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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**

### **ACQUISITION OF 5% EQUITY INTEREST IN SCHNEIDER SHANGHAI**

Reference is made to the announcement dated 22 November 2012, in relation to, the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement entered into between Tianjin Tianli and 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. The relevant equity transfer has been completed as at the date of this announcement.

On 7 November 2013, Tianjin Tianli, an indirect subsidiary of the Company, entered into the Equity Transfer Agreement with AVIC International Beijing, pursuant to which AVIC International Beijing has conditionally agreed to sell and Tianjin Tianli has agreed to purchase 5% equity interest in Schneider Shanghai at the consideration of RMB49,230,000.

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC International Beijing is a subsidiary of AVIC. Accordingly, both AVIC and AVIC International Beijing are connected persons of the Company pursuant to under Chapter 14A of the Hong Kong Listing Rules, and the entry into of the Equity

Transfer constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer Agreements, the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement is more than 0.1% but less than 5%, the entry into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

## **A. INTRODUCTION**

Reference is made to the announcement dated 22 November 2012, in relation to, the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement entered into between Tianjin Tianli and 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. The relevant equity transfer has been completed as at the date of this announcement.

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## **B. THE EQUITY TRANSFER AGREEMENT**

Principal terms of the Equity Transfer Agreement are set out as follows:

### **1. Date**

7 November 2013

### **2. Parties**

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

### **3. Target**

Subject to the conditions precedent under the Equity Transfer Agreement, Tianjin Tianli will purchase 5% equity interest in Schneider Shanghai held by AVIC International Beijing.

#### **4. Consideration and Payment Terms**

The consideration of RMB49,230,000 in respect of the acquisition of 5% equity interest in Schneider Shanghai under the Equity Transfer Agreement was determined between the Parties after arm's length negotiation between the parties with reference to the net asset value of Schneider Shanghai as at 31 March 2013 in the amount of RMB984,600,000, based on the a valuation report prepared by an independent valuer appointed by AVIC International Beijing.

The aforementioned consideration will be satisfied by the internal resources of Tianjin Tianli, which shall be settled in the following manner:

- (i) RMB14,769,000 of the total consideration shall be payable within 5 days from the effective date of the Equity Transfer Agreement; and
- (ii) the remaining RMB34,461,000 shall be payable within 5 days following the registration of the transfer of the 5% equity interest in Schneider Shanghai with the relevant authority in the PRC.

As Tianjin Tianli currently holds 20% equity interest in Schneider Shanghai and will hold 25% equity interest in Schneider Shanghai upon completion of the Equity Transfer, Schneider Shanghai will not become a subsidiary of the Company following completion of the Equity Transfer.

#### **5. Conditions Precedent to the Equity Transfer Agreement Becoming Effective**

The Equity Transfer Agreement will become effective upon fulfilment 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 THE EQUITY TRANSFER**

Schneider Shanghai was jointly established by Tianjin Aviation, AVIC International Beijing and Schneider China. As at the date of this announcement, Schneider Shanghai is owned as to 75%, 20% and 5% by Schneider China, Tianjin Tianli and AVIC International Beijing, respectively. According to the joint venture agreement in respect of the establishment of Schneider Shanghai, the aggregate equity interest held by Tianjin Tianli and AVIC International Beijing in Schneider Shanghai shall not be less than 25%. At present, in need of its business development, AVIC International Beijing intends to sell its equity interest in Schneider Shanghai. In order to ensure the continuous cooperation with Schneider China and the smooth operation of Schneider Shanghai, and also taking into consideration the continuous profitability and the leading position of Schneider Shanghai in its industry in recent years, the Company has agreed to acquire 5% equity interest in Schneider Shanghai by AVIC International Beijing through Tianjin Tianli.

The transactions under the Equity Transfer Agreement 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 Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

As at the date of this announcement, AVIC is the controlling shareholder of the Company and AVIC International Beijing is a subsidiary of AVIC. Accordingly, both AVIC and AVIC International Beijing are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules, and the entry into of the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest of the applicable size test percentage ratios in respect of the

Equity Transfer Agreements, the TJMG Equity Transfer Agreement and ST Equity Transfer Agreement is more than 0.1% but less than 5%, the entry into of the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

Each of our Directors, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, who is general manager, vice general manager and vice general manager of AVIC, respectively, is deemed to have a material interest in the transactions contemplated under the Equity Transfer Agreement and accordingly, they had abstained from voting on the board resolution approving the Equity Transfer Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules.

## **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 civil 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 limited liability company incorporated in the PRC, which is a subsidiary of AVIC. AVIC International Beijing is mainly engaged in the design, trading and manufacture of ships, and general contracting for electro-mechanical projects, etc.

### *Information on Tianjin Tianli*

Tianjin Tianli is a joint venture company incorporated in the PRC, which is a subsidiary of Tianjin Aviation and therefore an indirect subsidiary of the Company. Tianjin Tianli is mainly engaged in the manufacture 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 this announcement, Tianjin Aviation holds 75% equity interest in Tianjin Tianli.

*Information on Schneider Shanghai*

Schneider Shanghai is a joint venture company incorporated under the Company Law of the PRC. Its registered capital is US\$4,200,000. As at the date of this announcement, Schneider Shanghai is owned as to 75%, 20% and 5% by Schneider China, Tianjin Tianli and AVIC International Beijing, respectively. Schneider Shanghai is mainly engaged in the production of circuit breakers.

Based on the audited financial statements of Schneider Shanghai for the two financial years ended 31 December 2012 prepared in accordance with the PRC accounting standards, the net profits before and after taxation of Schneider Shanghai as at 31 December 2012 are as follows:

	<b>Financial year ended 31 December 2011  (RMB)</b>	<b>Financial year ended 31 December 2012  (RMB)</b>
net profits before taxation	281,673,979	314,885,280
net profits after taxation	214,117,679	235,470,929

**DEFINITIONS:**

“**AVIC**” 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 interest in the Company as at the date of this announcement

“**AVIC International Beijing**” AVIC International Beijing Company Limited\* (中國航空技術北京有限公司), a subsidiary of AVIC

<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”</b>	5% equity interest in Schneider Shanghai transferred by AVIC International Beijing to Tianjin Tianli pursuant to the Equity Transfer Agreement
<b>“Equity Transfer Agreement”</b>	the equity transfer agreement entered into between Tianjin Tianli and AVIC International Beijing on 7 November 2013 in relation to the acquisition of 5% of the equity interest in Schneider Shanghai by Tianjin Tianli
<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 Agreement
<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 Shanghai”</b>	Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd.*(上海施耐德低壓終端電器有限公司), which is owned as to 75%, 20% and 5% by Schneider China, Tianjin Tianli and AVIC International Beijing, respectively.
<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>“Tianjin Aviation”</b>	Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空机电有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
<b>“Tianjin Tianli”</b>	Tianjin Tianli Aviation Electro-mechanical Co., Ltd.*(天津天利航空機電有限公司), an indirect subsidiary of the Company held through Tianjin Aviation, which holds 75% of its equity interest 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

By Order of the Board

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

**Yan Lingxi**

Company Secretary

Beijing, 7 November 2013

*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.*