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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 TENANCY FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 13 January 2014 and 13 January 2017 respectively in connection with the AVIC International Tenancy Framework Agreements entered into between AVIC International and the Company.

On 28 October 2019, the Company entered into the New AVIC International Tenancy Framework Agreement with AVIC International for a term from the date of execution to 31 December 2021.

As AVIC International (including its Associated Companies) is a connected person of the Company, the New AVIC International Tenancy Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for the New AVIC International Tenancy Framework Agreement exceed 0.1% but are less than 5%, the New AVIC International Tenancy Framework Agreement will be subject to the reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 13 January 2014 and 13 January 2017 respectively in connection with the AVIC International Tenancy Framework Agreements entered into between AVIC International and the Company.

NEW AVIC INTERNATIONAL TENANCY FRAMEWORK AGREEMENT

Date

28 October 2019

Parties

Landlord: AVIC International

Tenant: the Company

Duration

Subject to the fulfillment of all conditions precedent set out in the paragraph headed “Conditions precedent” below, the term of the New AVIC International Tenancy Framework Agreement shall commence from the date of its execution to 31 December 2021.

Details of the transactions

According to the New 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 New AVIC International Tenancy Framework Agreement. The existing annual caps in relation to the leasing of real estate properties under the 2017 AVIC International Tenancy Framework Agreement will be replaced by the new annual caps contained in the New AVIC International Tenancy Framework Agreement. After the New AVIC International Tenancy Framework Agreement has become effective, the proposed annual caps will apply to the transactions contemplated under the New AVIC International Tenancy Framework Agreement for the term commencing from the date of its execution to 31 December 2021.

Internal control and pricing policy

The Company has formulated strict internal control policies in respect of leasing of real estate properties transactions. The department, which is responsible for the signing of individual leasing agreements, of the Company will regularly designate staff to compare the rent with that offered by Independent Third Parties (including at least three lease counterparties within the area of the leased properties) according to the conditions of the agreements, and will report the results to their supervisor who, based on the above research and comparison results, will make sure that the rent payable by the Company to AVIC International (or its Associated Companies) will not be higher than that offered by other Independent Third Parties during the same period.

The rents charged under the New AVIC International Tenancy Framework Agreement were determined after arm’s length negotiation with reference to the following:

- (i) the conditions of each property to be let;
- (ii) the rents paid by the Group under the previous tenancy agreements; and
- (iii) the rents charged by Independent Third Parties in respect of properties of similar nature in nearby areas and subject to normal commercial terms.

Risk management

The risk management team and relevant senior management of the Company are responsible for monitoring connected transactions for the Company, including the transactions under the New AVIC International Tenancy Framework Agreement.

The risk management team and relevant senior management of the Company will review the actual amount utilised in respect of the annual cap monthly. If it is expected that transaction amount contemplated under the New AVIC International Tenancy Framework Agreement will exceed the relevant annual cap, the Company will take applicable steps in order to comply with the relevant requirement of the Listing Rules.

The Company has established integrated internal control and risk management systems to identify various risks, formulate and improve its internal control policies, and implement, monitor and improve various responsive risk control measures throughout our business operations.

The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions contemplated under the New AVIC International Tenancy Framework Agreement.

Based on the aforesaid, the Company is of the view that the Group has adequate mechanism, internal control procedures and supervision measures to ensure that the continuing connected transactions will be conducted in full compliance with and strictly in accordance with the terms of the New AVIC International Tenancy Framework Agreement and the Listing Rules.

Conditions precedent

The New AVIC International Tenancy Framework Agreement will become effective upon:

- (1) the due execution of New AVIC International Tenancy Framework Agreement by the Company and AVIC International; and
- (2) the Company having obtained approval by its internal authorities on the New AVIC International Tenancy Framework Agreement and the transactions contemplated thereunder (such as the Board and/or the Shareholders) in accordance with its articles of association, and relevant laws, rules and regulations (including but not limited to the Listing Rules).

Historical figures and annual caps

Set out below are the proposed annual caps for the years ended 31 December 2017, 2018 and 2019 under the 2017 AVIC International Tenancy Framework Agreement during its term:

For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
RMB5,000,000	RMB7,000,000	RMB7,000,000

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 2017, 2018 and for the period commencing from 1 January 2019 to 25 October 2019:

For the year ended 31 December 2017	For the year ended 31 December 2018	For the period commencing from 1 January 2019 to 25 October 2019
RMB2,830,000	RMB6,430,000	RMB6,360,000

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

From the date of execution of New AVIC International Tenancy Framework Agreement to 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
RMB12,000,000	RMB12,000,000	RMB12,000,000

If the proposed annual caps are exceeded, the New AVIC International Tenancy Framework Agreement would be suspended from implementation. Following the suspension, the agreement and annual caps may be amended and/or approved in accordance with the relevant rules and regulations including the Listing Rules.

The Group proposes to lease from AVIC International and/or its Associated Companies commercial properties for office use. On this basis, the proposed annual caps are determined after taking into account of the following:

- (i) the historical transaction amounts of rents paid by the Group to AVIC International and/or its Associated Companies under all such transactions;
- (ii) the business development and expansion of the Group and the possibility of entering into new tenancy agreements with AVIC International and/or its Associated Companies in the forthcoming years; and
- (iii) the prevailing market rents for similar properties in the nearby areas.

The amounts to be paid by the Group to AVIC International and/or its Associated Companies under the New 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 under the New AVIC International Tenancy Framework Agreement

The subsidiaries of the Group operate businesses in different cities and regions where they do not have properties for office use. As AVIC International and/or its Associated Companies own properties for office use in those cities and regions, they could provide the Group with the high-quality properties for office use which complements the needs of the Group. Based on mutual understanding between the Group and AVIC International and/or its Associated Companies, the costs are reduced and the efficiency of lease process is improved accordingly. Furthermore, 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 New 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 New 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.

INFORMATION OF 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.

INFORMATION OF AVIC INTERNATIONAL

AVIC International, a state-owned enterprise established in the PRC, is a controlling Shareholder of the Company. AVIC International's core businesses consist of import and export business; warehousing; investment and management of industry, hotel, property and real estate industry; development, sales and maintenance of new energy equipment; exhibition; technology transfer and technical services related to the above-mentioned businesses and dispatching the laborers required for implementation of offshore engineering.

As at the date of this announcement, AVIC International holds approximately 37.5% of the issued share capital of the Company, and it owns 100% equity interest in AVIC Shenzhen, which in turns holds approximately 33.93% of the issued share capital of the Company.

In light of the above, AVIC International 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) is a connected person of the Company, the New AVIC International Tenancy Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for the New AVIC International Tenancy Framework Agreement exceed 0.1% but are less than 5%, the New AVIC International Tenancy Framework Agreement will be subject to the reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for Mr. Liu Hong De, Mr. Lai Wei Xuan, Mr. You Lei and Mr. Fu Fang Xing who are also directors of AVIC International, none of the Directors has a material interest in the New AVIC International Tenancy Framework Agreement and the transactions contemplated thereunder. None of the Directors is required or has abstained from voting at the meeting of the Board on each resolution to approve the New AVIC International Tenancy Framework Agreement 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
“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 Tenancy Framework Agreements”	the 2014 AVIC International Tenancy Framework Agreement and the 2017 AVIC International Tenancy Framework Agreement
“2014 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
“2017 AVIC International Tenancy Framework Agreement”	the tenancy framework agreement dated 13 January 2017, 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
“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
“EPC”	engineering, procurement and construction
“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 Corporation of China, Ltd. (中國航空工業集團有限公司), 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
“New AVIC International Tenancy Framework Agreement”	the tenancy framework agreement dated 28 October 2019 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
“PRC”	the People’s Republic of China, 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
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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
Liu Hong De
Chairman

Shenzhen, PRC, 28 October 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.