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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)*

MAJOR AND CONNECTED TRANSACTION FORMATION OF JOINT VENTURE COMPANY

JV AGREEMENT

Reference is made to the announcement of the Company dated 12 August 2019 in relation to the investment cooperation framework agreement entered into among Xiamen Torch Committee, Tian Ma (a non-wholly owned subsidiary of the Company) and Xiamen Tian Ma (a wholly-owned subsidiary of Tian Ma) on 12 August 2019 in relation to the proposed establishment of the JV Company in the PRC for carrying out the production line construction project for the 6th Generation Soft AMOLED.

The Board announces that on 20 December 2019 (after trading hours), Xiamen Tian Ma entered into the JV Agreement with Jinyuan, ITG, Xingma and Xiangyu Group in relation to the establishment of the JV Company.

Pursuant to the JV Agreement, the parties shall establish the JV Company with a registered capital of RMB27 billion to carry out the production line construction project for the 6th Generation Soft AMOLED. Upon establishment of the JV Company, Xiamen Tian Ma, Jinyuan, ITG, Xingma and Xiangyu Group will hold 15%, 20%, 45%, 10% and 10% equity interest in the JV Company, respectively. The JV Company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statement of the Group.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

Listing Rules

Jincai is a substantial shareholder of the Company at subsidiary level which holds approximately 19.02% equity interest in Tian Ma. To the best knowledge of the Directors after making reasonable enquiries, Jincai is a subsidiary of Jinyuan Investment, which in turn is the holding company of Jinyuan. Jinyuan therefore is an associate of Jincai under Rule 14A.13 of the Listing Rules and a connected person of the Company at the subsidiary level. Accordingly, the transaction contemplated under the JV Agreement constitutes a connected transaction of the Company.

Given that (i) Jinyuan is a connected person of the Company at the subsidiary level; (ii) the Board has approved the transaction contemplated under the JV Agreement and (iii) all the independent non-executive Directors have confirmed that the terms of the JV Agreement are fair and reasonable, and that the transaction is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction under the JV Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratio in respect of the transaction contemplated under the JV Agreement exceeds 25% but all of them are less than 100%, the transaction contemplated under the JV Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transaction contemplated under the JV Agreement and thus none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction contemplated under the JV Agreement.

As at the date of this announcement, AVIC International holds 437,264,906 Shares, representing 37.50% of the issued share capital of the Company, and it owns the entire equity interest in AVIC Shenzhen, which in turns holds 395,709,091 Shares, representing 33.93% of the issued share capital of the Company. Hence, AVIC International and AVIC Shenzhen, constituting a closely allied group of Shareholders, hold in aggregate 832,973,997 Shares, representing approximately 71.43% of the entire issued share capital of the Company as at the date of this announcement.

The Company intends to seek written shareholders' approval from AVIC International and AVIC Shenzhen for the transaction contemplated under the JV Agreement in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

Takeovers Code

Reference is made to the Joint Announcement of the Company and AVIC International dated 2 October 2019 in relation to, among others, the H Share Offer and the proposed Merger to be made by China International Capital Corporation Hong Kong Securities Limited for and on behalf of AVIC International to acquire all of the issued H Shares in the Company.

AVIC International as offeror of the H Share Offer has consented to the Company's entering into of the JV Agreement and the transaction contemplated thereunder. The Company has applied to the Executive for a waiver from compliance with the requirement to obtain Shareholders' approval in a general meeting of the Company pursuant to Note 1 to Rule 4 of the Takeovers Code.

If the Company obtains the written shareholders' approval from AVIC International and AVIC Shenzhen, and the aforesaid waiver granted by the SFC, no extraordinary general meeting of the Company will be convened for the purpose of approving the transaction contemplated under the JV Agreement. The Company will update its Shareholders by way of announcement as and when appropriate pursuant to applicable rules.

GENERAL

In light of the upcoming Christmas and lunar new year public holiday, the Company requires additional time to prepare the financial information to be included in the circular. As such, the circular containing, among other things, (a) further details of the JV Agreement, and (b) such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 February 2020, which is more than 15 business days after the publication of this announcement.

JV AGREEMENT

Reference is made to the announcement of the Company dated 12 August 2019 in relation to the investment cooperation framework agreement entered into among Xiamen Torch Committee, Tian Ma (a non-wholly owned subsidiary of the Company) and Xiamen Tian Ma (a wholly-owned subsidiary of Tian Ma) on 12 August 2019 in relation to the proposed establishment of the JV Company in the PRC for carrying out the production line construction project for the 6th Generation Soft AMOLED.

The Board announces that on 20 December 2019 (after trading hours), Xiamen Tian Ma entered into the JV Agreement with Jinyuan, ITG, Xingma and Xiangyu Group in relation to the establishment of the JV Company, the principal terms of which are set out below:

Date : 20 December 2019 (after trading hours)

Parties : Xiamen Tian Ma;

Jinyuan;

ITG;

Xingma; and

Xiangyu Group

The relationship between Jinyuan and the Company are set out in the section headed “Listing Rules and Takeovers Code Implications” in this announcement.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of ITG, Xingma, Xiangyu Group and their respective ultimate beneficial owner(s) is an Independent Third Party.

Subject Matter:

The parties shall establish the JV Company in Xiamen, the PRC.

The business scope of the JV Company shall principally cover design, manufacturing and sales of display devices and related materials; provision of related services on technology development, technology consultation and transfer of technology; service in relation to information technology and related consultation; general freight, agency sales and agency procurement service of display devices and related materials; leasing of self-owned property; import and export business.

Pursuant to the JV Agreement, the JV Company shall construct a production line which is capable for machining 48,000 pieces of soft display of the 6th Generation Soft AMOLED per month.

Contribution in the JV Company:

Pursuant to the JV Agreement, the investment in the JV Company shall be RMB48 billion, among which RMB27 billion shall be the registered capital of the JV Company and contributed by the parties in cash and the remaining RMB21 billion shall be financed by the JV Company from banks. Upon establishment of the JV Company, the parties to the JV Agreement shall contribute their respective portion of capital into the JV Company in a lump sum or by instalments in accordance with the applicable PRC laws and regulations and pursuant to the needs of the JV Company during the implementation process of its construction project.

The contribution of the registered capital to be made by the parties to the JV Agreement and their respective equity interest in the JV Company are set out as follows:

	Registered Capital Contribution <i>(RMB billion)</i>	Equity Interest Holding in the JV Company <i>(%)</i>
Xiamen Tian Ma	4.05	15%
Jinyuan	5.4	20%
ITG	12.15	45%
Xingma	2.7	10%
Xiangyu Group	2.7	10%
	<hr/> <hr/> 27	<hr/> <hr/> 100%

The capital contribution to be made by Xiamen Tian Ma, Jinyuan, ITG, Xingma and Xiangyu Group was determined after arm's length negotiations among each party, with reference to the equity interest of each party in the JV Company and the expected capital requirement of approximately RMB27 billion for the implementation of the production line construction project at the initial stage. It is expected that the remaining investment amount of RMB21 billion shall be financed by the JV Company from banks at appropriate stage after it has commenced operation.

The capital contribution of RMB4.05 billion to be made by Xiamen Tian Ma under the JV Agreement will be financed by its internal resources and other means including self-raised funding.

Profit Distribution and Risk Sharing:

Unless otherwise agreed by the relevant parties, the profit, liability and/or risks of the JV Company shall be shared by the parties to the JV Agreement in proportion to their respective equity interest in the JV Company.

Corporate Governance:

The JV Company will establish a board of directors comprising seven members, among which, each of Xiamen Tian Ma and ITG can appoint two members, Jinyuan can appoint one member, Xingma and Xiangyu Group can jointly appoint one member; and the employees of the JV Company can elect one representative to be a member of the board. The board of the JV Company will have one chairman to be nominated by Xiamen Tian Ma or its related parties, and one vice chairman to be nominated by ITG. The board of the JV Company shall report to the shareholders' meeting of the JV Company.

The JV Company will also establish a supervisory committee comprising three members, among which ITG can appoint one member; Xingma and Xiangyu Group can jointly appoint one member; and the employees of the JV Company can elect one representative to be a member of the supervisory committee. The supervisory committee of the JV Company will have one chairman to be nominated by ITG and subject to the election by all members of the supervisory committee by simple majority. The supervisory committee of the JV Company shall report to the shareholders' meeting of the JV Company.

Completion:

Upon establishment of the JV Company, Xiamen Tian Ma, Jinyuan, ITG, Xingma and Xiangyu Group will hold 15%, 20%, 45%, 10% and 10% equity interest in the JV Company, respectively. The JV Company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statement of the Group.

INFORMATION OF THE PARTIES

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, international engineering and trading & logistic business, and EPC projects.

Xiamen Tian Ma

Xiamen Tian Ma is a limited liability company established in the PRC which principally engages in the provision of liquid crystal displays and ancillary materials, equipment, products and design, production and sale, and providing related technology development, technology consultation, technology services and technology transfers; import and export business of various products and technology (excluding state-restricted items). As at the date of this announcement, Xiamen Tian Ma is wholly-owned by Tian Ma, a non wholly-owned subsidiary of the Company whose A shares are listed on the Shenzhen Stock Exchange.

Jinyuan and its ultimate beneficial owner(s)

Jinyuan is a limited liability company established in the PRC which principally engages in industrial investment.

To the best knowledge of the Directors after making reasonable enquiries, Jinyuan is a subsidiary of Jinyuan Investment, which is a limited liability company (wholly state-owned) established in the PRC principally engages in trade agent, goods wholesale, imports and exports business, and investment consultation.

ITG and its ultimate beneficial owner(s)

ITG is a limited liability company newly established in the PRC for the purpose of participating in the transaction contemplated under the JV Agreement.

To the best knowledge of the Directors after making reasonable enquiries, ITG is a subsidiary of Xiamen ITG Holding Group Co., Ltd* (廈門國貿控股集團有限公司), which is a limited liability company (wholly state-owned) established in the PRC principally engages in equity investment.

Xingma and its ultimate beneficial owner(s)

Xingma is a limited partnership newly established in the PRC for the purpose of participating in the transaction contemplated under the JV Agreement.

To the best knowledge of the Directors after making reasonable enquiries, Xingma is a subsidiary of Xiamen Torch Group Co., Ltd* (廈門火炬集團有限公司) which is a limited liability company (wholly state-owned) established in the PRC principally engages in investment holding.

Xiangyu Group and its ultimate beneficial owner(s)

Xiangyu Group is a limited liability company (wholly state-owned) established in the PRC principally engages in investment holding.

To the best knowledge of the Directors after making reasonable enquiries, Xiangyu Group is a wholly owned subsidiary of State-owned Assets Supervision and Administration commission of Xiamen Government which is a limited liability company established in the PRC principally engages in operation and management of state-owned assets in the scope of authority, industrial investment, and equity investment.

REASONS AND BENEFITS FOR THE FORMATION OF THE JV COMPANY

The AMOLED soft display has the advantages of high contrast, high response speed, ultra-thin, low power consumption and flexible and foldable display. Its product performance is outstanding, and its share will continue to expand in the high-end display market. With the upcoming of the 5G era, the rising and intelligent transformation in industries such as the Internet of Things, and the rapid development in emerging markets such as virtual reality (VR), smart wearables and smart homes, AMOLED soft display technology has huge market potentials as it will drive a new round of innovation in display applications such as mobile smart terminals with its unique technical advantages.

The coming few years will be a critical period for the development of the display panel industry and there is broad market space in the high-end display market. Tianma has to proactively grasp the strategic opportunities in such period, optimize its industrial layout, improve its industrial structure, and increase its market share in the AMOLED soft display market. Tianma has accumulated extensive experience in AMOLED industry. Upon the project under the JV Agreement is put into construction, Tianma will further integrate its existing resources and efficiently replicates of its AMOLED production line related experience on this project, which will help Tianma to enhance the scale effect on its AMOLED products, timely capture demands from its customers, and maintain its competitiveness in the high-end display market, thereby enhancing the Company's overall competitiveness. At the same time, the project under the JV Agreement is also conducive to promoting the rapid development of the AMOLED industry. It will also attract more ancillary suppliers to increase their investment in the AMOLED industry, thereby reduce the raw material procurement costs, optimize the industrial chain structure, and promote the diversification of upstream raw materials in the AMOLED industry.

In light of the reasons set out above, the Directors (including all the independent non-executive Directors) are of the view that the terms and conditions of the JV Agreement are on normal commercial terms and fair and reasonable, and the transaction contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the JV Agreement and the transaction contemplated thereunder and is required to be abstained from voting on the relevant Board resolution.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

Listing Rules

Jincai is a substantial shareholder of the Company at subsidiary level which holds approximately 19.02% equity interest in Tian Ma. To the best knowledge of the Directors after making reasonable enquiries, Jincai is a subsidiary of Jinyuan Investment, which in turn is the holding company of Jinyuan. Jinyuan therefore is an associate of Jincai under Rule 14A.13 of the Listing Rules and a connected person of the Company at the subsidiary level. Accordingly, the transaction contemplated under the JV Agreement constitutes a connected transaction of the Company.

Given that (i) Jinyuan is a connected person of the Company at the subsidiary level; (ii) the Board has approved the transaction contemplated under the JV Agreement and (iii) all the independent non-executive Directors have confirmed that the terms of the JV Agreement are fair and reasonable, and that the transaction is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction under the JV Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratio in respect of the transaction contemplated under the JV Agreement exceeds 25% but all of them are less than 100%, the transaction contemplated under the JV Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the transaction contemplated under the JV Agreement and thus none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction contemplated under the JV Agreement.

As at the date of this announcement, AVIC International holds 437,264,906 Shares, representing 37.50% of the issued share capital of the Company, and it owns the entire equity interest in AVIC Shenzhen, which in turns holds 395,709,091 Shares, representing 33.93% of the issued share capital of the Company. Hence, AVIC International and AVIC Shenzhen, constituting a closely allied group of Shareholders, hold in aggregate 832,973,997 Shares, representing approximately 71.43% of the entire issued share capital of the Company as at the date of this announcement.

The Company intends to seek written shareholders' approval from AVIC International and AVIC Shenzhen for the transaction contemplated under the JV Agreement in lieu of holding of a general meeting pursuant to Rule 14.44 of the Listing Rules.

Takeovers Code

Reference is made to the Joint Announcement of the Company and AVIC International dated 2 October 2019 in relation to, among others, the H Share Offer and the proposed Merger to be made by China International Capital Corporation Hong Kong Securities Limited for and on behalf of AVIC International to acquire all of the issued H Shares in the Company.

AVIC International as offeror of the H Share Offer has consented to the Company's entering into of the JV Agreement and the transaction contemplated thereunder. The Company has applied to the Executive for a waiver from compliance with the requirement to obtain Shareholders' approval in a general meeting of the Company pursuant to Note 1 to Rule 4 of the Takeovers Code.

If the Company obtains the written shareholders' approval from AVIC International and AVIC Shenzhen, and the aforesaid waiver granted by the SFC, no extraordinary general meeting of the Company will be convened for the purpose of approving the transaction contemplated under the JV Agreement. The Company will update its Shareholders by way of announcement as and when appropriate pursuant to applicable rules.

GENERAL

In light of the upcoming Christmas and lunar new year public holiday, the Company requires additional time to prepare the financial information to be included in the circular. As such, the circular containing, among other things, (a) further details of the JV Agreement, and (b) such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 February 2020, which is more than 15 business days after the publication of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“AMOLED”	Active-matrix Organic Light-emitting Diode
“AVIC International” or “Offeror”	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 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 established in the PRC whose H Shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EPC”	Engineering, procurement and construction

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share Offer”	has its meaning ascribed in the Joint Announcement
“Independent Third Party”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected persons
“ITG”	Xiamen International Trade Industry Co., Ltd.* (廈門國貿產業有限公司), a limited liability company incorporated in the PRC
“Jincai”	Xiamen Jincai Industry Development Co., Ltd.* (廈門金財產業發展有限公司), a limited liability company incorporated in the PRC and a substantial shareholder of Tian Ma
“Jinyuan”	Xiamen Jinyuan Industry Development Co., Ltd.* (廈門金圓產業發展有限公司), a limited liability company incorporated in the PRC
“Jinyuan Investment”	Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), a limited liability company incorporated in the PRC and the holding company of Jincai and Jinyuan
“Joint Announcement”	the joint announcement published by the Company and AVIC International on 2 October 2019 in relation to, among others, the voluntary conditional offer to be made by China International Capital Corporation Hong Kong Securities Limited for and on behalf of AVIC International to acquire all of the issued H Shares in the Company and the proposed Merger
“JV Agreement”	the joint venture agreement in relation to the production line construction project for the 6th Generation Soft AMOLED dated 20 December 2019 entered into among Xiamen Tian Ma, Jinyuan, ITG, Xingma and Xiangyu Group in relation to the establishment of the JV Company
“JV Company”	a limited liability company to be jointly established in Xiamen, the PRC by Xiamen Tian Ma, Jinyuan, ITG, Xingma and Xiangyu Group pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merger”	has its meaning ascribed in the Joint Announcement
“PRC”	the People’s Republic of China and, for the sole purposes of this announcement, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	domestic share(s) and H share(s) of the Company
“Shareholder(s)”	holder(s) of shares (including domestic shares and H shares) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Merger published by the SFC
“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
“Xiamen Tian Ma”	Xiamen Tian Ma Microelectronics Company Limited (廈門天馬微電子有限公司), a wholly-owned subsidiary of Tian Ma
“Xiangyu Group”	Xiamen Xiangyu Group Co., Ltd.* (廈門象嶼集團有限公司), a limited liability company (wholly state-owned) established in the PRC
“Xingma”	Xiamen Xingma Equity Investment Partnership (Limited Partnership)* (廈門興馬股權投資合夥企業(有限合夥)), a limited partnership established in the PRC

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, 20 December 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any of the statements in this announcement misleading.

* For identification purpose only