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AVIC International Holding (HK) Limited **中國航空工業國際控股(香港)有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

Placing of Existing Shares and Subscription for New Shares under General Mandate

Sole Placing Agent



華泰金控

HUATAI FINANCIAL
Wholly owned Subsidiary of Huatai Securities Company Ltd

The Placing and the Subscription

On 16 December 2014 (after trading hours), the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (a) the Vendor has appointed the Placing Agent and the Placing Agent has agreed to act as the sole placing agent for the Vendor, on a best efforts basis, to procure Placees to purchase the Placing Shares at the Placing Price of HK\$0.60 per Share; and (b) the Vendor conditionally agreed to subscribe for the Subscription Shares, at the Subscription Price of HK\$0.60 per Share, which is equivalent to the Placing Price.

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of which 4,619,591,000 Shares are in issue. The maximum number of 900,000,000 Placing Shares represents (a) approximately 19.48% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 16.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription other than the issue of the Subscription Shares). Completion of the Subscription is conditional on certain conditions as set out in this announcement.

The Placing Price represents (i) a discount of approximately 10.45% to the closing price of HK\$0.67 per Share quoted on the Stock Exchange on 16 December 2014, being the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 10.18% over the average closing price of HK\$0.668 per Share quoted on the Stock Exchange from 10 December 2014 to 16 December 2014, both dates inclusive, being the last five trading days up to and including the date of the Placing and Subscription Agreement.

The maximum net proceeds to be received by the Company from the Subscription will amount to approximately HK\$534 million. The Company intends to apply the net proceeds for general working capital and to fund other potential investment opportunities that might be identified by the Company from time to time. The net proceeds will also enable the Company to strengthen its financial position and broaden its shareholder base so as to facilitate its future development.

General Mandate

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2014 and the issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Subscription Shares.

As the Placing and the Subscription are subject to the satisfaction of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

PLACING AND SUBSCRIPTION AGREEMENT DATED 16 DECEMBER 2014

On 16 December 2014 (after trading hours), the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (a) the Vendor has appointed the Placing Agent and the Placing Agent has agreed to act as the sole placing agent for the Vendor, on a best efforts basis, to procure Placees to purchase the Placing Shares at the Placing Price of HK\$0.60 per Share; and (b) the Vendor conditionally agreed to subscribe for the Subscription Shares, at the Subscription Price of HK\$0.60 per Share, which is equivalent to the Placing Price.

Parties

1. the Vendor (as vendor for the Placing Shares);
2. the Company; and
3. the Placing Agent (as the sole placing agent of the Placing Shares on behalf of the Vendor).

As at the date of this announcement, the Vendor is a substantial shareholder of the Company, holding 1,386,943,000 Shares which represent approximately 30.02% of the existing issued share capital of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

THE PLACING

The Placing Agent will act as the sole placing agent of the Vendor to procure Placees on a best efforts basis to purchase the Placing Shares at the Placing Price.

Number of Placing Shares

The Vendor will sell a maximum number of 900,000,000 Shares, representing approximately 19.48% of the existing issued share capital of the Company and approximately 16.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of which 4,619,591,000 Shares are in issue.

Placing Price

Placing Price is HK\$0.60 per Share. The Placing Price represents (i) a discount of approximately 10.45% to the closing price of HK\$0.67 per Share quoted on the Stock Exchange on 16 December 2014, being the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 10.18% over the average closing price of HK\$0.668 per Share quoted on the Stock Exchange from 10 December 2014 to 16 December 2014, both dates inclusive, being the last five trading days up to and including the date of the Placing and Subscription Agreement.

The Placing Price has been determined after arm's length negotiations between the parties and was determined with reference to the prevailing market price of the Shares and the recent trading volume of the Shares. The Directors are of the opinion that the Placing Price is fair and reasonable and is in the best interests of the Company.

Rights of the Placing Shares

The Placing Shares will be sold free of any encumbrances and third-party rights. The Placees will receive all dividends and distributions declared after the date of the Placing and Subscription Agreement.

Independence of the Placing Agent and the Placees

The Placing Agent will receive a placing commission based on the gross proceeds of the Placing Shares being placed, which was arrived at after arm's length negotiations among the Vendor, the Company and the Placing Agent.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees (and their ultimate beneficial owners) procured by the Placing Agent will not be connected persons of the Company (as defined in the Listing Rules). It is also expected that the Placees (and their ultimate beneficial owners) procured by the Placing Agent will be independent of, and not acting in concert with, the Vendor and parties acting in concert with it. It is expected that the Placing Shares will be placed to not less than six Placees. The Company anticipates that none of the Placees will become a substantial shareholder of the Company upon completion of the Placing and the Subscription.

Completion of the Placing

It is expected that completion of the Placing will take place on 19 December 2014 (or such other date as the Vendor and the Placing Agent may agree).

The Placing Agent may terminate its obligations under the Placing and Subscription Agreement without liability to the Vendor and the Company by giving notice in writing to the Vendor and the Company at any time prior to 8:00 a.m. on the Closing Date:

- (a) there develops, occurs or comes into force any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations which in the opinion of the Placing Agent makes it impracticable or inadvisable to proceed with the Placing or has or is likely to have a material adverse effect on the financial position, business, results of operation or prospects of the Group as a whole; or
 - (ii) any significant event, development or change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date hereof) in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the United Kingdom, the PRC or Hong Kong of a national emergency or other calamity or crisis, the effect of which in the opinion of the Placing Agent is or would be adverse to the success of the Placing, or makes it impracticable or inadvisable to proceed therewith; or
 - (iii) the declaration of a banking moratorium by the United States, the United Kingdom, the PRC or Hong Kong authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange; or
 - (iv) any suspension of dealings in the Shares for any period whatsoever, except for suspension relating to any transaction under the Placing and Subscription Agreement for no more than one (1) Business Day; or
 - (v) the commencement by any regulatory or political body or organisation of any action against the Company, any director of the Company or the Vendor or an announcement by any regulatory or political body or organisation that it intends to take any such action, which has an adverse effect on the financial position, business or results of operation of the Group as a whole; or
- (b) any breach of any of the warranties and undertakings by the Vendor and/or the Company set out in the Placing and Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such warranties and undertakings under the Placing and Subscription Agreement untrue or incorrect in any material respect or there has been a material breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; or

- (c) any change or any development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the opinion of the Placing Agent is so material and adverse as to make it impractical or inadvisable to proceed with the Placing.

Lock-up

The Company has undertaken to the Placing Agent that (except for (i) the Subscription Shares to be allotted and issued pursuant to the Placing and Subscription Agreement; (ii) any new Shares to be allotted and issued pursuant to the terms of any employee share option scheme of the Company; and (iii) any outstanding subscription warrants (if any) or any bonus or scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its Bye-laws or on conversion of outstanding convertible bonds issued by the Company prior to the date of the Placing and Subscription Agreement) from the date of the Placing and Subscription Agreement and ending on the 90th day after the Closing Date it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transactions with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

THE SUBSCRIPTION

The Vendor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the Subscription Shares.

Number of Subscription Shares

The number of new Shares to be allotted and issued by the Company to the Vendor under the Subscription shall be equal to the number of the Placing Shares, which shall be up to 900,000,000 Shares, representing approximately 19.48% of the existing issued share capital of the Company and approximately 16.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price shall be an amount equal to the Placing Price. The Subscription Price of the Subscription Shares will be paid to the Company in full on completion of the Subscription.

Mandate to issue new Shares

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting held on 28 May 2014. Under such general mandate, the Company is allowed to allot and issue up to 923,918,200 Shares, representing 20% of the issued share capital of the Company as at the date of the annual general meeting of the Company. No Shares have been allotted and issued pursuant to such general mandate as at the date of this announcement. Therefore, the allotment and issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Ranking

The Subscription Shares, when fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on or prior to the date of completion of the Subscription including as to the rights to dividends and other distributions declared, made or paid at any time after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

The completion of the Subscription is conditional upon:

- (a) the Listing Committee granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) of the Subscription Shares);
- (b) completion of the Placing having been occurred pursuant to the terms of the Placing and Subscription Agreement;
- (c) the Executive Director of the Corporate Finance Division of the SFC granting the Vendor a waiver from the obligation to make a general offer under the Takeovers Code with respect to their acquisition of the Subscription Shares; and
- (d) if applicable, granting of approval by any relevant regulatory authority in relation to the allotment and issue of the Subscription Shares.

Completion of the Subscription

Completion of the Subscription will take place on 29 December 2014 (or such other date as may be agreed by the parties) after the satisfaction of the conditions of the Subscription.

In the event that the completion of the Subscription does not take place within 14 days after the date of the Placing and Subscription Agreement (or such later date subject to the approval of the Stock Exchange, as may be agreed between the parties), then the obligations and liabilities of the Vendor and the Company under the Subscription will cease and terminate and neither the Company and the Vendor shall have any claim against the other for costs, damages, compensation or otherwise.

If completion of the Subscription takes place on a date later than 14 days after the date of the Placing and Subscription Agreement, the Subscription will constitute a connected transaction under the Listing Rules and is subject to compliance with the requirements of Chapter 14A of the Listing Rules, including the issue of separate announcement and approval of independent Shareholders.

Application for listing from the Stock Exchange and waiver from SFC

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Subscription Shares.

The percentage shareholding (and voting rights) of the Vendor together with parties acting in concert with it will be reduced from 41.03% to 21.55% immediately after completion of the Placing and will be increased back to 34.34% immediately after completion of the Subscription. Therefore, the Vendor and parties acting in concert with it will be required to make a general offer under Rule 26 of the Takeovers Code.

The Vendor will make an application to the Executive Director of the Corporate Finance Division of the SFC for a waiver from the obligation to make a general offer under Rule 26.1 of the Takeovers Code as a result of the Placing and the Subscription.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

Assuming that 900,000,000 Placing Shares have been placed in full by the Placing Agent, the shareholding structure of the Company before and after the Placing and the Subscription is as follows:

	At the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders						
Speed Profit Enterprises Limited (<i>Note</i>)	508,616,000	11.01	508,616,000	11.01	508,616,000	9.21
Vendor (<i>Note</i>)	1,386,943,000	30.02	486,943,000	10.54	1,386,943,000	25.13
<i>The Vendor together with parties acting in concert with it</i>	1,895,559,000	41.03	995,559,000	21.55	1,895,559,000	34.34
Public						
Placees	Nil	Nil	900,000,000	19.48	900,000,000	16.31
Other public Shareholders	2,724,032,000	58.97	2,724,032,000	58.97	2,724,032,000	49.35
Total	4,619,591,000	100.00	4,619,591,000	100.00	5,519,591,000	100.00

Note:

Speed Profit Enterprises Limited is a wholly-owned subsidiary of the Vendor, which in turn is a wholly-owned subsidiary of AVIC International (HK) Group Limited. AVIC International (HK) Group Limited is a wholly-owned subsidiary of AVIC International Holding Corporation, which in turn is a non wholly-owned subsidiary of AVIC Industry Corporation of China. Accordingly, the Vendor is deemed to be interested in the shares held by Speed Profit Enterprises Limited; and each of AVIC International (HK) Group Limited, AVIC International Holding Corporation and AVIC Industry Corporation of China is deemed to be interested in the aggregate shares directly held by Speed Profit Enterprises Limited and the Vendor.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND PROPOSED USE OF PROCEEDS

The Directors consider that the Placing and the Subscription offer a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development.

The Directors believe that the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds to be received by the Company from the Subscription will amount to approximately HK\$540 million. After taken into account the estimated expenses related to the Subscription, the estimated maximum net proceeds will amount to approximately HK\$534 million, representing the net price per Subscription Share of approximately HK\$0.593 per Share. The Company intends to apply the net proceeds for general working capital and to fund other potential investment opportunities that might be identified by the Company from time to time.

RAISING OF FUNDS IN THE PAST 12 MONTHS

The Company has not raised any other funds by way of issues of equity securities in the 12 months immediately preceding the date of the Placing and Subscription Agreement.

As the Placing and the Subscription are subject to the satisfaction of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

INFORMATION ABOUT THE GROUP

The Group's principal businesses include (a) production and distribution of knitting and textile products, knitted fabrics and clothing; (b) aero-technology related businesses including the development, manufacture and distribution of helicopters; and (c) trading business.

DEFINITIONS

“Board”	the Board of Directors;
“Business Day”	any day (other than a Saturday, Sunday or a public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours;
“Closing Date”	19 December 2014, being the date of completion of the Placing, or such other date as may be agreed between the parties;
“Company”	AVIC International Holding (HK) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code 232);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Placees”	professional, institutional and other investors selected and procured by or on behalf of the Placing Agent as contemplated by the Placing and Subscription Agreement;
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Placing and Subscription Agreement;
“Placing Agent”	Huatai Financial Holdings (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing and Subscription Agreement”	the agreement dated 16 December 2014 entered into by the Vendor, the Company and the Placing Agent in relation to the Placing and the Subscription;
“Placing Price”	HK\$0.60 per Placing Share;
“Placing Shares”	up to 900,000,000 existing Shares held by the Vendor and to be placed by the Placing Agent pursuant to the terms of the Placing and Subscription Agreement;
“PRC”	the People’s Republic of China;
“SFC”	the Securities and Futures Commission;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Vendor at the Subscription Price pursuant to the Placing and Subscription Agreement;
“Subscription Price”	an amount equal to the Placing Price;
“Subscription Shares”	up to 900,000,000 Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement, which number shall not exceed the number of Placing Shares actually placed by the Placing Agent;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“trading day”	has the meaning ascribed to it in the Listing Rules;

“Vendor” Tacko International Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by AVIC International (HK) Group Limited; and

“%” per cent.

By order of the Board
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

16 December 2014, Hong Kong

As at the date of this announcement, the Board comprises Mr. Wu Guangquan, Mr. Pan Linwu, Mr. You Lei, Mr. Ji Guirong and Mr. Zhang Chuanjun as executive Directors; Mr. Ip Tak Chuen, Edmond as non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Li Zhaoxi as independent non-executive Directors.