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深圳中航集團股份有限公司

CATIC SHENZHEN HOLDINGS LIMITED

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

(Stock Code: 00161)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION ENTRUSTED MANAGEMENT AGREEMENT

On 17 May 2011, Shanghai Tian Ma and Xiamen Tian Ma entered into the Xiamen Tian Ma Agreement, pursuant to which Shanghai Tian Ma agreed to provide management services to Xiamen Tian Ma for a term commencing from 17 May 2011 and ending on 28 February 2014 under the terms of the Xiamen Tian Ma Agreement.

Reference is made to the Announcement. On 5 February 2010, Shanghai Tian Ma and Shanghai CATIC Opto-electronics, which is owned as to 51% by Shenzhen CATIC and 49% by AVIC International, entered into the Shanghai Tian Ma Agreement, pursuant to which Shanghai Tian Ma agreed to provide management services to Shanghai CATIC Opto-electronics for a term commencing from 1 February 2010 and ending on 31 December 2011 for such management fees, on an annual basis, not exceeding RMB15,000,000 and RMB25,000,000 respectively for each of the twelve months ending 31 December 2010 and 31 December 2011. On 25 February 2011, Tian Ma and Shenzhen CATIC Opto-electronics, which is owned as to 51% by Shenzhen CATIC and as to 49% by AVIC International, entered into the Tian Ma Agreement, pursuant to which Shenzhen CATIC Opto-electronics has entrusted Tian Ma to manage the rights as shareholder of NEC LCD Technologies, Ltd., vested in Shenzhen CATIC Opto-electronics for a term of one year commencing from 25 February 2011 and ending on 24 February 2012. The entrustment fee payable by Shenzhen CATIC Opto-electronics to Tian Ma under the Tian Ma Agreement is RMB1,000,000. Pursuant to Rules 14A.26(1) and 14A.32 of the Listing Rules, the Shanghai Tian Ma Agreement and the Tian Ma Agreement are in aggregate subject to reporting and announcement requirements but exempt from the independent Shareholders' approval.

LISTING RULES IMPLICATIONS

Shanghai Tian Ma is a non-wholly owned subsidiary of the Company. Xiamen Tian Ma is directly owned as to 15.3%, 14.7%, 6% and 64% by Shenzhen CATIC, AVIC International, Xiamen CATIC and Xiamen Jincai respectively. Shenzhen CATIC is the promoter and the controlling shareholder of the Company, which as at the date of this announcement, held approximately 58.77% of the issued share capital of the Company. As at date of this announcement, AVIC International held 100% interest in each of Shenzhen CATIC and Xiamen CATIC. Accordingly, Xiamen Tian Ma is a connected person of the Company and the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the Transaction aggregating the transactions contemplated under the Shanghai Tian Ma Agreement and the Tian Ma Agreement are, on an annual basis, more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

Taking into account the technology, skillful staff and experiences possessed by Shanghai Tian Ma in relation to the LTPS-LCD and CF coloured filter production lines, Xiamen Tian Ma entered into the Xiamen Tian Ma Agreement with Shanghai Tian Ma on 17 May 2011, entrusting Shanghai Tian Ma to manage its operation.

Reference is made to the Announcement. On 5 February 2010, Shanghai Tian Ma and Shanghai CATIC Opto-electronics, which is owned as to 51% by Shenzhen CATIC and 49% by AVIC International, entered into the Shanghai Tian Ma Agreement, pursuant to which Shanghai Tian Ma agreed to provide management services to Shanghai CATIC Opto-electronics for a term commencing from 1 February 2010 and ending on 31 December 2011 for such management fees, on an annual basis, not exceeding RMB15,000,000 and RMB25,000,000 respectively for each of the twelve months ending 31 December 2010 and 31 December 2011. On 25 February 2011, Tian Ma and Shenzhen CATIC Opto-electronics, which is owned as to 51% by Shenzhen CATIC and as to 49% by AVIC International, entered into the Tian Ma Agreement, pursuant to which Shenzhen CATIC Opto-electronics has entrusted Tian Ma to manage the rights as shareholder of NEC LCD Technologies, Ltd., vested in Shenzhen CATIC Opto-electronics for a term of one year commencing from 25 February 2011 and ending on 24 February 2012. The entrustment fee payable by Shenzhen CATIC Opto-electronics to Tian Ma under the Tian Ma Agreement is RMB1,000,000. Pursuant to Rules 14A.26(1) and 14A.32 of the Listing Rules, the Shanghai Tian Ma Agreement and the Tian Ma Agreement are in aggregate subject to reporting and announcement requirements but exempt from the independent Shareholders' approval.

THE XIAMEN TIAN MA AGREEMENT

Date: 17 May 2011

Parties: (a) Shanghai Tian Ma; and

(b) Xiamen Tian Ma.

Xiamen Tian Ma is owned as to 15.3%, 14.7%, 6% and 64% by Shenzhen CATIC, AVIC International, Xiamen CATIC and Xiamen Jincai respectively. Shenzhen CATIC is the promoter and the controlling shareholder of the Company, which as at the date of this announcement, held approximately 58.77% of the issued share capital of the Company. As at the date of this announcement, AVIC International held 100% interest in each of Shenzhen CATIC and Xiamen CATIC. Accordingly, Xiamen Tian Ma is a connected person of the Company and the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Major Terms

Pursuant to the Xiamen Tian Ma Agreement, Shanghai Tian Ma agreed to provide management services to Xiamen Tian Ma for a term commencing from 17 May 2011 and ending on 28 February 2014.

Subject Matter

Pursuant to the Xiamen Tian Ma Agreement, Shanghai Tian Ma will be responsible for the entrusted management of, among other things, assets, indebtedness, staff, construction, production operation and business of Xiamen Tian Ma, which include providing use of technology know-how, design of production plant and equipment purchase, procurement, sale network and channels, customer resources, logistics, information technology, operation resources, management capacity and various intellectual property rights. During the term of the Xiamen Tian Ma Agreement, Shanghai Tian Ma shall follow the decisions of the board of directors or the shareholders of Xiamen Tian Ma made at the general meetings in accordance with the Articles of Xiamen Tian Ma in respect of any material matters encountered during the management by Shanghai Tian Ma.

Rights and Obligations

During the term of the Xiamen Tian Ma Agreement, Xiamen Tian Ma (among others):

1. owns the entire financial income generated by Xiamen Tian Ma under the operation and management of Shanghai Tian Ma;
2. has the right of information in relation to the production and operation activities;
3. has the right to supervise the management activities of Shanghai Tian Ma through its board of directors, and to prohibit any entrusted management activities of Shanghai Tian Ma if such activities would affect the image or operations, or would damage the legitimate rights and interest of Xiamen Tian Ma;

4. shall provide the necessary liquidity for operation;
5. shall timely review and approve the annual operation plan and proposal, annual financial budgets proposed by Shanghai Tian Ma;
6. shall not interfere with the normal entrusted management activities of Shanghai Tian Ma in accordance with the Xiamen Tian Ma Agreement, and the laws and regulations; and
7. has the right to use the various intellectual property rights owned by Shanghai Tian Ma and the ancillary systems but shall not transfer the rights or provide to use the same by a third party.

During the term of the Xiamen Tian Ma Agreement, Shanghai Tian Ma (among others):

1. has the right to request Xiamen Tian Ma to timely provide the necessary liquidity for the normal production and operation;
2. has the right to select and assign qualified persons from Shanghai Tian Ma to take up the management and technical roles in Xiamen Tian Ma;
3. may request Xiamen Tian Ma to replace or purchase production facilities subject to the approval of the board of directors of Xiamen Tian Ma;
4. shall be allowed to act freely in its management activities in accordance with the terms of the Xiamen Tian Ma Agreement without the unlawful interference of Xiamen Tian Ma;
5. shall act in good faith and with due diligence to perform its management duties in accordance with the laws, and not to engage in any activities that will adversely affect the interest of Xiamen Tian Ma;
6. shall not make use of the assets of Xiamen Tian Ma for its own benefits without the consent of Xiamen Tian Ma;
7. shall lawfully manage the enterprise within the entrustment scope and timely communicate with Xiamen Tian Ma to ensure proper management;
8. shall assist Xiamen Tian Ma in the construction in order to satisfactorily enable Xiamen Tian Ma to operate and conduct sale normally with all-rounded entrustment system; and
9. shall continue the research and development of LTPS-LCD projects to ensure that it is advanced and possess development ability, strengthen the sale channels and customer development strategy and optimize the capability of the operation, price negotiation and material supply and purchase.

Assets Rights and Disposal

During the term of the Xiamen Tian Ma Agreement, all the credit rights and liabilities of Xiamen Tian Ma arisen shall be enjoyed or assumed (as the case may be) by Xiamen Tian Ma. All the income and property rights generated shall belong to Xiamen Tian Ma but Shanghai Tian Ma has the right to utilize and allocate the assets of Xiamen Tian Ma in accordance with the terms of the Xiamen Tian Ma Agreement.

During the term of the Xiamen Tian Ma Agreement, Shanghai Tian Ma is not allowed to dispose of or pledge the assets of Xiamen Tian Ma in any way without the prior consent of the board of directors of Xiamen Tian Ma.

Intellectual Property Rights and Trademarks

Shanghai Tian Ma authorizes Xiamen Tian Ma to use Shanghai Tian Ma's technology skill of LTPS-LCD and CF coloured filter production lines, various intellectual property rights and trademarks (including those already registered or in the process of registration), signs, logos and images in the designated areas and the relevant royalty will be included in the management fees to be payable by Xiamen Tian Ma to Shanghai Tian Ma under the Xiamen Tian Ma Agreement, while the ownership of the above intellectual property rights and trademarks and the new know-how generated therefrom shall belong and remain belonging to Shanghai Tian Ma.

Conditions

The Xiamen Tian Ma Agreement is conditional upon (among others) the fulfillment of the relevant procedures by Tian Ma as required by the Shenzhen Stock Exchange and the fulfillment of the relevant procedures by the Company as required by the Listing Rules.

Management Fees

Under the Xiamen Tian Ma Agreement, Shanghai Tian Ma will be entitled to the following management fee in the aggregate amount of not exceeding RMB30 million during the term:

Period	Management fee
(a) 17 May 2011 – 29 February 2012	RMB 10 million
(b) 1 March 2012 – 28 February 2013	RMB 10 million
(c) 1 March 2013 – 28 February 2014	RMB 10 million

The above management fees are payable in cash by Xiamen Tian Ma in the following manners:

- (a) RMB5 million to be paid on or before 30 September 2011;
- (b) RMB5 million to be paid on or before 31 March 2012;
- (c) RMB5 million to be paid on or before 30 September 2012;
- (d) RMB5 million to be paid on or before 31 March 2013;
- (e) RMB5 million to be paid on or before 30 September 2013; and
- (f) RMB5 million to be paid on or before 31 March 2014.

The above management fees are determined after arm's length negotiation between Shanghai Tian Ma and Xiamen Tian Ma with reference to the resources (including technology and manpower) to be contributed by Shanghai Tian Ma under the Transaction.

Other terms

If Xiamen Tian Ma requests for staff training or additional technology development services including, inter alia, design, testing, inspection and valuation during the term of the Xiamen Tian Ma Agreement, the parties shall further negotiate on the terms and management fees and enter into agreement in respect thereof. In this connection, the Company will comply with the announcement, reporting and/or shareholders approval requirements under the Listing Rules as and when the circumstances require.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the design, manufacture and sale of certain industry and consumer electronic products, including liquid crystal display (LCD), printed circuit board (PCB) and mechanical and quartz timepieces, hotel operation and property development as well as the agriculture related resources industry.

INFORMATION OF SHANGHAI TIAN MA

Shanghai Tian Ma, a company established in the PRC, is principally engaged in the investment, construction and operation of production line in thin film transistor liquid crystal display (TFT-LCD).

INFORMATION OF XIAMEN TIAN MA

Xiamen Tian Ma, a company established in the PRC, is principally engaged in the provision of liquid crystal displays and ancillary materials, equipment, products and design, production and sale, and providing related technology development, technology consultation, technology services and technology transfers; import and export business of various products and technology (excluding state-restricted items).

REASONS FOR THE TRANSACTION

The Directors consider that the Transaction is the recognition of Shanghai Tian Ma's expertise and experience in the LTPS-LCD and coloured filter production lines and can further generate a new business module and introduce a new income stream to Shanghai Tian Ma.

The Directors (including the independent non-executive Directors) believe that the Transaction is on normal commercial terms and in the ordinary and usual course of business of Shanghai Tian Ma and the Company, and the terms of the Xiamen Tian Ma Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Shanghai Tian Ma is a non-wholly owned subsidiary of the Company. Xiamen Tian Ma is directly owned as to 15.3%, 14.7%, 6% and 64% by Shenzhen CATIC, AVIC International, Xiamen CATIC and Xiamen Jincai respectively. Shenzhen CATIC is the promoter and the controlling shareholder of the Company, which as at the date of this announcement, held approximately 58.77% of the issued share capital of the Company. As at date of this announcement, AVIC International held 100% interest in each of Shenzhen CATIC and Xiamen CATIC. Accordingly, Xiamen Tian Ma is a connected person of the Company and the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the Transaction aggregating the transactions contemplated under the Shanghai Tian Ma Agreement and the Tian Ma Agreement are, on an annual basis, more than 0.1% but less than 5%, the Transaction is also only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Furthermore, save and except Mr. Liu Rui Lin who is also a director of Xiamen Tian Ma, has abstained from voting on the Board resolutions in relation to the Transaction, no other Director has material interest in the Transaction or is required to abstain from voting on the Board resolutions in relation to the Transaction.

DEFINITIONS

“Announcement”	the announcement of the Company dated 25 February 2011 in relation to the Tian Ma Agreement;
“AVIC International”	AVIC International Holdings Limited (中國航空技術國際控股有限公司), a state owned company incorporated under the laws of the PRC, which is the holding company of Shenzhen CATIC;
“Board”	the board of directors of the Company;

“Company”	CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any of the connected person(s) (as defined in the Listing Rules) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LTPS-LCD”	low-temperature multicrystalline silicon – liquid crystal display
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai CATIC Opto-electronics”	Shanghai CATIC Opto-electronics Limited (上海中航光電子有限公司), a domestic company established under the laws of the PRC;
“Shanghai Tian Ma”	Shanghai Tian Ma Microelectronics Co., Ltd. (上海天馬微電子有限公司), a non-wholly owned subsidiary of the Company;
“Shanghai Tian Ma Agreement”	the entrusted management agreement dated 5 February 2010 entered into between Shanghai Tian Ma and Shanghai CATIC Opto-electronics;
“Shareholder(s)”	holder(s) of shares of the Company;
“Shenzhen CATIC”	CATIC Shenzhen Company Limited (中國航空技術深圳有限公司), formerly known as CATIC Shenzhen Company (中國航空技術進出口深圳公司), a state owned company incorporated under the laws of the PRC, which is the controlling shareholder of the Company;
“Shenzhen CATIC Opto-electronics”	Shenzhen CATIC Opto-electronics Limited (深圳中航光電子有限公司), a domestic company established under the laws of the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tian Ma”	Tian Ma Microelectronics Company Limited (天馬微電子股份有限公司), a subsidiary of the Company, the A shares of which are listed on the Shenzhen Stock Exchange;
“Tian Ma Agreement”	the entrusted management agreement dated 25 February 2011 entered into between Tian Ma and Shenzhen CATIC Opto-electronics;
“Transaction”	provision of management services to be provided by Shanghai Tian Ma to Xiamen Tian Ma as contemplated under the Xiamen Tian Ma Agreement;
“Xiamen CATIC”	CATIC Xiamen Company Limited (中國航空技術廈門有限公司), a state owned company established under the laws of the PRC, which is directly and wholly owned by AVIC International;
“Xiamen Jincai”	Xiamen Jincai Company (廈門金財公司), a domestic company established in the PRC and an Independent Third Party;
“Xiamen Tian Ma Agreement”	the entrusted management agreement dated 17 May 2011 entered into between Shanghai Tian Ma and Xiamen Tian Ma;
“Xiamen Tian Ma”	Xiamen Tian Ma Microelectronics Co., Ltd. (廈門天馬微電子有限公司), a domestic company established under the laws of the PRC.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translations, the Chinese version shall prevail.

As at the date of this announcement, the Board comprises a total of 13 Directors, Mr. Wu Guang Quan, Mr. You Lei, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Liu Rui Lin, and Mr. Xu Dong Sheng as executive Directors; Mr. Cheng Bao Zhong, Mr. Qiu Shen Qian, Mr. Li Cheng Ning and Mr. Wang Bin Bin as non-executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Liu Xian Fa as independent non-executive Directors.

By Order of the Board
CATIC Shenzhen Holdings Limited
Wu Guang Quan
Chairman

Shenzhen, the PRC, 17 May 2011