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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)

DISCLOSEABLE AND CONNECTED TRANSACTION INVESTMENT COOPERATION AGREEMENT

THE INVESTMENT COOPERATION AGREEMENT

The Board is pleased to announce that on 17 December 2014, Xiamen Company (a wholly-owned subsidiary of the Company) entered into the Investment Cooperation Agreement with AVIC International, Xiamen Management Committee, AVIC Shenzhen, Xiamen Jincai and Xiamen Jinyuan in respect of the Investment Project. The estimated total investment amount of the Investment Project will be RMB12 billion (equivalent to approximately HK\$15 billion) which will be financed by the Capital Injection and the Bank Loan.

Capital Injection

Pursuant to the Investment Cooperation Agreement, Xiamen Company, AVIC Shenzhen, AVIC International and Xiamen Jincai, all being shareholders of Xiamen Tianma with respective equity interest of 6%, 15.3%, 14.7% and 64% therein, agreed to inject a total of RMB6 billion (equivalent to approximately HK\$7.5 billion) into Xiamen Tianma on a pro rata basis. The amount of Capital Injection to be made by Xiamen Company will be RMB360,000,000 (equivalent to approximately HK\$450,000,000). Since the Capital Injection is on a pro rata basis, Xiamen Tianma will remain held as to 6% by Xiamen Company. Upon completion of Capital Injection by its shareholders, the total registered capital of Xiamen Tianma will be increased from RMB2.8 billion (equivalent to approximately HK\$3.5 billion) to RMB8.8 billion (equivalent to approximately HK\$11 billion).

Bank Loan

Apart from the Capital Injection, the Investment Project will also be financed by the Bank Loan. Xiamen Tianma will borrow an estimated sum of RMB6 billion (equivalent to approximately HK\$7.5 billion) from bank(s). Pursuant to the Investment Cooperation Agreement, Xiamen Jinyuan will provide a guarantee of 80% of the Bank Loan in favour of the bank(s) and Xiamen Company will provide a guarantee of a sum not exceeding RMB200,000,000 (equivalent to approximately HK\$250,000,000) in respect of the Bank Loan. The actual amount of guarantee in respect of the Bank Loan to be provided by each of Xiamen Company, AVIC Shenzhen and AVIC International will be determined after negotiations between them and in any event, the maximum sum of guarantee to be provided by Xiamen Company will not exceed RMB200,000,000 (equivalent to approximately HK\$250,000,000).

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC International was a controlling Shareholder holding approximately 39.37% of the issued share capital of the Company, and it owned 100% equity interest of AVIC Shenzhen, which in turn is a controlling Shareholder holding approximately 35.63% of the issued share capital of the Company. AVIC International and AVIC Shenzhen held, in aggregate, 30% interest in Xiamen Tianma.

Accordingly, each of AVIC Shenzhen, AVIC International and Xiamen Tianma is a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions to be contemplated under the Investment Cooperation Agreement constitute a connected transaction. Hence, the Investment Cooperation Agreement will be subject to, among other things, the independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Investment Cooperation Agreement are more than 5% but less than 25%, the Investment Cooperation Agreement also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Investment Cooperation Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Cooperation Agreement.

A circular containing, among other things, details of the Investment Cooperation Agreement, a letter from the Independent Board Committee, a letter from the independent financial adviser, such other information as required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 12 January 2015.

The Board is pleased to announce that on 17 December 2014, Xiamen Company (a wholly-owned subsidiary of the Company) entered into the Investment Cooperation Agreement with AVIC International, Xiamen Management Committee, AVIC Shenzhen, Xiamen Jincai and Xiamen Jinyuan in respect of the Investment Project. The estimated total investment amount of the Investment Project will be RMB12 billion (equivalent to approximately HK\$15 billion) which will be financed by the Capital Injection and Bank Loan.

THE INVESTMENT COOPERATION AGREEMENT

Set out below are key terms of the Investment Cooperation Agreement:

- Date:** 17 December 2014
- Parties:**
- (i) AVIC Shenzhen;
 - (ii) Xiamen Company;
 - (iii) Xiamen Management Committee;
 - (iv) AVIC International;
 - (v) Xiamen Jincai; and
 - (vi) Xiamen Jinyuan

The Investment Project

The Investment Project will be carried out by Xiamen Tianma, which is owned as to 64%, 15.3%, 6% and 14.7% respectively by Xiamen Jincai, AVIC Shenzhen, Xiamen Company and AVIC International.

The particulars of the Investment Project are set out as follows:

1. **Project Name:** The 6th generation LTPS TFT-LCD and CF coloured filter production lines project.
2. **Construction:** The 6th generation LTPS TFT-LCD and CF coloured filter production lines will be constructed in Xiamen Torch Hi-Tech Industrial Development Zone (廈門火炬高新技術產業開發區).
3. **Construction period:** The construction of the production lines is expected to be completed in 30 months.
4. **Planned productivity:** Monthly production of 30,000 pieces of the 6th generation LTPS TFT glass substrates and 30,000 CF coloured filter.
5. **Total investment:** The estimated maximum investment amount of the Investment Project will be RMB12 billion (equivalent to approximately HK\$15 billion).

Capital Injection

Pursuant to the Investment Cooperation Agreement, Xiamen Company, AVIC Shenzhen, AVIC International and Xiamen Jincal, all being shareholders of Xiamen Tianma with respective equity interest of 6%, 15.3%, 14.7% and 64% therein, agreed to inject a total of RMB6 billion (equivalent to approximately HK\$7.5 billion) into Xiamen Tianma on a pro rata basis.

The amount of Capital Injection to be made by each of Xiamen Company, AVIC Shenzhen, AVIC International and Xiamen Jincal is set out below:

Party	Amount of Capital Injection to be made (RMB)	Percentage of interest in the registered capital of Xiamen Tianma after the completion of the Capital Injection
Xiamen Company	360,000,000	6%
AVIC Shenzhen	918,000,000	15.3%
AVIC International	882,000,000	14.7%
Xiamen Jincal	<u>3,840,000,000</u>	<u>64%</u>
Total:	<u>6,000,000,000</u>	<u>100%</u>

Since the Capital Injection is on a pro rata basis, Xiamen Tianma will remain held as to 6% by Xiamen Company. Upon completion of Capital Injection by its shareholders, the total registered capital of Xiamen Tianma will be increased from RMB2.8 billion (equivalent to approximately HK\$3.5 billion) to RMB8.8 billion (equivalent to approximately HK\$11 billion).

The Capital Injection to be contributed by Xiamen Company in the sum of RMB360,000,000 (equivalent to approximately HK\$450,000,000) will be funded by the internal resources of the Group.

Before and after the completion of Investment Cooperation Agreement, Xiamen Tianma is and remains to be accounted for as an investment of the Group. Before and upon completion of the Investment Cooperation Agreement, the financial results and assets and liabilities of Xiamen Tianma is not and will not be consolidated in the financial statements of the Group.

Pursuant to the Investment Cooperation Agreement, the Capital Injection will be made by the shareholders of Xiamen Tianma (including Xiamen Company) in the following manner on a pro rata basis:

1. the first instalment of RMB600,000,000 (equivalent to approximately HK\$750,000,000) will be made within 7 business days after the effective date of the Investment Cooperation Agreement;
2. the second instalment of RMB2,400,000,000 (equivalent to approximately HK\$3,000,000,000) will be made before 28 February 2015;
3. the third instalment of RMB2,400,000,000 (equivalent to approximately HK\$3,000,000,000) will be made before 31 August 2015; and
4. the final instalment of RMB600,000,000 (equivalent to approximately HK\$750,000,000) will be made before 31 October 2015.

Bank Loan

Apart from the Capital Injection, the Investment Project will also be financed by the Bank Loan. Xiamen Tianma will borrow an estimated sum of RMB6 billion (equivalent to approximately HK\$7.5 billion) from bank(s). Pursuant to the Investment Cooperation Agreement, Xiamen Jinyuan will provide a guarantee of 80% of the Bank Loan in favour of the bank(s) and Xiamen Company will provide a guarantee of a maximum sum not exceeding RMB200,000,000 (equivalent to approximately HK\$250,000,000) in respect of the Bank Loan. The actual amount of guarantee in respect of the Bank Loan to be provided by each of Xiamen Company, AVIC Shenzhen and AVIC International will be determined after negotiations between them and in any event, the maximum sum of guarantee to be provided by Xiamen Company will not exceed RMB200,000,000 (equivalent to approximately HK\$250,000,000).

Xiamen Jinyuan is an entity designated by Xiamen Municipal Government to provide the guarantee in respect of the Bank Loan.

Other major terms

1. **Management:** Pursuant to the Investment Cooperation Agreement, Xiamen Tianma will be managed by an associated company designated by AVIC Shenzhen, Xiamen Company and AVIC International and the designated company will provide technology permit, project construction, technology development, sales, operation and any other integrated services to Xiamen Tianma. During the period in which Xiamen Tianma is managed by this designated company, if there is any equity transfer of Xiamen Tianma, the designated company shall have the pre-emptive right to buy Xiamen Tianma's shares. The details of the management by the designated company shall be subject to further agreement to be made between Xiamen Tianma and the designated company.
2. **Share Buyback:** Pursuant to the Investment Cooperation Agreement, within five years after the first instalment of the Capital Injection has been made, AVIC Shenzhen and AVIC International or a listed company associated with and jointly designated by them (excluding Xiamen Company) shall buyback all the shares held by Xiamen Jintai in Xiamen Tianma either by share swap (including the allotment and issuance of shares of the listed company) or by cash ("**Share Buyback**"). The actual terms of the Share Buyback shall be subject to further negotiations between the parties and the approval by Xiamen Municipal Government.

3. **Guarantee:** At the time when the Share Buyback is made, the parties to the Investment Cooperation Agreement should assist to release the guarantee provided by Xiamen Jinyuan in respect of the Bank Loan. During the period between the completion of the Share Buyback and the release of guarantee provided by Xiamen Jinyuan in respect of the Bank Loan, AVIC Shenzhen, AVIC International or other designated associated company (excluding Xiamen Company) should provide counter-guarantee in respect of the guarantee provided by Xiamen Jinyuan.
4. **Voting Rights:** Pursuant to the Investment Cooperation Agreement, prior to the completion of the Share Buyback, Xiamen Jincai irrevocably agrees to surrender part of its voting rights (representing 34% of the registered share capital of Xiamen Tianma) to AVIC Shenzhen in any general meetings of Xiamen Tianma, save for certain circumstances in which written approval from Xiamen Jincai will be required, including amongst others, any amendment of the constitutional document of Xiamen Tianma (excluding those amendments to be made in accordance with the Investment Cooperation Agreement and its supplemental agreement(s)) and Share Buyback and any amendment to the terms thereof.

Conditions precedent to the Investment Cooperation Agreement

The Investment Cooperation Agreement is conditional upon the fulfilment of the following conditions:

1. All shareholders of Xiamen Tianma have obtained the approval from their respective internal authorities, including Xiamen Company having obtained the approval in accordance with the relevant laws, regulations, rules (including but not limited to the Listing Rules) and/or the approval and consent from relevant regulatory authority; and
2. the Investment Cooperation Agreement is approved by the relevant regulatory authorities under relevant laws and administrative rules.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE INVESTMENT COOPERATION AGREEMENT

The Capital Injection and the Bank Loan will provide additional registered capital and working capital to Xiamen Tianma to enable it to implement the Investment Project, thus facilitating Xiamen Tianma's continuous business development and bringing better investment returns for Xiamen Company as one of its shareholders.

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be provided after taking into account the opinion and advice from the independent financial adviser) consider that the entering into of the Investment Cooperation Agreement is of normal commercial terms after arm's length negotiation and the terms thereof are fair and reasonable and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is an investment holding company. It is principally engaged in the manufacturing and sales of high-tech electronic products, retails and high-end consumer products, real estate and hotel, trading and logistics, and resources investment and development.

INFORMATION OF XIAMEN COMPANY

Xiamen Company is a direct wholly-owned subsidiary of the Company and principally engaged in import and export of different commodities and technologies (by itself or through agent), sale of machinery and electronic equipment, household items, arts and crafts (excluding gold and silver jewelry), agriculture, forestry, pasture and fishery machinery, medium and small farm implements.

INFORMATION OF AVIC SHENZHEN

AVIC Shenzhen is a promoter of the Company and a controlling Shareholder, holding approximately 35.63% of the issued share capital of the Company as at the date of this announcement, and a state-owned enterprise of the PRC. AVIC Shenzhen is an industrial investment platform for non-aeronautical business within AVIC International.

INFORMATION OF AVIC INTERNATIONAL

AVIC International is a state-owned enterprise in the PRC. AVIC International's core businesses consist of international aviation, trading and logistics, retail and luxurious goods, real estate and hotel, electronics technology, and resources investment and development.

As at the date of this announcement, AVIC International is a controlling Shareholder, holding approximately 39.37% of the issued share capital of the Company. It also owns 100% equity interest of AVIC Shenzhen.

INFORMATION OF XIAMEN TIANMA

Xiamen Tianma is principally engaged in supplying liquid crystal display and related materials, equipments, products, and design, manufacturing, sale, and provision of relative technical development, technical enquiries, technical services, and transfer of technology; operating import and export of different commodities and technologies (excluding items restricted by the State).

As at the date of this announcement, Xiamen Tianma was owned as to 6%, 15.3%, 14.7% and 64% by Xiamen Company, AVIC Shenzhen, AVIC International and Xiamen Jincan, respectively.

As at 31 December 2013, Xiamen Tianma had a total audited net asset value of approximately RMB2,712.6 million (equivalent to approximately HK\$3390.8 million) based on its audited financial statements prepared in accordance with the generally accepted accounting principles in the PRC.

Based on the audited financial statements of Xiamen Tianma prepared in accordance with the generally accepted accounting principles in the PRC, the audited loss before taxation and net loss for the years ended 31 December 2012 are approximately RMB26.1 million (equivalent to approximately HK\$32.6 million) and RMB19.6 million (equivalent to approximately HK\$24.5 million) respectively; and the audited loss before taxation and net loss for the year ended 31 December 2013 are approximately RMB99.3 million (equivalent to approximately HK124.1 million) and RMB66.0 million (equivalent to approximately HK\$82.5 million) respectively.

INFORMATION OF OTHER PARTIES

Xiamen Management Committee is principally engaged in making and implementing planning of development, industrial layout, policies and regulations of Torch Hi-Tech Industrial Development Zone, construction of infrastructure, attracting investment, etc.

Xiamen Jincai is principally engaged in investing in financial industry; investing start-up enterprises, enquiry on investing start-up enterprises, providing start-up management services for start-up enterprises; industrial investment, management and operation of equity investments, etc.

Xiamen Jinyuan is principally engaged in investing in and operating of industries such as financial, industrial, cultural, servicing, information; management and operation of industrial investment, and equity investment; integrated development and operation of land, and development and operation of real estate etc.

Save for Xiamen Jincai's shareholding in Xiamen Tianma, each of Xiamen Management Committee, Xiamen Jincai and Xiamen Jinyuan is and their respective ultimate beneficial owner(s) is an Independent Third Party.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC International was a controlling Shareholder holding approximately 39.37% of the issued share capital of the Company, and it owned 100% equity interest of AVIC Shenzhen, which in turn is a controlling Shareholder holding approximately 35.63% of the issued share capital of the Company. AVIC International and AVIC Shenzhen held, in aggregate, 30% interest in Xiamen Tianma.

Accordingly, each of AVIC Shenzhen, AVIC International and Xiamen Tianma is a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions to be contemplated under the Investment Cooperation Agreement constitute a connected transaction. Hence, the Investment Cooperation Agreement will be subject to, among other things, the independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Investment Cooperation Agreement are more than 5% but less than 25%, the Investment Cooperation Agreement also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Investment Cooperation Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Cooperation Agreement.

A circular containing, among other things, details of the Investment Cooperation Agreement, a letter from the Independent Board Committee, a letter from the independent financial adviser, such other information as required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 12 January 2015.

DEFINITIONS

“Associates”	has the same meaning as ascribed thereto in the Listing Rules
“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, and a controlling Shareholder
“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, and as at the date of this announcement, its entire equity interest was owned by AVIC International
“Bank Loan”	the loan to be borrowed by Xiamen Tianma from bank(s) in the estimated sum of RMB6 billion (equivalent to approximately HK\$7.5 billion)
“Board”	the board of Directors
“Capital Injection”	the capital injection into Xiamen Tianma in the sum of RMB6 billion (equivalent to approximately HK\$7.5 billion) pursuant to the Investment Cooperation Agreement
“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 same meaning as ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary meeting of the Company to be convened and held for the purposes of considering and, if thought fit, approving, among others, the Investment Cooperation Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Investment Cooperation Agreement
“Independent Shareholders”	Shareholders other than AVIC International, AVIC Shenzhen and their respective associates
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons
“Investment Cooperation Agreement”	the investment cooperation agreement dated 17 December 2014 entered into among Xiamen Company, AVIC Shenzhen, AVIC International, Xiamen Management Committee, Xiamen Jincai and Xiamen Jinyuan in respect of the Investment Project
“Investment Project”	the investment project to be implemented by Xiamen Tianma in respect of the construction of 6th generation LTPS TFT-LCD and CF coloured filter production lines
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LTPS TFT-LCD”	low-temperature multicrystalline silicon-liquid thin film transistor 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
“Shareholder(s)”	holder(s) of shares (including domestic shares and H shares) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Xiamen Company”	China National Aero-Technology Xiamen Company Limited (中國航空技術廈門有限公司), a company established in the PRC and a directly wholly owned subsidiary of the Company
“Xiamen Jincai”	Xiamen Jincai Investment Company Limited (廈門市金財投資有限公司), a company established in the PRC and is one of the shareholders of Xiamen Tianma
“Xiamen Jinyuan”	Xiamen Jinyuan Investment Group Company Limited (廈門金圓投資集團有限公司), a company established in the PRC and is designated by Xiamen Municipal Government (廈門市政府) to provide guarantee in respect of the Bank Loan
“Xiamen Management Committee”	Xiamen Torch Hi-Tech Industrial Development Zone Management Committee (廈門火炬高新技術產業開發區管理委員會)
“Xiamen Tianma”	Xiamen Tianma Micro-electronics Co., Ltd. (廈門天馬微電子有限公司)

In this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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

Shenzhen, PRC, 17 December 2014

As at the date of this announcement, the Board comprises a total of 9 Directors, Mr. Wu Guang Quan, Mr. Lai Wei Xuan, 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.

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at HK\$1.00 to RMB0.8 for illustration purpose only. No representation has been made by the Company that any amount have been, could have been or could be converted at the above rate or at any other rates or at all.