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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)

VERY SUBSTANTIAL DISPOSAL: PROPOSED NON-PUBLIC ISSUANCE OF A SHARES BY TIAN MA AND DEEMED DISPOSAL OF INTEREST IN TIAN MA

PROPOSED NON-PUBLIC ISSUANCE OF A SHARES BY TIAN MA

On 28 August 2019, the board of directors of Tian Ma, a nonwholly-owned subsidiary of the Company whose A Shares are listed on the Shenzhen Stock Exchange, resolved to issue by way of non-public offer not more than 409,624,610 New A Shares to not more than 10 Subscribers, to raise a maximum amount of proceeds of RMB7,300,000,000.

As at the date of this announcement, one Subscriber (i.e. Subscriber A) has been identified and Tian Ma entered into a Subscription Agreement with Subscriber A on 28 August 2019, pursuant to which Tian Ma conditionally agreed to issue and Subscriber A conditionally agreed to subscribe for not more than 81,924,922 New A Shares.

Further, on 28 August 2019, the Company entered into the Subscriber A Acting-in-Concert Agreement with Subscriber A whereby the Company and Subscriber A agreed to act jointly with regard to certain shareholders' rights related matters.

The 409,624,610 New A Shares represent 20% of the issued share capital of Tian Ma as at the date of this announcement and approximately 16.67% of the issued share capital of Tian Ma as enlarged by the issue of the New A Shares.

DEEMED DISPOSAL OF INTEREST IN TIAN MA

As at the date of this announcement, the Company holds 291,567,326 A Shares in Tian Ma, representing approximately 14.24% equity interest in Tian Ma. Following the completion of the Proposed Non-Public Issuance and assuming all 409,624,610 New A Shares are issued, the equity interest of the Company in Tian Ma will be diluted from approximately 14.24% to approximately 11.86%. Such dilution of the Company's equity interest in Tian Ma will constitute a deemed disposal of the Company's equity interest in Tian Ma under Chapter 14 of the Listing Rules.

Since the Company will continue to have control over the majority of the board of directors of Tian Ma and the AVIC International Enterprises collectively have 30.99% voting rights in Tian Ma after the Proposed Non-Public Issuance, Tian Ma will remain to be a subsidiary of the Company upon completion of the Proposed Non-Public Issuance.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Non-Public Issuance exceed(s) 75%, the deemed disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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A circular containing, among other things, details of the Proposed Non-Public Issuance and the deemed disposal, 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 25 October 2019, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Proposed Non-Public Issuance is subject to the approval of the relevant authoritative State-owned assets supervision and administration department and CSRC and may or may not proceed, Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

PROPOSED NON-PUBLIC ISSUANCE OF A SHARES BY TIAN MA

On 28 August 2019, the board of directors of Tian Ma (a subsidiary of the Company) resolved to issue by way of non-public offer not more than 409,624,610 New A Shares to not more than 10 Subscribers.

Principal Terms of the Proposed Non-Public Issuance

Set out below is a summary of the principal terms of the Proposed Non-Public Issuance:

Issue period and method

The Proposed Non-Public Issuance will be conducted at an appropriate time within 6 months (the "**Issue Period**") in due course within 6 months after the approval being obtained from CSRC (the "**Issue Period**").

The Proposed Non-Public Issuance will be carried out by way of non-public offer of New A Shares to not more than 10 investors.

Class and par value of the New A Shares

A Shares of Tian Ma with a par value of RMB1.00 each.

Target investors

Not more than ten (10) Subscribers who can satisfy the relevant requirements of CSRC. According to Administrative Measures for the Issuance of Securities by Listed Companies (上市公司證券發行管理辦法) of CSRC, the Subscribers shall fulfill the conditions imposed by the general meeting of Tian Ma and the number of Subscribers shall not be more than 10. Also according to Detailed Implementation Rules for Non-Public Issuance of A Shares by Listed Companies (上市公司非公開發行股票實施細則) (the “**Implementation Rules**”) of CSRC, the Subscribers shall be legal persons, natural persons or other legal investment organisations. A securities investment fund management company subscribing for the New A Shares with two or more of the funds under its management shall be deemed as one single subscriber. Trust investment companies shall only subscribe for the New A Shares with their own capital.

For the selection of Subscribers, according to Implementation Rules, if the Subscribers fall under the following circumstances, the Subscribers and the pricing criteria shall be determined by the resolution of the board of directors of Tian Ma in relation to the Proposed Non-Public Issuance and be approved by general meeting of Tian Ma. The New A Shares subscribed shall not be transferable within 36 months of the completion of the Proposed Non-Public Issuance and the date of listing on the Shenzhen Stock Exchange:

- (1) the Subscriber is the controlling shareholder or actual controller of Tian Ma or an affiliate controlled by the controlling shareholder or actual controller of Tian Ma; or
- (2) the Subscriber obtains the actual control of Tian Ma by subscribing for the New A Shares; or
- (3) the Subscriber is a domestic or foreign strategic investor proposed to be introduced by the board of directors of Tian Ma.

If the Subscribers do not fall under the circumstances as stated above, Tian Ma will determine the issue price and the Subscribers by way of bidding according to the Implementation Rules after obtaining the approval document of CSRC and the New A Shares subscribed shall not be transferable within 12 months of the completion of the Proposed Non-Public Issuance and the date of listing on the Shenzhen Stock Exchange.

For the Proposed Non-Public Issuance, there will be not more than ten (10) Subscribers including (i) Subscriber A which is a specific Subscriber falling under one of the circumstances as stated above and will subscribe for not more than 81,924,922 New A Shares representing not more than 20% of total New A Shares issued under the Proposed Non-Public Issuance; and (ii) other Subscribers which do not fall under the circumstances as stated above and will be determined by Tian Ma after obtaining the approval document of CSRC. The Subscriber A undertakes that it will not attend the bidding process and will accept the final issue price regardless of the results of the bidding process. If the final issue price can be determined through the bidding process, Subscriber A will subscribe for the New A Shares according to the final issue price. If the final issue price cannot be generated through the bidding process, Subscriber A will subscribe for the New A Shares at the Base Issue Price.

As at the date of this announcement, Tian Ma has entered into a Subscription Agreement with Subscriber A on 28 August 2019. Not more than 9 target Subscribers shall be determined after obtaining the approval from CSRC on the Proposed Non-Public Issuance by the mutual negotiation between the board of directors of Tian Ma (pursuant to the mandate granted by the shareholders of Tian Ma) and the underwriter in accordance with the results of price bidding and the relevant requirements of the regulations of CSRC.

Save for Subscriber A, the other Subscribers shall be securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC.

Subscriber A and its ultimate beneficial owner(s) are Independent Third Parties.

*Issue price and the
determination basis*

The Price Determination Date of the New A Shares shall be the first day of the Issue Period of the Proposed Non-public Issuance.

The Base Issue Price per each New A Share shall be no less than 90% of the average trading price of the A Shares for the 20 trading days preceding the Price Determination Date (excluding the Price Determination Date). In the event that there are ex-right or ex-dividend activities causing adjustment to the price of the A Shares during the 20 trading days period, the Base Issue Price will be adjusted accordingly.

The average trading price of the A Shares for the 20 trading days preceding the Price Determination Date shall be the total trading amount of A Shares for the 20 trading days preceding the Price Determination Date divided by the total trading volume of A Shares for the 20 trading days preceding the Price Determination Date. In the event that there are ex-right or ex-dividend activities causing adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the price adjusted by the ex-right or ex-dividend activities.

According to the Implementation Rules, the sponsor shall provide not less than 55 subscription invitations to the eligible specific target investors which shall include (i) the investors who have submitted the letter of intention for subscription after the announcement is issued by Tian Ma; (ii) the top 20 shareholders of Tian Ma; and (iii) the inquiry targets or target investors which are securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other institutional investors recognised by CSRC that meet with the conditions stipulated in the Measures for the Administration of Securities Issuance and Underwriting (證券發行與承銷管理辦法) including (1) not less than 20 securities investment fund management companies; (2) not less than 10 securities companies, and (3) not less than 5 insurance institutional investors.

Thereafter, Tian Ma and the sponsor shall collect the subscription quotations from such specific investors, make cumulative statistics on the effective subscription quotations and determine the target subscribers, issue price and the number of New A Shares to be issued based on the principles of price priority and time priority. The board of directors of Tian Ma shall determine the final Base Issue Price with reference to the prices offered by the specific investors regardless of whether there are more or less than 55 specific investors who have applied to participate in the Proposed Non-Public Issuance pursuant to the requirements of CSRC pursuant to the authorization to be granted in the general meeting of Tian Ma after having discussed with the lead underwriter of the Proposed Non-Public Issuance. The Base Issue Price shall be finalized after CSRC has approved the Proposed Non-Public Issuance.

With reference to be made to the highest issue price of non-public offering of A Shares by Tian Ma during the past five years and the funding needs for the Proposed Non-Public Issuance, the final issue price for the Proposed Non-Public Issuance will be determined through way of bidding in accordance with the approvals from the relevant supervising authority of SASAC and CSRC in accordance with the relevant regulatory requirements. The final issue price for the Proposed Non-Public Issuance will be disclosed in due course if it has been determined.

Issue size

The maximum number of the New A Shares to be issued under the Proposed Non-public Issuance shall be no more than 20% of the total issued share capital of Tian Ma as at the date of this announcement, i.e. no more than 409,624,610 New A Shares (inclusive).

In the event that Tian Ma distributes dividend shares, grants bonus shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date of passing the board resolutions in relation to the Proposed Non-Public Issuance to the issue date of New A Shares, the issue size of the Proposed Non-Public Issuance will be adjusted accordingly.

The finalized issue size shall be determined by the board of directors of Tian Ma pursuant to the authorization to be granted in the general meeting of Tian Ma and having discussed with the lead underwriter of the Proposed Non-Public Issuance.

As at the date of this announcement, Tian Ma is in the course of identifying the lead underwriter and will determine the lead underwriter and enter into the underwriting agreement before filing the application of the Proposed Non-Public Issuance to CSRC. It is expected that the lead underwriter shall mainly responsible for underwriting the New A Shares to be issued under the Proposed Non-Public Issuance, coordinating the process of Proposed Non-Public Issuance, making the issuance documents, communicating with the CSRC on the issuance plan and identifying qualified investors to participate in providing subscription quotations.

Amount and use of proceeds

The maximum amount of proceeds from the Proposed Non-Public Issuance is expected to be no more than RMB7,300,000,000 (inclusive).

The proceeds raised from the Proposed Non-Public Issuance are intended to be used for the investment in the construction of second phase of 6th generation of LTPS AMOLED production line of Wuhan Tianma after deducting the costs for the Proposed Non-Public Issuance.

*Lock-up period of the
New A Shares*

The New A Shares subscribed by Subscriber A are not transferable for a period of 36 months commencing from the date of listing of the New A Shares on the Shenzhen Stock Exchange.

The New A Shares subscribed by the other Subscribers are not transferable for a period of 12 months commencing from the date of listing of the New A Shares on the Shenzhen Stock Exchange.

Upon expiry of the applicable lock-up period, the New A Shares shall be traded on the Shenzhen Stock Exchange and the relevant Subscribers may transfer their New A Shares pursuant to the relevant regulations of CSRC and the Shenzhen Stock Exchange.

The Subscription Agreements

Tian Ma entered/will enter into Subscription Agreements with each of the Subscribers under the Proposed Non-Public Issuance during the Issue Period. Apart from Subscriber A, the identities and subscription amounts of the other Subscribers will be determined pending the result of the subscription quotations. Tian Ma shall sign formal Subscription Agreements with such other Subscribers after the result of the Proposed Non-Public Issuance is available in compliance with the relevant regulations of the CSRC. It is expected that the result of the Proposed Non-Public Issuance will be determined on or before 30 June 2020.

Save for the date of the Subscription Agreements, identity of the Subscribers, the subscription amounts and number of New A Shares to be subscribed, and the length of the lock-up period of the New A Shares, the principal terms of the Subscription Agreements entered by each of the Subscribers with Tian Ma are substantially the same and set out as follows:

<i>Parties</i>	Tian Ma (as issuer); and the relevant Subscriber (as Subscriber)
<i>Subject matter</i>	Tian Ma conditionally agreed to issue and the relevant Subscriber conditionally agreed to subscribe for the New A Shares at the final issue price determined through the bidding process by cash at the Base Issue Price per New A Share.
<i>New A Shares</i>	<p>The aggregate amount of New A Shares to be subscribed by the Subscribers shall not be more than 409,624,610 New A Shares.</p> <p>In the event that the maximum amount of New A Shares to be issued under the Proposed Non-Public Issuance as approved by the regulatory authority is lower than 409,624,610 New A Shares, the relevant amount of New A Shares to be subscribed by the relevant Subscriber shall be reduced in proportion to the percentage of New A Shares it has agreed to subscribed under the original maximum amount of 409,624,610 New A Shares.</p> <p>The New A Shares will rank <i>pari passu</i> with all the existing A Shares.</p>
<i>Conditions precedent</i>	<p>The effectiveness of the Subscription Agreement is conditional upon fulfillment of the following conditions:</p> <ol style="list-style-type: none">(1) the Subscription Agreement having been signed and stamped by Tian Ma and the relevant Subscriber;(2) the board of directors of Tian Ma and its shareholders having approved the Proposed Non-Public Issuance;

- (3) all necessary approvals, authorization, consent and permit as required under the Listing Rules (including but not limited to the approval of the Board and the Shareholders (if required)) being obtained and completion of the relevant procedures by the Company as required under the Listing Rules;
- (4) the relevant State-owned assets supervision department which is responsible for the supervision of Proposed Non-Public Issuance by Tian Ma having approved the Proposed Non-Public Issuance;
- (5) the Proposed Non-Public Issuance having been approved by the internal decision-making authority of the relevant Subscriber;
- (6) the Proposed Non-Public Issuance having been approved by the internal decision-making authority of Tian Ma; and
- (7) the approval of the CSRC being obtained.

Payment of subscription amount

After receiving all the approvals mentioned in the Subscription Agreement and the payment notice (the “**Payment Notice**”) issued by Tian Ma or its lead underwriter, the relevant Subscriber will deposit the subscription amount in full to the bank account opened by the lead underwriter in accordance with the instructions contained in the Payment Notice. Tian Ma will separately sign an underwriting agreement with the lead underwriter and agree on the issues in relation to the transferring of raised funds to Tian Ma.

Lock-up period

Save for Subscriber A, the New A Shares subscribed by the other Subscribers are not transferable for a period of 12 months commencing from the completion of the Proposed Non-Public Issuance and the date of listing on the Shenzhen Stock Exchange.

Pursuant to the Implementation Rules, the New A Shares subscribed by Subscriber A shall not be transferable for a period of 36 months commencing from the completion of the Proposed Non-Public Issuance and the date of listing on the Shenzhen Stock Exchange since Subscriber A is a party acting in concert with the Company (i.e. an associate (as defined under the Implementation Rules) of the controlling shareholder of Tian Ma) and a strategic investor proposed to be introduced into Tian Ma by the board of directors of Tian Ma.

On 28 August 2019, Tian Ma entered into a Subscription Agreement with Subscriber A whereby Subscriber A agreed to subscribe for not more than 81,924,922 New A Shares.

Concert Party Arrangement with Subscriber A

To ensure that the Company can continue to be the controlling shareholder of Tian Ma and consolidate the financial results of Tian Ma into the Group's financial statements pursuant to the applicable PRC rules and regulations, the Company entered into the Subscriber A Acting-in-Concert Agreement with Subscriber A on 28 August 2019.

Pursuant to the Subscriber A Acting-in-Concert Agreement, the Company and Subscriber A agreed that, during the effective period of the Subscriber A Acting-in-Concert Agreement Subscriber A shall irrevocably authorize the Company to exercise all its shareholder's right in Tian Ma under the PRC laws or the articles of association of Tian Ma (including the rights to propose resolutions, nominate directors or supervisors and voting rights etc.). Such authorization shall be exclusive of Subscriber A's right to profits, the distribution rights to remaining assets and right to information.

The Subscriber A Acting-in-Concert Agreement shall be effective from its signing date and expire on the earlier of (i) the Company becoming the direct holder of more than 50% equity interest in Tian Ma; or (ii) the Company and its concert parties (exclusive of Subscriber A) ceasing to hold any shares in Tian Ma; or (iii) 36 months from the date on which the Subscriber A subscribes for the New A Shares to the date of listing of New A Share. After the expiry of the Subscriber A Acting-in-Concert Agreement, the Company and Subscriber A can renew the Subscriber A Acting-in-Concert Agreement after negotiation.

Pursuant to the Subscriber A Acting-in-Concert Agreement, the Subscriber A further undertakes that:

- (i) unless with the prior written consent of the Company, Subscriber A will not transfer any New A Shares to any third party(ies) other than the Company and/or concert parties of the Company;
- (ii) Subscriber A will not transfer the New A Shares subscribed by Subscriber A to third party(ies) which will lead to the loss of control of Tian Ma by the Company or the inability of the Company to consolidate the financial statements of Tian Ma (subject to the judgment of the Company and/or the professional institutions hired by the Company); and
- (iii) After the Subscriber A Acting-in-Concert Agreement has become effective, without the prior written consent of the Company, Subscriber A will not charge the New A Shares subscribed by the Subscriber A or create any encumbrances on the New A Shares subscribed by the Subscriber A.

Subscriber A is a limited liability partnership established in PRC on 24 July 2019. As at the date of this announcement, its equity interest was directly and indirectly owned as to 100% by State-owned Assets Supervision and Administration Commission of Wuhan Municipal People's Government (武漢市人民政府國有資產監督管理委員會). It is principally engaged in management of equity investment. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Subscriber A and its ultimate beneficial owner(s) is an Independent Third Party.

Effect on Shareholding Structure of Tian Ma

The table below sets out the shareholding structure of Tian Ma as at the date of this announcement and immediately upon completion of the Proposed Non-Public Issuance (assuming a maximum of 409,624,610 New A Shares are issued pursuant to the Proposed Non-Public Issuance and there is no other change in the issued share capital of Tian Ma):

Shareholders of Tian Ma	As at the date of this announcement		Immediately after completion of the Proposed Non-Public Issuance	
	<i>Number of A Shares held</i>	<i>Approximate % of the issued share capital held</i>	<i>Number of A Shares held</i>	<i>Approximate % of the issued share capital held</i>
AVIC International	172,097,332	8.40%	172,097,332	7.00%
AVIC Shenzhen	179,516,146	8.77%	179,516,146	7.31%
The Company	291,567,326	14.24%	291,567,326	11.86%
AVIC Xiamen	36,525,940	1.78%	36,525,940	1.49%
Subtotal:				
AVIC International Enterprises	679,706,744	33.19%	679,706,744	27.66%
Subscriber A	–	–	81,924,922	3.33%
Subscribers other than Subscriber A	–	–	327,699,688	13.33%
Other shareholders of Tian Ma	1,368,416,307	66.81%	1,368,416,307	55.68%
Total	<u>2,048,123,051</u>	<u>100.00%</u>	<u>2,457,747,661</u>	<u>100.00%</u>

Save for the Subscriber A Acting-in-Concert Agreement, the Company also entered into the AVIC Acting-in-Concert Agreement with AVIC International and AVIC Shenzhen on 20 January 2014, pursuant to which AVIC International and AVIC Shenzhen agreed to act in concert with the Company in Tian Ma's board meetings and general meetings. Accordingly, taking into account of the Subscriber A Acting-in-Concert Agreement, the AVIC Acting-in-Concert Agreement and that AVIC Xiamen is a wholly-owned subsidiary of the Company, the Company is deemed to be interested in 761,631,666 A Shares, representing approximately 30.99% of the total issued share capital of Tian Ma upon completion of the Proposed Non-Public Issuance.

DEEMED DISPOSAL OF INTEREST IN TIAN MA

As at the date of this announcement, the Company holds 291,567,326 A shares in Tian Ma, representing approximately 14.24% equity interest in Tian Ma. Following the completion of the Proposed Non-Public Issuance and assuming all 409,624,610 New A Shares are issued, the equity interest of the Company in Tian Ma will be diluted from approximately 14.24% to approximately 11.86%. Such dilution of the Company's equity interest in Tian Ma will constitute a deemed disposal of the Company's equity interest in Tian Ma under Chapter 14 of the Listing Rules.

Since the Company will continue to have control over the majority of the board of directors of Tian Ma and the AVIC International Enterprises collectively have 30.99% voting rights in Tian Ma after the Proposed Non-Public Issuance, Tian Ma will remain to be a subsidiary of the Company upon completion of the Proposed Non-Public Issuance.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of flat panel displays and modules, printed circuit boards and watches, EPC projects, shipping business and trade and logistic business.

On 26 April 2019, the Company published an announcement of resolution of the Board that the Company intends to dispose (the “**Disposals**”) of its 69.77% equity interest in AVIC Weihai Shipyard Company Limited (中航威海船廠有限公司) and 22.35% equity interest in AVIC Sunda Holding Company Limited (中航善達股份有限公司) to China Merchants Offshore Engineering Investment (Shen Zhen) Co., Ltd. (深圳市招商局海工投資有限公司) and China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) respectively. The above Disposals have been approved by general meeting of the Company held on 23 August 2019. On 27 August 2019, the Company published an announcement of resolution of the Board that the Company intends to dispose (the “**AVIC Maritime Disposal**”) of its 73.87% equity interest in AVIC International Maritime Holdings Limited (“**AVIC Maritime**”) which constitutes a very substantial disposal of the Company. The AVIC Maritime Disposal is intended to be completed by the end of 2019. After completion of the Disposals and the AVIC Maritime Disposal, the Group will gradually withdraw from the shipping business. The shipping business accounted for a small portion of the Group’s assets and revenue. After completion of the AVIC Maritime Disposal, it will not have a material adverse impact on the Group’s remaining business operation and financial position.

INFORMATION OF TIAN MA

Tian Ma is a joint stock limited company incorporated in the PRC and its A Shares are listed on the Shenzhen Stock Exchange. It is principally engaged in the manufacture and sale of various kinds of FPD and related materials, equipment and products.

As at the date of this announcement, the Company holds 291,567,326 A Shares in Tian Ma, representing approximately 14.24% equity interest in Tian Ma.

Set out below are the key financial figures of Tian Ma for each of the years ended 31 December 2017 and 2018 and six months ended 30 June 2019:

	For the year ended 31 December 2017 (audited) (RMB’000)	For the year ended 31 December 2018 (audited) (RMB’000)	For the six months ended 30 June 2019 (unaudited) (RMB’000)
Net (loss)/profit (before taxation)	892,487	1,019,173	695,805
Net (loss)/profit (after taxation)	807,204	983,879	643,588

The net assets of Tian Ma for the year ended 31 December 2018 (audited) and the six months ended 30 June 2019 (unaudited) are RMB26,004,730,600 (representing RMB12.70 per A Share) and RMB26,518,100,900 (representing RMB12.95 per A Share), respectively.

REASONS FOR AND BENEFITS OF THE PROPOSED NON-PUBLIC ISSUANCE AND THE DEEMED DISPOSAL

As mentioned above, the proceeds of RMB7,300,000,000 (assuming a maximum of 409,624,610 New A Shares are issued in full) to be raised from the Proposed Non-Public Issuance is intended to be applied in the construction of second phase of 6th generation of LTPS AMOLED production line of Wuhan Tianma after deduction of the issuance costs which will be subject to negotiation and the final agreements to be entered into among Tian Ma and the relevant intermediaries. The second phase of the 6th generation of LTPS AMOLED production line (the “**6th Generation Production Line**”) of Wuhan Tianma will increase the capacity of flexible AMOLED, which will further improve the product range of Tian Ma, meet the market demand, enhance enterprise competitiveness and improve the self-sufficiency rate of domestic AMOLED display panel which will be a strategic move for Tian Ma to become bigger and stronger.

The 6th Generation Production Line mainly produces flexible AMOLED display or module with glass substrate of 1500mm × 1850mm. It is expected that upon completion of the expansion of the 6th Generation Production Line by construction of the second phase, the production capacity will increase to 37,500 pieces per month. Currently, the 6th Generation Production Line is the most advanced generation in the AMOLED technology and the leading production line in the industry.

As at the date of this announcement, the products of Tian Ma are mainly LTPS LCD and LCM and a-si LCD and LCM products, which account for more than 90% of the total products of Tian Ma. The expansion of the 6th Generation Production Line will significantly increase Tian Ma’s production capacity of AMOLED products, help to improve the product structure, enhance Tian Ma’s competitiveness in the field of AMOLED display panels and further enhance the overall competitiveness of Tian Ma. The products under the expansion of the 6th Generation Production Line are mainly display screens for small and medium-sized products using mid-high end flexible AMOLED technology on the market, and thus such products will have broad application and prospects in the market. In 2018, AMOLED technology products accounted for only 17% of small and medium-sized display panel shipments with its sales accounting for 40% and in 2022 its shipments and sales are expected to increase. At present, AMOLED will be mainly used in wearable devices and high-end smart phones. With the improvement of AMOLED technology and production capacity and reduction in cost, AMOLED will be widely used in consumer electronics, smart cars, televisions and other fields such as smart phones, virtual reality, tablet computers and computers. Especially with the maturity of flexible AMOLED technology, folding screens and curved screens will become reality which will drive the overall innovation in the field of intelligent terminals and therefore lead to the broad market.

Upon completion of the Proposed Non-Public Issuance, on one hand, the total assets and net assets of Tian Ma will be increased at the same time, which will reduce the gearing ratio of Tian Ma and enable Tian Ma to enhance its ability to resist financial risks. On the other hand, upon achieving the capacity of the investment projects through raising funds, with the realization of the economies of scale and synergistic effects, the operating income and profit levels of Tian Ma will be increased significantly and the profitability will be enhanced rapidly. The synergistic effects include effects of both production capacity and customers. First, in terms of production capacity, the larger production capacity will lead to the better scale effect which is reflected in the bargaining power of raw materials and the unit production cost. Second effect is the customer synergy that the 5.5th generation production line of Shanghai Tian Ma Organic Light-Emitting Company Limited (上海天馬有機發光顯示有限公司) and the phase I of 6th generation production line of Wuhan Tianma have been verified by many customers which is beneficial for the quick delivery to the customers after mass production of 6th Generation Production Line with enhancement of the profitability of Tian Ma. In summary, with the completion of construction of 6th Generation Production Line, the above synergistic effects will be exerted.

There will be no material gain or loss expected to accrue to the Company from the Proposed Non-Public Issuance. The Proposed Non-Public Issuance will not affect the control of Tian Ma by the Company. Tian Ma will still be the subsidiary of the Company and the results of Tian Ma will continue to be consolidated into the consolidated results of the Group. Therefore, there will be no significant impact on the revenue and net profit of the Group's consolidated statements. In the short term, the Proposed Non-Public Issuance is expected to be completed in June 2020. Therefore, the impact on the net profit of the Group will not be significant in 2019. In the long term, Tian Ma will increase its strategic investment after raising funds from the Proposed Non-Public Issuance, which will be beneficial for the completion of forward-looking business layout of Tian Ma, continuing consolidation of its industry position, which will in return expand the assets and revenue scale of Tian Ma and contribute positively to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Non-Public Issuance and the Subscription Agreements are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED NON-PUBLIC ISSUANCE ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

There will be no material gain or loss expected to accrue to the Company on the Proposed Non-Public Issuance.

For the intended use of proceeds from the Proposed Non-Public Issuance, please refer to the section headed "Principal Terms of the Proposed Non-Public Issuance" and "Reasons for and Benefits of the Proposed Non-Public Issuance and the Deemed Disposal" above.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Non-Public Issuance exceed(s) 75%, the deemed disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, details of the Proposed Non-Public Issuance and the deemed disposal, 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 25 October 2019, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Proposed Non-Public Issuance is subject to the approval of the relevant authoritative State-owned assets supervision and administration department and the CSRC and may or may not proceed, Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

DEFINITIONS

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

“a-si LCD”	a-si Liquid Crystal Display (非晶硅液晶顯示器);
“A Share(s)”	A share(s) of Tian Ma;
“AMOLED”	active matrix organic light emitting diode (主動矩陣有機發光二極體面板);
“AVIC Acting-in-Concert Agreement”	an acting-in-concert agreement dated 20 January 2014 entered into between AVIC International, AVIC Shenzhen and the Company in relation to the voting arrangement among them in Tian Ma;
“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 International Enterprises”	collectively, AVIC International Holding Corporation (中國航空技術國際控股有限公司), AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司), the Company and AVIC International Xiamen Company Limited (中國航空技術廈門有限公司);
“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;
“AVIC Xiamen”	AVIC International Xiamen Company Limited (中國航空技術廈門有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of the Company;
“Base Issue Price”	the base issue price for each New A Shares under the Proposed Non-Public Issuance;
“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;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Director(s)”	the director(s) of the Company;
“EGM”	extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Proposed Non-Public Issuance and the deemed disposal arising therefrom;
“EPC”	Engineering, procurement and construction;
“FPD”	flat panel display (平板顯示器);
“Group”	the Company and its subsidiaries;
“H Shares”	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\$;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	an individual or a company which is independent of and not connected with the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LCD”	The liquid crystal display (液晶顯示器);
“LCM”	the liquid crystal display Module (液晶顯示模塊或液晶顯示模組)
“LTPS”	low temperature polycrystalline silicon (低溫多晶矽);

“New A Share(s)”	new A Share(s) to be issued under the Proposed Non-Public Issuance;
“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;
“Price Determination Date”	the determination date of the Base Issue Price, being the first day of the issue period of the Proposed Non-public Issuance;
“Proposed Non-Public Issuance”	the proposed issuance of new A Shares by Tian Ma for raising a maximum amount of RMB7,300,000,000 by way of non-public offer;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber(s)”	the target investors who will enter/entered into Subscription Agreements with Tian Ma;
“Subscriber A”	Hubei Changjiang Tianma Fixed Investment Fund Partnership (Limited Partnership)* (湖北長江天馬定增投資基金合夥企業(有限合夥)), a limited liability partnership established in the PRC, the equity interest of which was directly and indirectly owned as to 100% by State-owned Assets Supervision and Administration Commission of Wuhan Municipal People’s Government (武漢市人民政府國有資產監督管理委員會);
“Subscriber A Acting-in-Concert Agreement”	an acting-in-concert agreement dated 28 August 2019 entered into between the Company and Subscriber A;

“Subscription Agreement(s)”	the conditional agreements in relation to the subscription for the New A Shares which has been entered into or will be entered into between the Company and each of the Subscribers;
“Tian Ma”	Tian Ma Microelectronics Company Limited (天馬微電子股份有限公司), (A Shares stock code: 000050), a non-wholly owned subsidiary of the Company, the A Shares of which are listed on the Shenzhen Stock Exchange; and
“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, and as at the date of this announcement, its equity interest is owned as to 100% by Tian Ma.

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
Liu Hong De
Chairman

Shenzhen, the PRC, 28 August 2019

As at the date of this announcement, the Board comprises a total of 9 Directors, Mr. Liu Hong De, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Liu Jun, Mr. Fu Fang Xing and Mr. Chen Hong Liang as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei as independent non-executive Directors.

* *For identification purpose only*