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中航國際控股股份有限公司

AVIC INTERNATIONAL HOLDINGS LIMITED

*(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))
(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 00161)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENTS IN RELATION TO

LEASING AND MANAGEMENT OF PROPERTIES

On 13 January 2014, the Company entered into the following Framework Agreements:

- (1) The AVIC International Rental Framework Agreement in relation to the leasing of real estate properties by the Group;
- (2) The Beijing Raise Tenancy Framework Agreement and the AVIC International Tenancy Framework Agreement in relation to the leasing of real estate properties to the Group, respectively; and
- (3) The Beijing Raise Property Management Framework Agreement and the AVIC International Property Management Framework Agreement in relation to the provision of property management services to the Group, respectively;

each for a term from the date of its execution to 31 December 2016 (subject to their respective conditions precedent).

As AVIC International (including its Associated Companies) and Beijing Raise (including its subsidiaries) are connected persons of the Company, the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for each of (i) the AVIC International Rental Framework Agreement, (ii) for the Tenancy Framework Agreements, in aggregate, and (iii) for the Property Management Framework Agreements, in aggregate, respectively, exceed 0.1% but are less than 5%, each of (i) the AVIC International Rental Framework Agreement, (ii) the Tenancy Framework Agreements and (iii) the Property Management Framework Agreements will be subject to, among other things, the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. AVIC INTERNATIONAL RENTAL FRAMEWORK AGREEMENT

Date:

13 January 2014

Parties:

Landlord: the Company

Tenant: AVIC International

Duration:

The AVIC International Rental Framework Agreement is for a term from the date of its execution to 31 December 2016 and is conditional upon, among other things, the Company having obtained the approval from the Board and such approval as may be required under the Listing Rules.

Upon the AVIC International Rental Framework Agreement becoming effective, existing framework agreement(s) (i.e. the two framework leases dated 19 December 2011 entered into between Fiyta Holdings Limited (a subsidiary of the Group) and AVIC Shenzhen, and between Guangdong International Building Industrial Company Limited (a subsidiary of the Company) and AVIC Lutong Company Limited (a subsidiary of the Group), respectively, for a term expiring on 31 December 2014, details of which are referred to in the announcement of the Company regarding continuing connected transactions in relation to leases dated 19 December 2011) will be terminated.

Details of the Transactions:

According to the AVIC International Rental Framework Agreement, the Group agreed to lease to AVIC International and/or its Associated Companies real estate properties during the term of the AVIC International Rental Framework Agreement.

Historical Figures and Annual Caps:

Set out below is a summary of the historical transaction amounts of the Group leasing real estate properties to AVIC International and/or its Associated Companies for the years ended 31 December 2011 and 2012, and for the nine months ended 30 September 2013:

	Year ended 31 December 2011	2012	Nine months ended 30 September 2013 (unaudited)
	RMB12,309,703	RMB14,549,268	RMB10,471,725

Set out below are the proposed annual caps for the transactions contemplated under the AVIC International Rental Framework Agreement during its term:

	Year ending 31 December	
2014	2015	2016
RMB35,000,000	RMB40,000,000	RMB45,000,000

The proposed annual caps are determined with reference to the historical transaction amounts of leasing of real estate properties by the Group to AVIC International and/or its Associated Companies, the leaseable area in near future, the prevailing market rents for similar properties in nearby area, and the expected growth in market rents in near future.

The amounts to be received by the Group from AVIC International and/or its Associated Companies under the AVIC International Rental Framework Agreement will be determined on a fair and reasonable basis and based on fair market rate, and in principle, they will not deviate from the price and terms offered to Independent Third Parties.

Reasons for and Benefits of the Transactions:

The Group owns various real estate properties in areas such as Shenzhen, Beijing and other cities in the PRC, while AVIC International and/or its Associated Companies establish companies or branches in these areas. Leasing the real estate properties of the Group at rent similar to the prevailing market rents and on normal commercial terms after arm's length negotiation will increase revenue of the Group as a whole.

The Directors (including the independent non-executive Directors) are of the view that the AVIC International Rental Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the AVIC International Rental Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2. TENANCY FRAMEWORK AGREEMENTS

2.1 Beijing Raise Tenancy Framework Agreement

Date:

13 January 2014

Parties:

Landlord: Beijing Raise

Tenant: the Company

Duration:

The Beijing Raise Tenancy Framework Agreement is for a term from the date of its execution to 31 December 2016 and is conditional upon, among other things, the Company having obtained the approval from the Board and such approval as may be required under the Listing Rules.

Details of the Transactions:

According to the Beijing Raise Tenancy Framework Agreement, Beijing Raise and/or its subsidiaries agreed to lease to the Group real estate properties during the term of the Beijing Raise Tenancy Framework Agreement.

Historical Figures and Annual Caps:

Set out below is a summary of the historical transaction amounts of Beijing Raise and/or its subsidiaries leasing real estate properties to the Group for the years ended 31 December 2011 and 2012, and for the nine months ended 30 September 2013:

2011	Year ended 31 December 2012	Nine months ended 30 September 2013 (unaudited)
RMB10,844	RMB980,727	RMB78,892

Set out below are the proposed annual caps for the transactions contemplated under the Beijing Raise Tenancy Framework Agreement during its term:

2014	Year ending 31 December 2015	2016
RMB5,000,000	RMB5,000,000	RMB5,000,000

The proposed annual caps are determined with reference to areas of real estate properties proposed to be leased by the Group from Beijing Raise and/or its subsidiaries, taking into account the prevailing market rents for similar properties in nearby area.

The amounts to be paid by the Group to Beijing Raise and/or its subsidiaries under the Beijing Raise Tenancy Framework Agreement will be determined on a fair and reasonable basis and based on fair market rate, and in principle, they will not deviate from the price and terms offered by Independent Third Parties.

Reasons for and Benefits of the Transactions:

As enterprise(s) owned by Aviation Industry, Beijing Raise and/or its subsidiaries are familiar with the Group. Taking into account the local rents of similar rental services comprehensively and under normal business terms, the Group considers renting properties from Beijing Raise and/or its subsidiaries in the ordinary and usual course of business of the Group will reduce transaction and communication costs.

The Directors (including the independent non-executive Directors) are of the view that the Beijing Raise Tenancy Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the Beijing Raise Tenancy Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2.2 AVIC International Tenancy Framework Agreement

Date:

13 January 2014

Parties:

Landlord: AVIC International

Tenant: the Company

Duration:

The AVIC International Tenancy Framework Agreement is for a term from the date of its execution to 31 December 2016 and is conditional upon, among other things, the Company having obtained the approval from the Board and such approval as may be required under the Listing Rules.

Details of the Transactions:

According to the AVIC International Tenancy Framework Agreement, AVIC International and/or its Associated Companies agreed to lease to the Group real estate properties during the term of the AVIC International Tenancy Framework Agreement.

Historical Figures and Annual Caps:

Set out below is a summary of the historical transaction amounts of AVIC International and/or its Associated Companies leasing real estate properties to the Group for the years ended 31 December 2011 and 2012, and for the nine months ended 30 September 2013:

Year ended 31 December		Nine months ended 30 September
2011	2012	2013 (unaudited)
RMB1,024,487	RMB910,978	RMB1,205,613

Set out below are the proposed annual caps for the transactions contemplated under the AVIC International Tenancy Framework Agreement during its term:

	Year ending 31 December	
2014	2015	2016
RMB75,000,000	RMB80,000,000	RMB85,000,000

The Group proposes to lease from Associated Companies of AVIC International certain newly constructed commercial properties for office use. In addition, following completion of on-going acquisitions by the Group, it is expected that the Group will include more members, and it is expected that these new members of the Group will also lease from AVIC International and/or its Associated Companies in its ordinary and usual course of business. On this basis, the proposed annual caps are determined with reference to areas of real estate properties proposed to be leased by the Group from AVIC International and/or its Associated Companies, taking into account the prevailing market rents for similar properties in nearby areas.

The amounts to be paid by the Group to AVIC International and/or its Associated Companies under the AVIC International Tenancy Framework Agreement will be determined on a fair and reasonable basis and based on fair market rate, and in principle, they will not deviate from the price and terms offered by Independent Third Parties.

Reasons for and Benefits of the Transactions:

The newly constructed high-end commercial properties of Associated Companies of AVIC International are close to existing office buildings of the Company, and the proposed leasing of offices will enhance the corporate image of the Company. In addition, the continuation of existing leasing of real estate properties by the Group from AVIC International and/or its Associated Companies will maintain stability of the Group as a whole.

The Directors (including the independent non-executive Directors) are of the view that the AVIC International Tenancy Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the AVIC International Tenancy Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. PROPERTY MANAGEMENT FRAMEWORK AGREEMENTS

3.1 Beijing Raise Property Management Framework Agreement

Date:

13 January 2014

Parties:

Landlord: the Company

Service provider: Beijing Raise

Duration:

The Beijing Raise Property Management Framework Agreement is for a term from the date of its execution to 31 December 2016 and is conditional upon, among other things, the Company having obtained the approval from the Board and such approval as may be required under the Listing Rules.

Details of the Transactions:

According to the Beijing Raise Property Management Framework Agreement, Beijing Raise and/or its subsidiaries will provide property management services to the Group during the term of the Beijing Raise Property Management Framework Agreement.

Historical Figures and Annual Caps:

Set out below is a summary of the historical transaction amounts of provision of property management services by Beijing Raise and/or its subsidiaries to the Group for the years ended 31 December 2011 and 2012, and for the nine months ended 30 September 2013:

2011	Year ended 31 December 2012	Nine months ended 30 September 2013 (unaudited)
RMB270,284	RMB3,295,302	RMB10,661

Set out below are the proposed annual caps for the transactions contemplated under the Beijing Raise Property Management Framework Agreement during its term:

2014	Year ending 31 December 2015	2016
RMB5,000,000	RMB5,000,000	RMB5,000,000

The proposed annual caps are determined with reference to historical transaction amounts for property management services paid by the Group, and the scope of services to be provided by Beijing Raise and/or its subsidiaries.

The amounts to be paid by the Group to Beijing Raise and/or its subsidiaries under the Beijing Raise Property Management Framework Agreement will be determined on a fair and reasonable basis and based on fair market rate, and in principle, they will not deviate from the price and terms offered by Independent Third Parties.

Reasons for and Benefits of the Transactions:

Beijing Raise and/or its subsidiaries possess the professional qualifications in property management, and includes professional property management company currently providing property management services to various blocks of real estate properties of subsidiaries of the Company, and are familiar to the requests of the Group. The continuation of such property management services in the ordinary and usual course of business of the Group will reduce transaction and communication costs.

The Directors (including the independent non-executive Directors) are of the view that the Beijing Raise Property Management Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the Beijing Raise Property Management Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2 AVIC International Property Management Framework Agreement

Date:

13 January 2014

Parties:

Landlord: the Company

Service provider: AVIC International

Duration:

The AVIC International Property Management Framework Agreement is for a term from the date of its execution to 31 December 2016 and is conditional upon, among other things, the Company having obtained the approval from the Board and such approval as may be required under the Listing Rules.

Upon the AVIC International Property Management Framework Agreement becoming effective, existing framework agreements (i.e., the five property service contracts dated 21 December 2011 entered into between Chengdu Tian Ma Microelectronics Co., Ltd., Fiyta Holdings Limited, Guangdong International Building Industrial Company Limited, Shanghai Tian Ma Microelectronics Co., Ltd. and Tian Ma Microelectronics Company Limited (each a subsidiary of the Company) with CATIC Property Management Company Limited (an indirect subsidiary of AVIC International) and/or its branch, expiring on 31 December 2014, details of which are referred to in the announcement of the Company regarding continuing connected transactions in relation to renewal of property service contracts dated 21 December 2011, and the property service contract dated 22 November 2012 entered into between Chengdu AVIC Raise Estate Company Limited (a subsidiary of the Company) and CATIC Property Management Company Limited (Chengdu Branch), a branch of CATIC Property Management Company Limited, expiring on 31 December 2014, details of which are referred to in the announcement of the Company regarding continuing connection transaction in relation to property service contract dated 22 November 2012, respectively) will be terminated.

Details of the Transactions:

According to the AVIC International Property Management Framework Agreement, AVIC International and/or its Associated Companies will provide property management services to the Group during the term of the AVIC International Property Management Framework Agreement.

Historical Figures and Annual Caps:

Set out below is a summary of the historical transaction amounts of provision of property management services by AVIC International and/or its Associated Companies to the Group for the years ended 31 December 2011 and 2012, and for the nine months ended 30 September 2013:

2011	Year ended 31 December 2012	Nine months ended 30 September 2013 (unaudited)
RMB22,666,824	RMB22,983,485	RMB17,293,867

Set out below are the proposed annual caps for the transactions contemplated under the AVIC International Property Management Framework Agreement during its term:

2014	Year ending 31 December 2015	2016
RMB60,000,000	RMB60,000,000	RMB60,000,000

The proposed annual caps are determined with reference to historical transaction amounts for property management services paid by the Group, taking into account potential increase in number of property management projects with AVIC International and/or its Associated Companies following completion of on-going acquisitions of the Group in near future.

The amounts to be paid by the Group to AVIC International and/or its Associated Companies under the AVIC International Property Management Framework Agreement will be determined on a fair and reasonable basis and based on fair market rate, and in principle, they will not deviate from the price and terms offered by Independent Third Parties.

Reasons for and Benefits of the Transactions:

AVIC International and/or its Associated Companies have professional qualifications and expertise in property management, and are outstanding property management enterprises in the PRC. They have also been providing property management services to the Group for an extended period of time, and have in-depth knowledge of the requests and needs of the Group, which enable the Group to obtain better and more suitable property management services.

The Directors (including the independent non-executive Directors) are of the view that the AVIC International Property Management Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the AVIC International Property Management Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is an investment holding company. It is principally engaged in the the businesses of electronic high technology, retails and high-end customers products, real estate and hotel, trade and logistics, resource investment and development.

INFORMATION OF AVIC INTERNATIONAL AND BEIJING RAISE

AVIC International, a state-owned enterprise established in the PRC, is a controlling shareholder of the Company. As the comprehensive platform under Aviation Industry, AVIC International's core businesses consist of international aviation, trade and logistics, retail and high-end consumer goods, real estate and hotels management, electronic high technology, development of resources.

Beijing Raise is mainly engaged in property development, hotel operation and property management. Its equity interest is owned as to, among others, 60% by Aviation Industry, which holds 76.83% equity interests in AVIC International, and 4% by AVIC International, respectively. Beijing Raise is dedicated to become an outstanding integrated property enterprise in the PRC through standardized and professional property development and customer services.

As at the date of this announcement, AVIC International holds approximately 39.37% of the issued share capital of the Company, and it owns 100% equity interest in AVIC Shenzhen, which in turns holds approximately 35.63% of the issued share capital of the Company. Aviation Industry and AVIC International hold, in aggregate, 64% interest in Beijing Raise. AVIC International, AVIC Shenzhen and Beijing Raise hold perpetual subordinated convertible securities which, in aggregate, may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment according to the terms thereof) as at the date of this announcement.

In light of the above, each of AVIC International and Beijing Raise is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As AVIC International (including its Associated Companies) and Beijing Raise (including its subsidiaries) are connected persons of the Company, the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for each of (i) the AVIC International Rental Framework Agreement, (ii) for the Tenancy Framework Agreements, in aggregate, and (iii) for the Property Management Framework Agreements, in aggregate, respectively, exceed 0.1% but are less than 5%, each of (i) the AVIC International Rental Framework Agreement, (ii) the Tenancy Framework Agreements and (iii) the Property Management Framework Agreements will be subject to, among other things, the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for Mr. Wu Guang Quan and Mr. You Lei, who are also directors of AVIC International, none of the Directors has a material interest in the Framework Agreements and the transactions contemplated thereunder. None of the Directors are required or have abstained from voting at the meeting of the Board on each resolution to approve the Framework Agreements and the transactions contemplated thereunder (including the related annual caps).

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Associated Companies”	in relation to a company, means its subsidiaries, any other company in which a company or its subsidiaries, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of voting power at general meetings, or to control the composition of a majority of the board of directors, and any other company which is its subsidiary;
“Aviation Industry”	Aviation Industry Corporation of China (中國航空工業集團公司), an enterprise owned by the whole people (全民所有制企業) established in the PRC and holds 76.83% equity interest in AVIC International;
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a limited liability company established in the PRC, a controlling shareholder of the Company;
“AVIC International Property Management Framework Agreement”	the property management framework agreement dated 13 January 2014, entered into between the Company and AVIC International in relation to the provision of property management services to the Group by AVIC International and/or its Associated Companies;
“AVIC International Rental Framework Agreement”	the rental framework agreement dated 13 January 2014, entered into between the Company and AVIC International in relation to the leasing of real estate properties by the Group to AVIC International and/or its Associated Companies;

“AVIC International Tenancy Framework Agreement”	the tenancy framework agreement dated 13 January 2014, entered into between the Company and AVIC International in relation to the leasing of real estate properties to the Group by AVIC International and/or its Associated Companies;
“AVIC Shenzhen”	AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司), a limited liability company established in the PRC, a controlling shareholder of the Company, and as at the date of this announcement, its entire equity interest is owned by AVIC International;
“Beijing Raise”	Beijing Raise Science Company Limited (北京瑞賽科技有限公司), a limited liability company established in the PRC, and as at the date of this announcement, its equity interest is owned as to 60% by Aviation Industry, 4% by AVIC International, 16% by China Air To Air Missile Research Institute (中國空空導彈研究院), 8% by Shenyang Aircraft Industry (Group) Company Limited (瀋陽飛機工業(集團)有限公司), 8% by Xi’an Aviation Calculation Technology Research Institute of Aviation Industry Corporation of China (中國航空工業集團公司西安航空計算技術研究所) and 4% by Jincheng Group Company Limited (金城集團有限公司);
“Beijing Raise Property Management Framework Agreement”	the property management framework agreement dated 13 January 2014, entered into between the Company and Beijing Raise in relation to the provision of property management services to the Group by Beijing Raise and/or its subsidiaries;
“Beijing Raise Tenancy Framework Agreement”	the tenancy framework agreement dated 13 January 2014, entered into between the Company and Beijing Raise in relation to the leasing of real estate properties to the Group by Beijing Raise and/or its subsidiaries;
“Board”	the board of Directors;
“Company”	AVIC International Holdings Limited (中航國際控股股份有限公司) (formerly known as 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, whose H Shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Domestic Share(s)”	ordinary domestic share(s) of nominal value of RMB1.00 each in the capital of the Company which are subscribed for and traded in RMB;
“Framework Agreements”	the AVIC International Rental Framework Agreement, the Tenancy Framework Agreements and the Property Management Framework Agreements;
“Group”	the Company and its subsidiaries;
“H Share(s)”	overseas listed foreign invested share(s) of the nominal value of RMB1.00 each in the capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK\$;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholder(s)”	Shareholder(s) other than Aviation Industry, AVIC International and their respective associates (including AVIC Shenzhen);
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“Property Management Framework Agreements”	the AVIC International Property Management Framework Agreement and the Beijing Raise Property Management Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tenancy Framework Agreements”

the AVIC International Tenancy Framework Agreement and the Beijing Raise Tenancy Framework Agreement; and

“%”

per cent.

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.

By Order of the Board
AVIC International Holdings Limited
Wu Guang Quan
Chairman

Shenzhen, the PRC, 13 January 2014

As at the date of this announcement, the Board comprises a total of 8 Directors, Mr. Wu Guang Quan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Zhang Ping as independent non-executive Directors.