

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



中國航空科技工業股份有限公司

AviChina Industry & Technology Company Limited\*

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

(Stock Code: 2357)

### **CONNECTED TRANSACTIONS:**

#### **ACQUISITIONS OF 5% OF EQUITY INTERESTS IN EACH OF TJMG AND SCHNEIDER TIANJIN**

In the first half of 2012, the Company completed the acquisition of Tianjin Aviation. As a result, Tianjin Tianli, a subsidiary of Tianjin Aviation, became an indirect subsidiary of the Company.

On 22 November 2012, Tianjin Tianli entered into the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement with AVIC International Beijing, pursuant to which AVIC International Beijing agreed to sell and Tianjin Tianli agreed to purchase 5% equity interests in each of TJMG and Schneider Tianjin respectively.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC International Beijing is a subsidiary of AVIC. Therefore, both AVIC and AVIC International Beijing are connected persons of the Company, and the entries of the Equity Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratios in respect of the Equity Transfer Agreements is more than 0.1% but less than 5%, the entries of the Equity Transfer Agreements are subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement.

## **A. INTRODUCTION**

On 22 November 2012, Tianjin Tianli, indirect subsidiary of the Company, entered into the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement with AVIC International Beijing, pursuant to which AVIC International Beijing agreed to sell and Tianjin Tianli agreed to purchase 5% equity interests in each of TJMG and Schneider Tianjin respectively.

## **B. THE EQUITY TRANSFER AGREEMENTS**

### **1. Date**

22 November 2012

### **2. Parties**

- (i) Tianjin Tianli as purchaser;
- (ii) AVIC International Beijing as seller.

### **3. Target**

- (i) 5% equity interests in TJMG held by AVIC International Beijing under the TJMG Equity Transfer Agreement; and
- (ii) 5% equity interests in Schneider Tianjin held by AVIC International Beijing under the ST Equity Transfer Agreement.

### **4. Consideration**

Under the TJMG Equity Transfer Agreement, the total consideration payable for the acquisition of 5% equity interests in TJMG is RMB2,810,000, which shall be settled in the following manner:

- (i) RMB843,000 of the total consideration shall be payable within 5 days from the effective date of TJMG Equity Transfer Agreement; and
- (ii) the remaining RMB1,967,000 shall be payable within 5 days from the registration of the transfer of the 5% equity interests in TJMG with the relevant authority in the PRC.

The consideration under the TJMG Equity Transfer Agreement was determined after arm's length negotiations between the Parties with reference to the net asset value of TJMG as at 31 December 2011 in the amount of RMB59,522,800 based on TJMG Valuation Report .

Under the ST Equity Transfer Agreement, the total consideration for the acquisition of 5% equity interests in Schneider Tianjin is RMB39,080,000, which shall be settled in the following manner:

- (i) RMB11,724,000 of the total consideration shall be payable within 5 days from the effective date of ST Equity Transfer Agreement; and
- (ii) the remaining RMB27,356,000 shall be payable within 5 days from the registration of the transfer of the 5% equity interests in Schneider Tianjin with the relevant authority in the PRC.

The consideration under the ST Equity Transfer Agreement was determined after arm's length negotiation between the Parties with reference to the net asset value of Schneider Tianjin as at 31 December 2011 in the amount of RMB1,012,500,000 based on the ST Valuation Report .

It is intended that the aforementioned considerations will be satisfied by the internal resources of Tianjin Tianli. As Tianjin Tianli currently holds 20% equity interests in TJMG and Schneider Tianjin respectively and will hold 25% equity interests in TJMG and Schneider Tianjin respectively after the aforementioned acquisitions, neither TJMG nor Schneider Tianjin will become a subsidiary of the Company after the acquisitions.

## **5. Conditions Precedent**

The Equity Transfer Agreements will become effective upon fulfillment of the following conditions:

- (i) each Party having completed its internal approval procedures in respect of the Equity Transfer Agreements;
- (ii) the Equity Transfer Agreements having been approved by AVIC; and
- (iii) the Equity Transfer Agreement having been approved by the relevant foreign investment authority in the PRC.

## **C. REASONS FOR AND BENEFITS OF ENTRY INTO THE TRANSACTIONS**

TJMG and Schneider Tianjin were established jointly by Tianjin Aviation, AVIC International Beijing and Schneider China. As of the date of this announcement, each of TJMG and Schneider Tianjin are owned by Tianjin Tianli, AVIC International Beijing and Schneider China as to 20%, 5% and 75% respectively. According to the joint venture agreements in respect of the establishment of TJMG and Schneider Tianjin, the total percentage equity interests in each of TJMG and Schneider Tianjin held by Tianjin Tianli and AVIC International Beijing together shall not be less than 25%. At present, in need of its business development, AVIC International Beijing intends to sell its equity interests in both TJMG and Schneider Tianjin. In order to ensure the continuous cooperation with Schneider China and having considering that both TJMG and Schneider Tianjin have been in leading industry positions and consistently profitable for years, the Company agreed to acquire AVIC International Beijing's equity interests in TJMG and Schneider Tianjin through Tianjin Tianli.

The transactions under the Equity Transfer Agreements are determined on normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Equity Transfer Agreements 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 Equity Transfer Agreements and thus no Director was required to abstain from voting on the relevant resolution at the relevant Board meeting.

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

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC International Beijing is a subsidiary of AVIC. Therefore, both AVIC and AVIC International Beijing are connected persons of the Company, and the entries of the Equity Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratios in respect of the Equity Transfer Agreements are more than 0.1% but less than 5%, the entries of the Equity Transfer Agreements are subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement.

#### **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. 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 AVIC International Beijing*

AVIC International Beijing is a subsidiary of AVIC. AVIC International Beijing is mainly engaged in ship design, trading and manufacturing of mechanical and electrical project total package, etc.

*Information on Tianjin Tianli*

Tianjin Tianli is a subsidiary of Tianjin Aviation and therefore an indirect subsidiary of the Company. Tianjin Tianli is mainly engaged in the production and sale of electric control equipment, fire safety and control equipment, food machinery and food packaging machinery, medical equipment, etc. As at the date of the announcement, Tianjin Aviation holds 75% equity interests in Tianjin Tianli.

*Information on TJMG*

TJMG is a joint venture company incorporated under the Chinese company laws. TJMG is mainly engaged in the production of circuit breaker.

As of the date of this announcement, TJMG is owned as to 75%, 20% and 5% by Schneider China, Tianjin Tianli and AVIC International Beijing respectively.

Based on the audited financial statements of TJMG, the net profits/losses before and after taxation of TJMG for the two financial years ended 31 December 2011 are as follows:

	<b>Financial year ended 31 December 2010 (RMB)</b>	<b>Financial year ended 31 December 2011 (RMB)</b>
net profits/losses before taxation	19,684,121	11,082,528
net profits/losses after taxation	15,357,607	8,322,169

*Information on Schneider Tianjin*

Schneider Tianjin is a joint venture company incorporated under the Chinese company laws. Schneider Tianjin is mainly engaged in the production of circuit breaker.

As of the date of this announcement, Schneider Tianjin is owned as to 75%, 20% and 5% by Schneider China, Tianjin Tianli and AVIC International Beijing of respectively.

Based on the audited financial statement of Schneider Tianjin, the net profits/losses before and after taxation of Schneider Tianjin for the two financial years ended 31 December 2011 are as follows:

	<b>Financial year ended 31 December 2010  (RMB)</b>	<b>Financial year ended 31 December 2011  (RMB)</b>
net profits/losses before taxation	536,061,319	501,671,564
net profits/losses after taxation	418,281,380	380,897,762

**DEFINITIONS:**

<b>“AVIC”</b>	Aviation Industry Corporation of China* (中國航空工業集團公司), the controlling shareholder of the Company holding 51.26% equity interests in the Company as at the date of this announcement
<b>“AVIC International Beijing”</b>	AVIC International Beijing Company Limited* (中國航空技術北京有限公司)
<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>“Equity Transfer Agreements”</b>	TJMG Equity Transfer Agreement and ST Equity Transfer Agreement
<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 Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Party(ies)”</b>	a Party or Parties (as the case may be) to the Equity Transfer Agreements
<b>“PRC”</b>	the People’s Republic of China

<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Schneider China”</b>	Schneider Electric (China) Co., Ltd.* (施耐德電氣（中國）有限公司)
<b>“Schneider Tianjin”</b>	Schneider Electric Low Voltage (Tianjin) Co., Ltd.*(施耐德電氣低壓(天津)有限公司)
<b>“ST Equity Transfer Agreement”</b>	the equity transfer agreement entered into between Tianjin Tianli and AVIC International Beijing on 22 November 2012 in relation to the acquisition of 5% of the equity interests in Schneider Tianjin by Tianjin Tianli
<b>“ST Valuation Report”</b>	the asset valuation report on Schneider Tianjin dated 15 July 2012 prepared by China Alliance Appraisal Co., Ltd. appointed by AVIC International Beijing
<b>“Tianjin Aviation”</b>	Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空机电有限公司)
<b>“Tianjin Tianli”</b>	Tianjin Tianli Aviation Electro-mechanical Co., LTD*(天津天利航空機電有限公司), 75% of the equity interests of which is held by Tianjin Aviation as at the date of this announcement
<b>“TJMG”</b>	Tianjin Merlin Gerin Co., Ltd.* (天津梅蘭日蘭有限公司)
<b>“TJMG Equity Transfer Agreement”</b>	the equity transfer agreement entered into between Tianjin Tianli and AVIC International Beijing on 22 November 2012 in relation to the acquisition of 5% of the equity interests in TJMG by Tianjin Tianli
<b>“TJMG Valuation Report”</b>	the asset valuation report on TJMG dated 15 July 2012 prepared by China Alliance Appraisal Co., Ltd. appointed by AVIC International Beijing



By Order of the Board

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

**Yan Lingxi**

Company Secretary

Hong Kong, 22 November 2012

*As at the date of this announcement, the Board comprises executive directors Mr. Lin Zuoming, Mr. Tan Ruisong and non-executive directors Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. Sheng Mingchuan, 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.*