. All of the lease liabilities were unsecured and unguaranteed.

Contingent liabilities and guarantees

As at 31 August 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no contingent liabilities or external guarantees.

Pledge of assets

As at 31 August 2026, certain borrowings of the Group were secured by the Group's accounts receivable and buildings and machinery and equipment of certain subsidiaries of the Group.

Other non-current liabilities

As at 31 August 2026, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had other non-current liabilities of approximately RMB151,307,738 in relation to debt-to-equity conversion arrangements which had not yet been completed.

Save as aforesaid and apart from intra-group liabilities and normal accounts and notes payable in the ordinary course of business of the Group, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, or hire purchase commitments, lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 August 2026.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 August 2026 up to the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the available funds (including the internally generated funds and the banking facilities and factoring services available to the Group), the Directors are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular.

4. FINANCIAL AND TRADING PROSPECTS

In the first half of 2026, the international environment remained turbulent. Facing this challenging landscape, China's economy maintained overall stability while progressing toward new and high quality development. Facing various risks and challenges, AVIC responded proactively, ensuring stable and orderly economic operations, steady and rapid progress in scientific research and production, continuous optimization of its industrial structure, and steadily enhanced development momentum. In the first half of 2026, the Group continued to promote the deep integration of technological innovation with industrial innovation, remained firmly committed to facilitating the commercialization of scientific and technological achievements, advanced the development of the low-altitude economy, and ensured the steady progress of business operations. For the six months ended 30 June 2026, the Group recorded revenue of RMB37,812 million, representing an increase of RMB347 million, or 0.93%, as compared with RMB37,465 million for the corresponding period in 2025. While revenue from the aviation entire aircraft segment decreased by 14.50% to RMB8,840 million, principally due to a decrease in sales volume of helicopter products, this was partly offset by growth in the aviation ancillary system and related business segment and the aviation engineering services segment. Revenue from the aviation ancillary system and related business segment increased by 6.54% to RMB24,061 million, while revenue from aviation engineering services increased by 8.10% to RMB4,911 million. These two segments together accounted for approximately 76.62% of the Group's revenue for the first half of 2026.

The above financial indicators demonstrate that, notwithstanding the temporary decrease in revenue from the aviation entire aircraft segment during the first half of 2026, the Group maintained a substantial revenue base, positive operating cash flow and sufficient financial resources. The continued growth of the aviation ancillary system and related business segment and the aviation engineering services segment, together with the Group's continued investment in research and development and the business initiatives described below, are expected to support the Group's future business development.

The year 2026 marks a pivotal year as the 15th Five-Year Plan for National Economic and Social Development (the "**15th Five-Year Plan**") gets underway. The aerospace sector and the low-altitude economy have been explicitly designated as national emerging pillar industries and are expected to support China's future economic development. The industrial orientation of national policies will drive the low-altitude economy in its transition from technical validation to large-scale operations and systematic development, while the aerospace industry, leveraging its long-term technological accumulation, will steadily achieve leapfrog development. China's domestically developed large passenger aircraft have officially commenced operations on international commercial routes and are steadily advancing toward scaled delivery and commercial operation. The trend toward integrated development between the aerospace and the low-altitude economy sectors is becoming increasingly evident. As a leader in both the aviation industry and the low-altitude economy, the Group will continue to benefit from this trend and further unlock its growth potential.

In the second half of 2026, the Group will precisely focus on its development strategy, adhere to the general principle of pursuing progress while ensuring stability, and drive the Company's high-quality development:

1. The Group will remain steadfast in the goal of building a world-class helicopter enterprise, continuously enhancing core functions, fully leverage the role of industrial cultivation and innovation-driven development to support the optimization and upgrading of existing products and the development of new-domain and new-quality products, and continue to strengthen model R&D and technological innovation capabilities to ensure the orderly progress of airworthiness certification and test flight verification;

2. The Group will continuously expand the application scenarios for trainers and intensify market development efforts. The trainer business will be expanded from the sale of individual aircraft systems to integrated comprehensive training systems, achieving full value-chain and full-life cycle management;

3. The Group will accelerate the digital and intelligent transformation of aviation ancillary system and related businesses. The Group will move faster in adjusting structures and promoting transformation, increase R&D investment in connector products and airborne system technologies, and empower the innovative development of the aviation industry through digital and intelligent transformation via deep integration of industry, academia, research and application;

4. The Group will continuously expand into new market areas. By seizing the development opportunities presented by domestically developed commercial aircraft, the Group will continuously optimize and expand the international business layout, coordinate the allocation of resources in overseas markets, and actively participate in competition in the global aviation market;

5. The Group will continue to implement the strategic deployment of the low-altitude economy and coordinate high-quality resources across the industrial chain. By actively promoting the industrialization of aviation scientific and technological achievements and intensifying efforts to tackle key core technologies in flight control for intelligent electric aircraft, the Group will continuously expand diversified application scenarios for products, promote the establishment of the "Future Aircraft Joint Innovation Center", and actively explore consultation on demonstration applications of low altitude aircraft;

6. The Group will systematically advance the development of the corporate governance system. The Group will fortify the bottom line of risk prevention and control, continuously strengthen compliance and risk management, and coordinate high-quality development with a high standard of safety; systematically promote the green and low-carbon transformation and development, injecting new green momentum into the high-quality development of the industry; and

7. The Group will strengthen brand building. The Group will focus on market value management; reinforce corporate brand synergy, continuing to build itself as a world-class aviation high-tech industry group with excellent products, prestigious brands, leading innovation and modern governance.

5. IMPACT OF THE CONTINUING CONNECTED TRANSACTIONS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

In respect of the continuing connected transactions under the Renewal Agreements and the Proposed Revised Caps, there has been no material impact on and the Group does not expect any material impact on the earnings, assets and liabilities of the Group.

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 in this circular or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS 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 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	Type of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to share capital in issue	Nature of Shares held
Director					
Yan Lingxi	H Share	Beneficial owner	267,740	0.003%	Long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, 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. POSITIONS HELD BY THE DIRECTORS IN THE CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, the following Directors were also directors or employees of a company that had interests or short positions in the Company's Shares and underlying shares that are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Position(s) held in the Company	Position(s) held in AVIC and its subsidiaries
Mr. Xu Dongsheng	Non-executive Director, member of the Development and Strategy Committee and Remuneration Committee	A director of AVIC CAPDI, Changhe Aircraft Industries (Group) Co., Ltd.* (昌河飛機工業(集團)有限責任公司), and AVIC Chengdu Aircraft Co., Ltd.* (中航成飛股份有限公司)
Mr. Wang Rong	Non-executive Director, member of the Development and Strategy Committee, Audit and Risk Management Committee and Sustainable Development Committee	A director of AVIC Airborne Systems Company Limited* (中航機載系統有限公司) and AVIC Industry-Finance Holdings Co., Ltd.* (中航工業產融控股股份有限公司)
Ms. Hu Shiwei	Non-executive Director, member of the Nomination Committee	The head of the office for Inspection Work of AVIC

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, the following person(s) (other than a Director 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 Shareholders	Type of Shares	Capacity	Number of Shares	Approximate percentage of shareholdings to the same type of shares in issue	Nature of Shares held
AVIC	H Shares *(Note 1)*	Beneficial owner; Interest in controlled corporation	3,503,070,569	56.40%	Long position
	Domestic Shares *(Note 2)*	Beneficial owner	1,250,899,906	70.99%	Long position
National Industrial Investment Fund	Domestic Shares *(Note 3)*	Beneficial owner	261,522,000	14.84%	Long position
Tianjin Free Trade Zone Investment	Domestic Shares *(Note 2)*	Beneficial owner	249,769,500	14.17%	Long position
New China Life Insurance Company Ltd.	H Shares	Interest in controlled corporation	373,213,000	6.01%	Long position

Notes:

1. Out of the 3,503,070,569 H Shares held by AVIC, 3,297,780,902 H Shares are held as beneficial owner and 183,404,667 H Shares are held by AVIC through AVIC Airborne Systems Company Limited, its wholly-owned subsidiary, 18,346,000 H Shares are held by AVIC through China Aviation Industry (Hong Kong) Company Limited, its wholly-owned subsidiary and 3,539,000 H Shares are held by AVIC through AVIC Industry-Finance, its non-wholly owned subsidiary.

2. Pursuant to the equity acquisition and share issuance agreement dated 28 November 2019, the Company issued 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.

3. Pursuant to the share subscription agreement dated 9 May 2023, the Company issued 261,522,000 Domestic Shares to National Industrial Investment Fund. The issuance of Domestic Shares was completed on 3 July 2023.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors 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).

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2025, being the date to which the latest published audited accounts of the Group 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 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.

The non-executive Directors of Mr. Xu Dongsheng, Mr. Wang Rong, and Ms. Hu Shiwei, all of whom hold positions in AVIC, had abstained from voting on the relevant Board resolution(s) approving (i) the transactions contemplated under the Renewal Agreements and the proposed annual caps and (ii) the Proposed Revised Caps in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save as disclosed above, none of the other Directors has or is deemed to have a material interest in the above-mentioned continuing connected transactions and the proposed revision.

7. CONSENT AND QUALIFICATION OF EXPERT

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

Name	Qualification
Somerley	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 a 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 2025, being the date to which the latest published audited accounts of the Group 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 (other than the business of the Group) which competes or may compete either directly or indirectly with the business of the Group and which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if they were the controlling Shareholders.

9. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2025 (being the date to which the latest published accounts of the Group were made up) up to and including the Latest Practicable Date.

10. 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.

11. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of this circular.

12. MISCELLANEOUS

(i) Ms. Wu Yun, the company secretary of the Company, a master's degree holder and an intermediate economist. Ms. Wu graduated from Beijing Institute of Technology with a master's degree in business administration. From June 2002 to December 2004, Ms. Wu worked in the international cooperation and trade department of the China Aviation Industry Corporation II. From December 2004 to October 2016, Ms. Wu worked at the Company, successively holding various positions including senior manager in the management department and the securities and legal department and an assistant director in the compliance management department, and served as a deputy director of the compliance and risk control department of the Company from October 2016 to March 2020. Ms. Wu served as the deputy director of the security affairs department of the Company from March 2020 to March 2021, and has been the director of the security affairs department of the Company since March 2021. Ms. Wu served as a supervisor of AVIC JONHON Optronic Technology Co., Ltd. from April 2021 to September 2025 and for a period from October 2018 to February 2020. Ms. Wu also has served as the company secretary since July 2024.

(ii) The registered address of the Company is situated at 2nd floor, Building 27, No. 26 Xihuan South Street, Economic Technological Development Area, Beijing, the PRC. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iii) The principal place of business of the Company in Hong Kong is at Unit 2202A, 22nd Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

(iv) 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.

13. DOCUMENTS ON DISPLAY

Electronic copies of the following documents will be published on the website of the Hong Kong Stock Exchange (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):

(i) the agreements in connection with the Non-exempt Transactions; and

(ii) the written consent referred to under the section headed "7. Consent and qualification of expert" in this appendix.

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("**EGM**") of AviChina Industry & Technology Company Limited (the "**Company**") will be held at 9:00 a.m. on Friday, 11 December 2026 at Building A, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC to consider and, if thought fit, approve the following resolutions.

ORDINARY RESOLUTIONS

1. "**THAT** the terms of the AVIC Mutual Product Supply Framework Agreement and the proposed annual caps in respect thereof for the three financial years ending 31 December 2029 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."

2. "**THAT** the terms of the AVIC Mutual Service Supply Framework Agreement and the proposed annual caps in respect thereof for the three financial years ending 31 December 2029 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."

3. "**THAT** the terms of the AVIC Airborne Mutual Product and Service Supply Framework Agreement and the proposed annual caps in respect of the expenditure transactions thereunder for the three financial years ending 31 December 2029 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

* *For identification purpose only*

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."

4. "**THAT** the terms of the Financial Services Framework Agreement and the proposed annual caps in respect of the Deposit Services and the Other Financial Services thereunder for the three financial years ending 31 December 2029 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."

5. "**THAT** the Proposed Revised Caps of the transactions under the Existing AVIC Mutual Service Supply Agreement for the year ending 31 December 2026 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."

By Order of the Board
AviChina Industry & Technology Company Limited
Wu Yun
Company Secretary

Beijing, 26 October 2026

Notes:

1. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 October 2026 to which this notice relates.

2. CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY TO ATTEND AND VOTE AT THE EGM

The H Share register of members of the Company will be closed from Saturday, 21 November 2026 to Friday, 11 December 2026 (both days inclusive), during which period no transfer of H Shares will be registered. Shareholders of the Company whose names appear on the Company's Register of Members at the opening of business on Friday, 11 December 2026 are entitled to attend and vote at the EGM.

In order to be eligible to attend and vote at the EGM, 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 Friday, 20 November 2026 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong.

3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

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

4. PROXIES

a. Any Shareholder who is entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf at the EGM. A proxy need not be a Shareholder. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the EGM.

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 authorised 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 board of directors of the body corporate or by attorneys duly authorised. If the instrument is signed by an attorney of the appointer, the power of attorney authorising the attorney to sign or other documents of authorisation 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 authorisation, 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 Share registrar, at 17M Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM and the return of a form of proxy will not preclude a Shareholder from attending the EGM or any adjournment thereof (as the case may be) in person and voting at the EGM if he or she so wishes.

5. THE EGM 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:
Building B, No. 14 Xiaoguan Dongli, Andingmenwai, Chaoyang District, Beijing, the PRC (Postal code: 100029)
Telephone No: 86-10-58354314
Facsimile No: 86-10-58354310
Attention: Ms. Zixin Ji

As at the date of this notice, the Board comprises executive Directors Mr. Yan Lingxi and Mr. Sun Jizhong, non-executive Directors Mr. Xu Dongsheng, Mr. Wang Rong, Ms. Hu Shiwei and Mr. Gao Jiming, as well as independent non-executive Directors Mr. Liu Weiwu, Mr. Mao Fugen and Mr. Lin Guiping.