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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  
FORMATION OF A JOINT VENTURE**

On 6 September 2016, the Company entered into the Capital Contribution Agreement with AVIC Guizhou Aircraft, Dazhong Flight, Shanghai Aviation Electronics, Tianjin Aviation, AVIC International Aero-Development and AVIC Jincheng, pursuant to which, the Company and its wholly-owned subsidiary Tianjin Aviation proposed to contribute RMB70 million and RMB9 million in cash in the establishment of AviChina Intelligent Surveying & Mapping. Upon establishment of AviChina Intelligent Surveying & Mapping, the Company, AVIC Guizhou Aircraft, Dazhong Flight, Shanghai Aviation Electronics, Tianjin Aviation, AVIC International Aero-Development and AVIC Jincheng will directly hold 31.75%, 27.22%, 20.85%, 9.07%, 4.08%, 3.63% and 3.40% of the equity interest in AviChina Intelligent Surveying & Mapping, respectively. As such, the Group will hold 35.83% of the equity interest in AviChina Intelligent Surveying & Mapping in total, which will become a subsidiary of the Company.

As at the date of this announcement, AVIC is the controlling shareholder of the Company, AVIC Guizhou Aircraft, Shanghai Aviation Electronics, AVIC International Aero-Development and AVIC Jincheng are subsidiaries of AVIC. Therefore, AVIC Guizhou Aircraft, Shanghai Aviation Electronics, AVIC International Aero-Development and AVIC Jincheng are all connected persons of the Company, and the entering into of the Capital Contribution Agreement among the Company and Tianjin Aviation and with the above connected persons 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 of the transaction is more than 0.1% but less than 5%, the entering into of the Capital Contribution Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

## **A. INTRODUCTION**

On 6 September 2016, the Company entered into the Capital Contribution Agreement with AVIC Guizhou Aircraft, Dazhong Flight, Shanghai Aviation Electronics, Tianjin Aviation, AVIC International Aero-Development and AVIC Jincheng, pursuant to which, the Company and its wholly-owned subsidiary Tianjin Aviation proposed to contribute RMB70 million and RMB9 million in cash in the establishment of AviChina Intelligent Surveying & Mapping. Upon establishment of AviChina Intelligent Surveying & Mapping, the Company, AVIC Guizhou Aircraft, Dazhong Flight, Shanghai Aviation Electronics, Tianjin Aviation, AVIC International Aero-Development and AVIC Jincheng will directly hold 31.75%, 27.22%, 20.85%, 9.07%, 4.08%, 3.63% and 3.40% of the equity interest in AviChina Intelligent Surveying & Mapping, respectively. As such, the Group will hold 35.83% of the equity interest in AviChina Intelligent Surveying & Mapping in total, which will become a subsidiary of the Company.

## **B. CAPITAL CONTRIBUTION AGREEMENT**

### **1. Date**

6 September 2016

### **2. Parties**

- (i) the Company;
- (ii) AVIC Guizhou Aircraft;
- (iii) Dazhong Flight;
- (iv) Shanghai Aviation Electronics;
- (v) Tianjin Aviation;
- (vi) AVIC International Aero-Development; and
- (vii) AVIC Jincheng

### **3. Registered capital**

The registered capital of AviChina Intelligent Surveying & Mapping to be established is RMB220.5 million. Among which, the Company proposed to subscribe RMB70 million and contribute in cash, accounting for 31.75% of the registered capital; AVIC Guizhou Aircraft proposed to subscribe RMB60.03 million and contribute by way of assets, accounting for 27.22% of the registered capital; Dazhong Flight proposed to subscribe RMB45.97 million and contribute in cash, accounting for 20.85% of the registered capital; Shanghai Aviation Electronics proposed to subscribe RMB20 million and contribute in cash, accounting for 9.07% of the registered capital; Tianjin Aviation proposed to

subscribe RMB9 million and contribute in cash, accounting for 4.08% of the registered capital; AVIC International Aero-Development proposed to subscribe RMB8 million and contribute in cash, accounting for 3.63% of the registered capital; AVIC Jincheng proposed to subscribe RMB7.5 million and contribute in cash, accounting for 3.40% of the registered capital.

#### **4. Composition of the board of directors of AviChina Intelligent Surveying & Mapping**

The board of directors of AviChina Intelligent Surveying & Mapping will consist of five members. The Company, AVIC Guizhou Aircraft and Shanghai Aviation Electronics will nominate one director, respectively. Tianjin Aviation or AVIC International Aero-Development (the director will be changed every three years, and the first one will be nominated by Tianjin Aviation) will nominate one director in turn, and the remaining director will be an employee representative director. The chairman of the first session of the board of directors will be a director recommended by the Company from the above-mentioned directors nominated by the shareholders of AviChina Intelligent Surveying & Mapping.

#### **5. Business scope of AviChina Intelligent Surveying & Mapping**

The UAV flight services, data processing, information products; the developing and manufacturing, remodeling and sales of UAV products (the business scope is subject to the appraisal and decision by the industrial and commercial administration authorities)

#### **6. Share transfer**

The shares of AviChina Intelligent Surveying & Mapping held by its shareholders are not transferable within three years from the date of incorporation. After three years, any shareholders of AviChina Intelligent Surveying & Mapping shall obtain the consent from other shareholders representing more than two-thirds equity interests in AviChina Intelligent Surveying & Mapping thereunder in aggregate in relation to the transfer of its shares in whole or in part. Shareholders of AviChina Intelligent Surveying & Mapping, other than the transferor, are entitled to the right of first refusal.

#### **7. Accounting system**

All other shareholders of AviChina Intelligent Surveying & Mapping agree that the Company will consolidate the financial statements of AviChina Intelligent Surveying & Mapping as a subsidiary of the Company. All other shareholders will provide assistance in this regard.

### **C. REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE CAPITAL CONTRIBUTION AGREEMENT**

The entering into of the Capital Contribution Agreement will help the Company to promote the aviation industry to develop towards intelligentizing direction.

The transaction under the Capital Contribution Agreement is made under normal commercial terms. Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Contribution 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, AVIC Guizhou Aircraft, Shanghai Aviation Electronics, AVIC International Aero-Development and AVIC Jincheng are subsidiaries of AVIC. Therefore, AVIC Guizhou Aircraft, Shanghai Aviation Electronics, AVIC International Aero-Development and AVIC Jincheng are all connected persons of the Company, and the entering into of the Capital Contribution Agreement among the Company and Tianjin Aviation and with the above connected persons 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 of the transaction is more than 0.1% but less than 5%, the entering into of the Capital Contribution Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement.

The Directors, namely Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, who are chairman, general manager, vice general manager and vice general manager of AVIC, respectively, have abstained from voting on the relevant board resolution to approve the Capital Contribution Agreement in accordance with the Company Law of the PRC and the Hong Kong Listing Rules. Save for Mr. Lin Zuoming, Mr. Tan Ruisong, Mr. Gu Huizhong and Mr. Gao Jianshe, none of the other Directors has or is deemed to have a material interest in the above-mentioned connected transaction.

#### **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. As at the date of this announcement, AVIC holds 58.57% equity interest in the Company, being the controlling shareholder of the Company.

##### *Information on AVIC Guizhou Aircraft*

AVIC Guizhou Aircraft is a limited liability company incorporated in the PRC, a subsidiary of AVIC, and is mainly engaged in the research and development, manufacturing of aircraft and parts and components.

*Information on Dazhong Flight*

Dazhong Flight was established in 30 April 2015, mainly engaged in investment in industrial projects.

*Information on Shanghai Aviation Electronics*

Shanghai Aviation Electronics was established on 27 April 1994, a subsidiary of AVIC, and is mainly engaged in the manufacturing of aviation and civil electronics and devices, and the importation and exportation of goods and technologies.

*Information on Tianjin Aviation*

Tianjin Aviation is a limited liability company incorporated in the PRC, a wholly-owned subsidiary of the Company. It is mainly engaged in the research and development, manufacture and sale of aviation secondary power distribution system and fireproofing system.

*Information on AVIC International Aero-Development*

AVIC International Aero-Development is a limited liability company incorporated in the PRC, a subsidiary of AVIC. It is mainly engaged in the import and export business of transportation and mechanical equipment and joint investment and manufacture business.

*Information on AVIC Jincheng*

AVIC Jincheng is a subsidiary of AVIC. It is mainly engaged in the research on mechanical and electrical systems engineering.

## **F. DEFINITIONS**

<b>“AVIC”</b>	China Aviation Industry Corporation* (中國航空工業集團公司), the controlling shareholder of the Company holding 58.57% equity interest in the Company directly and indirectly as at the date of this announcement
<b>“AVIC Guizhou Aircraft”</b>	AVIC Guizhou Aviation Aircraft Co., Ltd.( 中航貴州飛機有限責任公司), a limited liability company incorporated in the PRC and is a subsidiary of AVIC

<b>“AviChina Intelligent Surveying &amp; Mapping ”</b>	AviChina Intelligent Surveying & Mapping Science & Technology Co., Ltd.( 中航科工智繪科技有限責任公司), the official name of which will be subject to the approval of industrial and commercial administration authorities
<b>“AVIC International Aero-Development”</b>	AVIC International Aero-development Corporation (中航國際航空發展有限公司), a limited liability company incorporated in the PRC and is a subsidiary of AVIC
<b>“ AVIC Jincheng”</b>	AVIC Jincheng Nanjing Mechanics-electronics-hydraulics Research Center (中國航空工業集團公司金城南京機電液壓工程研究中心), a limited liability company incorporated in the PRC and is a subsidiary of AVIC
<b>“Board”</b>	the board of directors of the Company
<b>“Capital Contribution Agreement”</b>	The capital contribution agreement entered into among the Company and AVIC Guizhou Aircraft, Dazhong Flight, Shanghai Aviation Electronics, Tianjin Aviation, AVIC International Aero-Development, AVIC Jincheng on 6 September 2016, for the establishment of AviChina Intelligent Surveying & Mapping
<b>"Company"</b>	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
<b>“Dazhong Flight”</b>	Shenzhen Dazhong Flight Entrepreneurship Investment LLP (深圳市大眾飛行創業投資合夥企業), a company incorporated in the PRC
<b>“Director(s)”</b>	the director(s) of the Company

<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Shanghai Aviation Electronics”</b>	Shanghai Aviation Electronics Company (上海航空電子公司), a company incorporated in the PRC and is a subsidiary of AVIC
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“the PRC”</b>	the People’s Republic of China
<b>“Tianjin Aviation”</b>	AVIC Tianjin Aviation Electro-Mechanical Co., Ltd. (天津航空機電有限公司), a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of the Company

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

Beijing, 6 September 2016

*As at the date of this announcement, the Board comprises executive director Mr. Lin Zuoming and non-executive directors Mr. Tan Ruisong, Mr. Gu Huizhong, Mr. Gao Jianshe, Mr. He Zhiping and Mr. Kiran Rao as well as independent non-executive directors Mr. Lau Chung Man, Louis, Mr. Liu Renhuai and Mr. Yeung Jason Chi Wai.*

*\* For identification purposes only.*