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## 中國航空科技工業股份有限公司

### AviChina Industry & Technology Company Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 2357)

### **CONNECTED TRANSACTION**

### **INVESTMENT IN THE U8 UNMANNED HELICOPTER PROJECT**

On 31 January 2012, the Board announces that Jingdezhen Helicopter and Helicopter R&D Institute entered into the Project Investment Agreement pursuant to which, Jingdezhen Helicopter agreed to make an investment of RMB20 million to participate in the U8 Unmanned Helicopter Project, which was undertaken by Helicopter R&D Institute as at the date of this announcement.

As at the date of this announcement, Jingdezhen Helicopter is a branch of the Company and Helicopter R&D Institute is a wholly-owned entity of AVIC. As AVIC is a controlling shareholder of the Company, which holds 54.67% equity interest in the Company, the entering into of the Project Investment Agreement by Jingdezhen Helicopter with Helicopter R&D Institute constitutes a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in relation to the proposed transaction is more than 0.1% but less than 5%, the entering into of the Project Investment Agreement by Jingdezhen Helicopter with Helicopter R&D Institute is subject to reporting and announcement requirements but exempted from the requirement of Independent Shareholders' approval.

## **A. INTRODUCTION**

On 31 January 2012, the Board announces that Jingdezhen Helicopter and Helicopter R&D Institute entered into the Project Investment Agreement pursuant to which, Jingdezhen Helicopter agreed to make an investment of RMB20 million to participate in the U8 Unmanned Helicopter Project, which was undertaken by Helicopter R&D Institute as at the date of this announcement.

## **B. PROJECT INVESTMENT AGREEMENT**

### **1. Date**

31 January 2012

### **2. Parties**

Jingdezhen Helicopter, a branch of the Company; and  
Helicopter R&D Institute, a wholly-owned entity of AVIC

### **3. Investment**

The investment to be made by Jingdezhen Helicopter in the U8 Unmanned Helicopter Project amounts to RMB20 million, the payment of which will be made in two phases:

- (1) RMB10 million, representing 50% of the investment, will be paid to Helicopter R&D Institute upon the signing of the Project Investment Agreement; and
- (2) RMB10 million, representing the remaining 50% of the investment, will be paid to Helicopter R&D Institute within 15 business days after the satisfactory verification of the U8 Unmanned Helicopter Project by Jingdezhen Helicopter.

The total investment amount was agreed upon by the parties with reference to the expected cost involved in the implementation of the U8 Unmanned Helicopter Project.

#### **4. Project verification date**

The project shall be verified by Jingdezhen Helicopter before 30 September 2014. Jingdezhen Helicopter will designate a team of experts to review and verify the project results and issue a verification report.

#### **5. Investment income and intellectual property rights**

As at the date of this announcement, Helicopter R&D Institute had invested RMB30 million in the U8 Unmanned Helicopter Project. All earnings and intellectual property rights arising from and in connection with the U8 Unmanned Helicopter Project after the project verification date will be shared by Jingdezhen Helicopter and Helicopter R&D Institute based on their respective contribution in the total investment of the U8 Unmanned Helicopter Project.

### **C. REASONS FOR AND BENEFITS OF THE PROJECT INVESTMENT AGREEMENT**

With the rapid development of the society and economy, the unmanned helicopter is widely used in the context of maritime supervision, rescue, police patrol, traffic control, agriculture and forestry working, air monitoring, forest fire prevention, electric power circuit detection. Research and development of unmanned helicopter self-developed by Helicopter R&D Institute has progressed smoothly with a leading technical level domestically. The products also attract broad attention in the market. The U8 Unmanned Helicopter Project will firstly encourage the application of the system platform of the unmanned helicopter in the maritime cruise and environmental test system. Therefore, the technical capabilities of the helicopters of the Company will be enhanced and the scope of the products development of the Company will be expanded by participating in the U8 Unmanned Helicopter Project through Jingdezhen Helicopter.

The transactions under the Project Investment Agreement are determined on normal commercial terms. The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Project Investment Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Project Investment Agreement and thus no Director was required to abstain from voting on the relevant board resolution at the Board meeting.

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

As at the date of this announcement, Jingdezhen Helicopter is a branch of the Company and Helicopter R&D Institute is a wholly-owned entity of AVIC. As AVIC is a controlling shareholder of the Company, which holds 54.67% equity interest in the Company, the entering into of the Project Investment Agreement by Jingdezhen Helicopter with Helicopter R&D Institute constitutes a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in relation to the proposed transaction is more than 0.1% but less than 5%, the entering into of the Project Investment Agreement by Jingdezhen Helicopter with Helicopter R&D Institute is subject to the reporting and announcement requirements but exempted from the requirement of Independent Shareholders' approval.

#### **E. GENERAL INFORMATION**

##### *Information on the Company*

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange. As at the date of this announcement, the Company is held as to 54.67% by AVIC, being the controlling shareholder of the Company. The Company is mainly engaged in the research and development, manufacture and sales of aviation products.

##### *Information on AVIC*

AVIC is held and controlled by the State Council of the PRC, and is mainly engaged in the development and manufacture of aviation products and non-aviation products.

*Information on Jingdezhen Helicopter*

Jingdezhen Helicopter is a branch company established by the Company in Jingdezhen, the PRC in 2005, which is mainly engaged in design, research and development and sale of helicopters and other aviation products, parts and components of aircraft and avionics, etc.

*Information on Helicopter R&D Institute*

Helicopter R&D Institute is a wholly-owned entity of AVIC established in the PRC, which is mainly engaged in the research and manufacture, technology development and model upgrade of helicopter products.

**DEFINITIONS:**

<b>“AVIC”</b>	Aviation Industry Corporation of China (中國航空工業集團公司), a controlling shareholder of the Company holding 54.67% equity interest in the Company
<b>“Board”</b>	the board of directors of the Company
<b>“Company”</b>	AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司)
<b>“Directors”</b>	the director(s) of the Company
<b>“Helicopter R&amp;D Institute”</b>	China Helicopter Research and Development Institute (中國直升機設計研究所), a wholly-owned entity of AVIC established in the PRC
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
<b>“Hong Kong Stock</b>	The Stock Exchange of Hong Kong Limited

**Exchange”**

<b>“Independent Shareholder”</b>	Shareholder(s) who are not interested or involved in the transactions contemplated under the Project Investment Agreement
<b>“Jingdezhen Helicopter”</b>	AviChina Industry and Technology Company Limited Jingdezhen Helicopter research and development branch (中國航空科技工業股份有限公司景德鎮直升機研發分公司), a branch company established by the Company in Jingdezhen, the PRC
<b>“PRC”</b>	the People’s Republic of China
<b>“Project Investment Agreement”</b>	the investment agreement entered into on 31 January 2012 between Jingdezhen Helicopter and Helicopter R&D Institute in relation to the investment in the U8 Unmanned Helicopter Project
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“U8 Unmanned Helicopter Project”</b>	U8 unmanned helicopter maritime system verification project

By Order of the Board

**AviChina Industry & Technology Company Limited\***

**Yan Lingxi**

Company Secretary

Hong Kong, 31 January 2012

*As at the date of this announcement, the board of directors of the Company comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and Mr. Wu Xiandong and non-executive directors Mr. Gu Huizhong, Mr. Xu Zhanbin, Mr. Geng Ruguang, Mr. Zhang Xinguo, Mr. Gao Jianshe, Mr. Li Fangyong, Mr. Chen Yuanxian, Mr. Wang Yong, Mr. Maurice Savart as well as independent non-executive directors Mr. Guo Chongqing, Mr. Li Xianzong and Mr. Lau Chung Man, Louis.*

*\* For identification purposes only.*