

The 'Helicopter King Of China' Is Quietly Building An Empire



WICHITA, Kan. (AP) - Known as the "Helicopter King of China," Shenzong Cheng has been quietly building a small empire in aviation manufacturing. Now, the Chinese industrialist is making an ambitious play to acquire Kansas aircraft-maker Hawker Beechcraft's civilian aircraft operations.

As details of the \$1.79 billion deal with Beijing-based Superior Aviation Beijing Co. Ltd. begin to emerge in bankruptcy filings, so too does the dizzying maze of companies leading back to Cheng in Beijing. Superior is 60 percent owned by Beijing Superior Aviation Technology Corp. Ltd. - a private entity entirely owned by Cheng and his wife, Qin Wang, according to a letter outlining the proposal.

Hawker Beechcraft, which filed for bankruptcy protection in May, said it was premature to comment on Cheng's role in the acquisition.

Superior CEO Tim Archer told The Associated Press in a written statement Thursday that Superior Aviation looks forward to a strategic partnership with Hawker Beechcraft's civilian aircraft division. He said Superior intends to strengthen Hawker Beechcraft's position as a global leader by "re-igniting" its research and development programs.

"We will aggressively work to keep jobs in the United States by continued production of the Hawker and Beechcraft product lines and expanding the production, design, and servicing of civilian aircraft at all locations including Kansas, Arkansas and Texas, and many other states across America," Archer wrote.

An assistant for Cheng in China, Qian Chunyuan, said that Cheng was too busy to give interviews.

In a report published this week in a Chinese newspaper, 21st Century Business Herald, Qian was quoted saying Hawker Beechcraft is "a company whose brand value is very high, with many bidders." He also told the newspaper that Cheng is pursuing another potential acquisition, an Australian aircraft distributor, which would be used to sell the company's products.

Cheng is chairman of Qingdao Haili Helicopter Co. Ltd., a helicopter manufacturer in the eastern coastal city of Qingdao that makes B-2B light helicopters as well as unmanned helicopters. The newspaper Oriental Morning Post in Shanghai reported Qingdao Haili has suspended helicopter production due to poor export orders.

Cheng also is chairman of Weifang Tianxiang Aviation Technology Co. Ltd. In 2009, Weifang Tianxiang and an American helicopter manufacturer, Brantly International Ltd., of Coppell, Texas, set up a joint venture, Weifang Tianxiang Aerospace Industry Co. Ltd., and received approval to invest \$20 million to set up a production line, according to the website of the Commerce Department of Shandong province, where Qingdao is located.

The engineering and administrative offices of Brantly International were relocated to Superior's facilities in Coppell, Texas, where their operations have apparently merged. Brantly, which once built the B-2B helicopters at its Texas plant, says all its manufacturing is done at its parent facility in Qingdao, China. Today, the company's parts and service department remains in business, but its website says no new helicopters are currently available for sale.

The Brantly Group paid \$7 million in 2009 to acquire U.S. aircraft parts supplier Superior Air Parts Co., which at the time was in bankruptcy proceedings, according to court filings.

In a letter sent to Hawker Beechcraft outlining Superior's proposal to acquire the Kansas plane-maker, Cheng touted his company's experience in the United States.

"Superior has acquired an aviation business in the U.S. in 2009 out of bankruptcy and has turned the target into a profitable business within less than two ... years under the ownership of Superior, so the management of Superior is very familiar with the bankruptcy acquisition process and acquiring and managing an aviation business in the U.S.," Cheng wrote.

Hawker Beechcraft employs about 7,400 people, with roughly 4,700 working at its Wichita, Kan., facility. It also has factories in Little Rock, Ark., the U.K. and Mexico, as well as more than 100 service centers

worldwide.

Analysts say it is unlikely Superior would move Hawker Beechcraft's entire aircraft production lines to China because doing so would mean the loss of its FAA production certificate, although some work could be farmed out.

In his letter to Hawker Beechcraft, Cheng wrote that Superior had no plans to relocate or terminate any manufacturing facilities or product lines. But Cheng also noted that Superior has worked closely with the Beijing municipal government to build a strong aviation industry in Beijing.

The remaining 40 percent ownership interest in Superior is held by Beijing E-Town International Investment & Development Corp. Ltd., an investment company controlled by the Beijing municipal government. E-Town owns stakes in 23 foreign investment projects with total assets of \$1 billion, according to information publicized by the company in advertising for job applicants.

E-Town was set up in 2009 by the Beijing city government's Economic and Technology Development Committee.

It is intended to support development in the Yizhuang district on the southern edge of the Chinese capital.

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