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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 limited company incorporated in the People's Republic of China)

(Stock Code: 00161)

CONTINUING CONNECTED TRANSACTION AVIC CEC CONSTRUCTION FRAMEWORK AGREEMENT

AVIC CEC CONSTRUCTION FRAMEWORK AGREEMENT

On 13 October 2016, Wuhan Tianma and AVIC CEC entered into the AVIC CEC Construction Framework Agreement, pursuant to which the parties agreed to collaborate in relation to the AVIC CEC Project according to the terms set out therein. The term of the AVIC CEC Cooperation commences from the date of signing the AVIC CEC Construction Framework Agreement to 31 December 2018.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC CEC is owned as to 51% by AVIC Real Estate which is a subsidiary of AVIC Shenzhen.

Aviation Industry holds 62.52% of the equity interest in AVIC International. AVIC International is a controlling shareholder of the Company holding approximately 37.50% of the issued share capital of the Company, and it owns 100% equity interest in AVIC Shenzhen, which in turn is a controlling shareholder of the Company holding approximately 33.93% of the issued share capital of the Company. Accordingly, AVIC CEC is an associate of AVIC International and a connected person of the Company and the AVIC CEC Construction Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the AVIC CEC Construction Framework Agreement are more than 0.1% but less than 5%, the AVIC CEC Construction Framework Agreement is only subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

AVIC CEC CONSTRUCTION FRAMEWORK AGREEMENT

Date:

13 October 2016

Parties:

1. Wuhan Tianma; and
2. AVIC CEC.

Subject matter

Wuhan Tianma and AVIC CEC shall collaborate in relation to the AVIC CEC Project.

Pursuant to the AVIC CEC Construction Framework Agreement, Wuhan Tianma shall treat AVIC CEC as one of its cooperation units and include AVIC CEC into its list of eligible construction contractors.

Upon the satisfaction of the AVIC CEC Cooperation Conditions (as defined below), if AVIC CEC participates in the bidding for construction works of Wuhan Tianma and wins the bidding, Wuhan Tianma and AVIC CEC shall enter into specific construction contracts and perform their respective obligations in accordance with the schedule and quality set out in the specific construction contracts and the applicable laws.

Term

The term of the AVIC CEC Cooperation shall commence from the date of signing the AVIC CEC Construction Framework Agreement to 31 December 2018 (the “**AVIC CEC Cooperation Period**”).

Cooperation Conditions

During the AVIC CEC Cooperation Period, AVIC CEC shall possess construction enterprise qualification which are legal and valid and can satisfy the needs of the construction projects of Wuhan Tianma, safety production permits and other qualifications (if any) and possess good contractual performance capability and integrity (collectively, the “**AVIC CEC Cooperation Conditions**”).

Annual caps and basis of determination

Set out below are the annual caps for the transactions contemplated under the AVIC CEC Construction Framework Agreement for the following periods:

Periods	Transaction amount (RMB)
Year ending 31 December 2016	28,000,000
Year ending 31 December 2017	5,950,000
Year ending 31 December 2018	1,050,000

The above annual caps for the transactions contemplated under the AVIC CEC Construction Framework Agreement are determined with reference to (i) the progress, arrangement and the budget on the construction of the projects of Wuhan Tianma in 2016, 2017 and 2018; (ii) the bidding amount by the successful bidder for the construction projects of Wuhan Tianma; and (iii) the market price of the construction project offered by independent third parties. The aforesaid consideration shall be payable in accordance with the specific construction contracts to be entered into between Wuhan Tianma and AVIC CEC.

The price of various services to be provided by AVIC CEC to Wuhan Tianma under the AVIC CEC Construction Framework Agreement is determined on the principle of fairness and reasonableness and based on fair market rate through bidding procedure. Pursuant to the relevant laws and regulations including “The Law of the People’s Republic of China on Tenders and Bids (《中華人民共和國招標投標法》), the tendering procedures involve the following aspects:

- (1) A tendering company is commissioned to conduct and manage a tender process;
- (2) A tendering company issues invitation for bidding to the companies which satisfy the requirements for relevant products/services by the commissioner from the database of the tendering company by way of publishing an announcement on newspapers;
- (3) Tendering documents are evaluated by a tendering evaluation committee formed by the tendering company in accordance with the relevant laws and regulations. Pursuant to the relevant laws and regulations, at least two-thirds of the members of the tendering evaluation committee are experts from the technical and economical areas, and have been selected by a local government agency by way of ballot from a list of experts maintained by it. Therefore, at least two-thirds of the members of the tendering evaluation committee are the independent experts selected by the tendering company by way of ballot from the above list, and the remaining members of the tendering evaluation committee are the employees of the Company recommended to the tendering company by the Company; and

- (4) The tendering evaluation committee evaluates and compares all the tendering documents and selects the bid winning candidate. During the evaluation of tendering documents as well as selection of bid winning candidate, a bidder is scored by the tendering evaluation committee based on certain bases. The bases have been stipulated under the related tendering invitation, roughly including qualification, financial performance, years of operations, professional knowledge, and the bidding price by the bidders. The bidder with the highest score is selected as the bid winning candidate.
- (5) After the tendering evaluation, the tendering company will announce the result of the tendering through the website designated by the PRC government. If there is no objection within the public notice period, the top-ranked bid winning candidate will be selected as the successful bidder by the Company.

The relevant laws and regulations have also set out certain requirements in respect of the ethics and conducts during the bidding process for the selected experts to ensure their independence and that the tendering is fair and reasonable, and the price of various services obtained from tendering, in principle, does not deviate from the price and terms offered by independent third parties.

Historical transaction amounts

During each of the years ended 31 December 2014 and 2015 and from 1 January 2016 to the date of this announcement, no transaction in relation to the provision of construction-related service was conducted between AVIC CEC and Wuhan Tianma.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the business of high-tech electronic products, retails and customer products, real estate and trading and logistics.

Wuhan Tianma, a company established in the PRC with limited liability, is principally engaged in the design, manufacturing and sales of materials, equipment and products related to flat panel display and the provision of related technology development, technology consultation, technology service and technology transfer, import and export of goods and technology (excluding goods and technology that are prohibited and restricted to be imported or exported by the applicable laws and regulations of the PRC). As at the date of this announcement, Wuhan Tianma is an indirect non wholly-owned subsidiary of the Company.

INFORMATION OF AVIC CEC

AVIC CEC is a company established in the PRC with limited liability and is principally engaged in large-scale domestic construction projects in the PRC. As at the date of this announcement, AVIC CEC is owned as to 51% by AVIC Real Estate which is a subsidiary of AVIC Shenzhen.

REASONS FOR AND BENEFITS OF THE AVIC CEC CONSTRUCTION FRAMEWORK AGREEMENT

Wuhan Tianma is investing in the production lines project of the 6th generation low-temperature polysilicon project (LTPS TFT-LCD) and Color Filter (CF). AVIC CEC possesses a number of quality construction-related qualifications and good reputation, which can satisfy the specific requirements for the projects of Wuhan Tianma. Also, the engineering and construction services contemplated under the AVIC CEC Construction Framework Agreement will be obtained by way of tendering and bidding, and the transaction price and the terms of service are also determined in accordance with the principles of fairness and reasonableness and based on fair market rate. Furthermore, AVIC CEC is a subsidiary of AVIC International and are familiar with the relevant requirements and project background of the Group. Based on the foundation of mutual trust and communication advantages among the parties, the risk and cost of transaction can be significantly reduced, which facilitate the quality and quick completion of the projects of Wuhan Tianma.

In view of the above, the Directors (including the independent non-executive Directors) consider that the AVIC CEC Construction Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the AVIC CEC Construction Framework Agreement and the transactions contemplated thereunder (including its related annual caps) are fair and reasonable and in the interests of the Company and the independent Shareholders as a whole.

None of the Directors have a material interest in the AVIC CEC Construction Framework Agreement or is required to abstain from voting on the Board resolutions relating to the AVIC CEC Construction Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, AVIC CEC is owned as to 51% by AVIC Real Estate which is a subsidiary of AVIC Shenzhen.

Aviation Industry holds 62.52% of the equity interest in AVIC International. AVIC International is a controlling shareholder of the Company holding approximately 37.50% of the issued share capital of the Company, and it owns 100% equity interest in AVIC Shenzhen, which in turn is a controlling shareholder of the Company holding approximately 33.93% of the issued share capital of the Company. Accordingly, AVIC CEC is an associate of AVIC International and a connected person of the Company and the AVIC CEC Construction Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the AVIC CEC Construction Framework Agreement are more than 0.1% but less than 5%, the AVIC CEC Construction Framework Agreement is only subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

The following words and phrases used in this announcement have the same meanings assigned:

“associate”	has the same meaning as ascribed thereto in the Listing Rules
“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 62.52% of the equity interest in AVIC International as at the date of this announcement
“AVIC CEC”	AVIC Construction Engineering Corporation (中航建築工程有限公司), a company established in the PRC with limited liability
“AVIC CEC Construction Framework Agreement”	the construction framework agreement dated 13 October 2016 entered into between Wuhan Tianma and AVIC CEC in relation to the AVIC CEC Cooperation
“AVIC CEC Cooperation”	the cooperation between Wuhan Tianma and AVIC CEC in relation to the AVIC CEC Project under the AVIC CEC Construction Framework Agreement
“AVIC CEC Project”	construction works of steel structural engineering
“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 of the Company
“AVIC Real Estate”	AVIC Real Estate Company Limited (中航地產股份有限公司), a company established in the PRC with limited liability and an associated company of the Company
“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
“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 meanings as ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meanings as ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules
“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
“Shareholder(s)”	holder(s) of shares (including domestic shares and H shares) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Tianma”	Wuhan Tian Ma Microelectronics Co., Ltd. (武漢天馬微電子有限公司), a company established with limited liability under the laws of the PRC, an indirect non wholly-owned subsidiary of the Company

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, the PRC, 13 October 2016

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. Wei Wei as independent non-executive Directors.