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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)

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
AND
APPLICATION FOR WHITEWASH WAIVER
AND
APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER
AND
CLAWBACK OFFER BY AVIC INTERNATIONAL (HK) GROUP LIMITED**

Financial Adviser to the Company

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

THE ACQUISITION

We refer to the announcement of the Company dated 7 September 2016 regarding the business and asset reorganisation proposals which include the acquisition of certain assets to be determined and the disposal of the Group's real estate development business.

We are pleased to announce that on 19 September 2017, the Company (as purchaser) entered into the Acquisition Agreement with AVIC HK (as seller) and AVIC International (as seller guarantor), pursuant to which AVIC HK has agreed to sell and the Company agreed to acquire (i) the entire issued share capital of the

Target Company and (ii) the shareholder's loan note(s) owing by the Target Company to AVIC HK at Acquisition Completion, at an aggregate consideration of HK\$2,400,000,000, out of which HK\$1,000,000,000 will be satisfied by cash and HK\$1,400,000,000 will be satisfied by way of allotment and issue of the Consideration Shares.

THE WHITEWASH WAIVER

As at the date of this announcement, the Concert Group is interested in 1,895,715,000 Shares in aggregate, representing approximately 34.35% of the issued share capital of the Company. Following the allotment and issue of the Consideration Shares, the shareholding of the Concert Group in the Company will increase to approximately 61.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. As the Acquisition will increase the Concert Group's collective holding of voting rights of the Company by more than 2%, in the absence of the Whitewash Waiver, AVIC HK would be under an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Concert Group pursuant to Rule 26 of the Takeovers Code.

An application to the Executive for the Whitewash Waiver will be made by AVIC HK pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver at the SGM where voting on the relevant resolution shall be taken by poll.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions to Acquisition Completion that the Whitewash Waiver has been obtained. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Acquisition Agreement will lapse and the Acquisition will not proceed.

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

With the approval of the Independent Board Committees in accordance with Rule 2.1 of the Takeovers Code, the Company has appointed Somerley as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition and the Whitewash Waiver and as to voting by the Independent Shareholders. The letter of advice from Somerley to the Independent Board Committees and the Independent Shareholders will be included in the circular to be despatched to the Independent Shareholders by the Company in due course.

Acquisition Completion is subject to the satisfaction and/or waiver of the conditions to Acquisition Completion therein and therefore, may or may not proceed. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

THE CLAWBACK OFFER BY AVIC HK

Conditional upon and subject to Acquisition Completion, in order to provide Qualifying Shareholders the opportunity to further participate in and share the growth of the Company and at least to maintain their shareholdings without being diluted by the Acquisition, AVIC HK will offer initially not more than 2,484,166,998 Offer Shares, which constitute approximately 65.65% of the Consideration Shares, to the Qualifying Shareholders on a pro rata basis of 0.6855 Offer Share for every one Share held as at the close of business on the Record Date at HK\$0.37 per Offer Share, which is equal to the issue price of the Consideration Shares pursuant to the Acquisition Agreement. Assuming there will be no change in the issued share capital of the Company and the Shares held by AVIC HK and its associates between the date of this announcement and completion of the Offering, save for the allotment and issue of the Consideration Shares and the transfer of the Offer Shares by AVIC HK, 2,484,166,998 Offer Shares represent approximately 26.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares on the Record Date.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Acquisition exceeds 100% and AVIC HK (as a wholly-owned subsidiary of AVIC International, the controlling Shareholder of the Company) is a connected person of the Company, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

LISTING COMMITTEE'S DECISION

The Listing Committee has determined that the Acquisition is an extreme very substantial acquisition and the reverse takeover rules would not apply. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard and Anglo Chinese Corporate Finance, Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Acquisition.

As the Offering is conditional upon Acquisition Completion, the Offering may or may not proceed. Shareholders should exercise caution when dealing in the Shares of the Company.

I. THE ACQUISITION

The Board is pleased to announce that on 19 September 2017 (after trading hours), the Company (as purchaser) entered into the Acquisition Agreement with AVIC HK (as seller) and AVIC International (as seller guarantor), pursuant to which AVIC HK has agreed to sell and the Company agreed to acquire (i) the entire issued share capital of the Target Company and (ii) the shareholder's loan note(s) owing by the Target Company to AVIC HK at Acquisition Completion, at an aggregate consideration of HK\$2,400,000,000. Principal terms of the Acquisition Agreement are summarised below.

THE ACQUISITION AGREEMENT

Date: 19 September 2017

Parties:

- (a) **Seller** AVIC HK
- (b) **Purchaser** the Company
- (c) **Seller Guarantor** AVIC International

Subject matter

Under the Acquisition Agreement, AVIC HK has agreed to sell and the Company agreed to acquire (i) the entire issued share capital of the Target Company and (ii) the shareholder's loan note(s) owing by the Target Company to AVIC HK at Acquisition Completion.

Prior to Acquisition Completion, the Seller Guarantor has undertaken, at its own cost, to transfer the entire issued share capital of the Target Company to the Seller as part of the pre-sale reorganisation for the Acquisition.

Consideration

The consideration is HK\$2,400,000,000, which is to be satisfied by the Company in the following manner:

- (a) HK\$1,400,000,000 will be satisfied by way of allotment and issue of the Consideration Shares to AVIC HK at Acquisition Completion;

- (b) HK\$200,000,000 will be satisfied by cash at Acquisition Completion; and
- (c) HK\$800,000,000 will be satisfied by cash within six months after the Acquisition Completion Date.

The consideration was determined between the Company and AVIC HK based on arm's length negotiations after taking into account, among other things, (i) the recent financial position and performance of the Target Group; (ii) the value of listed companies in the USA and companies being acquired in precedent transactions whose businesses are similar to that of the Target Group; and (iii) the business prospect of the Target Group as elaborated in the "Reasons for and benefits of the Acquisition" below.

Conditions to Acquisition Completion

Acquisition Completion shall be conditional on the following conditions having been fulfilled or waived in accordance with the terms of the Acquisition Agreement:

- (a) each of the following being approved by the Independent Shareholders at the SGM, with voting being taken by way of poll: the Acquisition, the allotment and issue by the Company of the Consideration Shares and the Whitewash Waiver;
- (b) the grant of the Whitewash Waiver by the Executive;
- (c) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange and not having been revoked prior to Acquisition Completion;
- (d) all applicable waiting periods (and any extensions thereof) under the United States Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, having expired or otherwise having been terminated by the applicable Government Entities;
- (e) AVIC HK having procured that certain bank loans owed by Technify Motor (USA) Inc. and TMG are purchased by AVIC HK from the respective banks and that AVIC HK subsequently sells such loans to the Target Company in return for the issuance by the Target Company of interest free, unsecured and repayable on demand loan note(s);
- (f) Technify Motor (USA) Inc. having repaid its loan to CATIC International Finance Limited, a wholly-owned subsidiary of AVIC HK using funds resulting from an additional indirect equity investment by AVIC International into Technify Motor (USA) Inc.;

- (g) the Acquisition is not restricted pursuant to the German Foreign Trade Act in conjunction with the German Foreign Trade Ordinance;
- (h) all required consents, approvals or filings of any governmental entity required to consummate the Acquisition having been obtained or completed to the Company's satisfaction;
- (i) Aviation Industry and the shareholders of AVIC International having approved the Acquisition; and
- (j) each of the warranties made by AVIC HK made in Acquisition Agreement being true and correct in all material respects (if such warranties are not qualified as to materiality) and being true and correct (if such warranties are qualified as to materiality) on and as of the Acquisition Completion Date.

The condition in paragraph (j) above may be waived by notice in writing from the Company. None of the other conditions to Acquisition Completion may be waived by either party. If any of the above conditions has not been fulfilled or waived on or before 31 March 2018 (or such later date as the parties may agree in writing), the Acquisition Agreement shall automatically terminate. As at the date of this announcement, other than set out above in the conditions to Acquisition Completion, there are no mandatory consents, approvals or filings of any governmental entity required to consummate the Acquisition which have been identified or are contemplated.

The Consideration Shares

The Consideration Shares represent approximately 68.55% of the issued share capital of the Company as at the date of this announcement and approximately 40.67% of the issued share capital of the Company as enlarged by the Consideration Shares.

The issue price of the Consideration Shares of HK\$0.37 represents:

- (a) a premium of approximately 1.37% over the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 2.78% over the average closing price of HK\$0.36 per Share for the last 5 trading days up to and including the Last Trading Day;
- (c) the average closing price of HK\$0.37 per Share for the last 10 trading days up to and including the Last Trading Day;

- (d) the average closing price of HK\$0.37 per Share for the last 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 2.78% over the audited net asset value per Share of approximately HK\$0.36, calculated based on the Company's audited equity attributable to owners of the parent of approximately HK\$1,973 million as at 31 December 2016; and
- (f) a premium of approximately 2.78% over the unaudited net asset value per Share of approximately HK\$0.36, calculated based on the Company's unaudited equity attributable to owners of the parent of approximately HK\$1,968 million as at 30 June 2017.

The Consideration Shares will at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issue of the Consideration Shares. The Consideration Shares will be issued pursuant to a specific mandate to be sought at the SGM. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The issue price of the Consideration Shares was arrived on arm's length negotiations between the Company and AVIC HK, with reference to: (i) the average closing price per Share for the last 30 consecutive trading days immediately prior to the Last Trading Day; (ii) the audited net asset value per Share of the Group; and (iii) the proposed acquisitions announced by other listed companies on the Stock Exchange in the twelve-month prior to and including the date of the Acquisition Agreement which constituted a notifiable and connected transaction and involved issue of consideration shares under specific mandate.

In light of the above, the Directors (excluding the non-executive Director and the independent non-executive Directors whose views will be rendered upon having received the advice of Somerley) consider the issue price of the Consideration Shares is fair and reasonable.

Lock-up Undertaking

AVIC HK undertakes to the Company, among others, that without the Company's prior written consent, it will not directly or indirectly dispose of, nor directly or indirectly enter into any agreement to dispose of, any of the Consideration Shares (other than those Shares taken up by Qualifying Shareholders under the Offering) within six months from the Acquisition Completion Date. AVIC HK may, after expiration of such lock-up period, dispose of, or enter into any agreement to dispose of, the Consideration Shares.

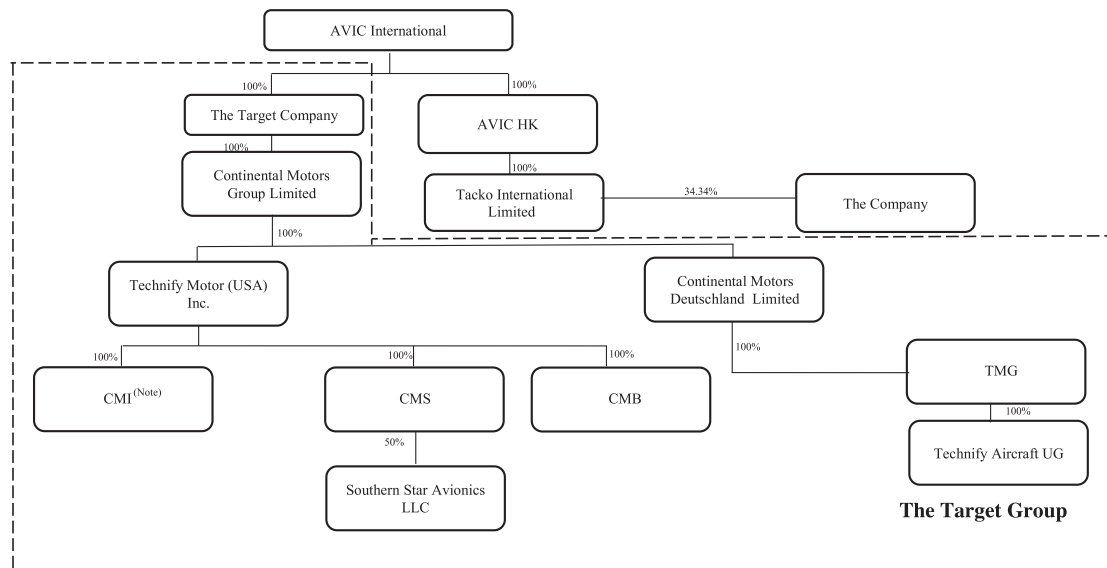
Acquisition Completion

Acquisition Completion shall take place on the tenth Business Day after all the conditions to Acquisition Completion have been fulfilled or waived (or such other date as the parties may agree in writing).

Following Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

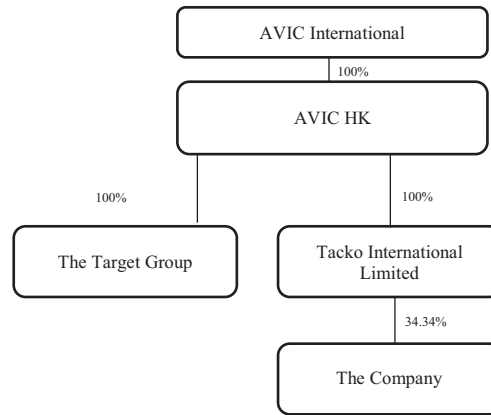
SHAREHOLDING OF THE GROUP AND THE TARGET GROUP BEFORE AND AFTER ACQUISITION COMPLETION

Set out below the shareholding structure of the Group and the Target Group as at the date of this announcement.

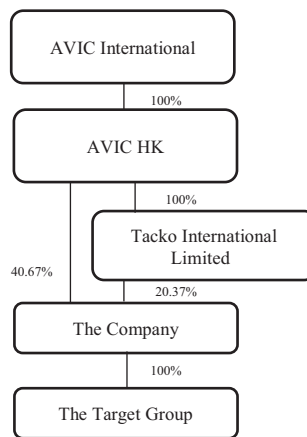


Note: CMI also owns 1,000 preferred shares of Mangrove Cell 1 PC, a protected cell of Mangrove Insurance Solutions, PCC, a protected cell captive insurance company.

Prior to Acquisition Completion, AVIC International will transfer the entire issued share capital of the Target Company to AVIC HK. Set out below the shareholding structure of the Group and the Target Group after the transfer of the Target Company to AVIC HK and immediately before Acquisition Completion.



Set out below the shareholding structure of the Group after Acquisition Completion.



INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is a holding company. Its major operating subsidiaries include:

- (a) CMI, a company incorporated under the Laws of Delaware of the USA with limited liability, whose principal activities are to design, develop and produce new and rebuilt piston engines, ignition systems and spare parts for major general aviation airframe manufacturers in the USA;

- (b) CMS, a company incorporated under the Laws of Delaware of the USA with limited liability, whose principal activity is to provide repair and maintenance services for aircraft engines and aircraft in the USA;
- (c) CMB, a company incorporated in the PRC with limited liability, which is a distributor and seller of aircraft engines and engine components in the PRC; and
- (d) TMG, a company incorporated in Germany with limited liability, whose principal activities are to design, develop and produce diesel piston aircraft engines and to produce certain piston aircraft engine parts for gasoline fueled engines.

Business model

CMI

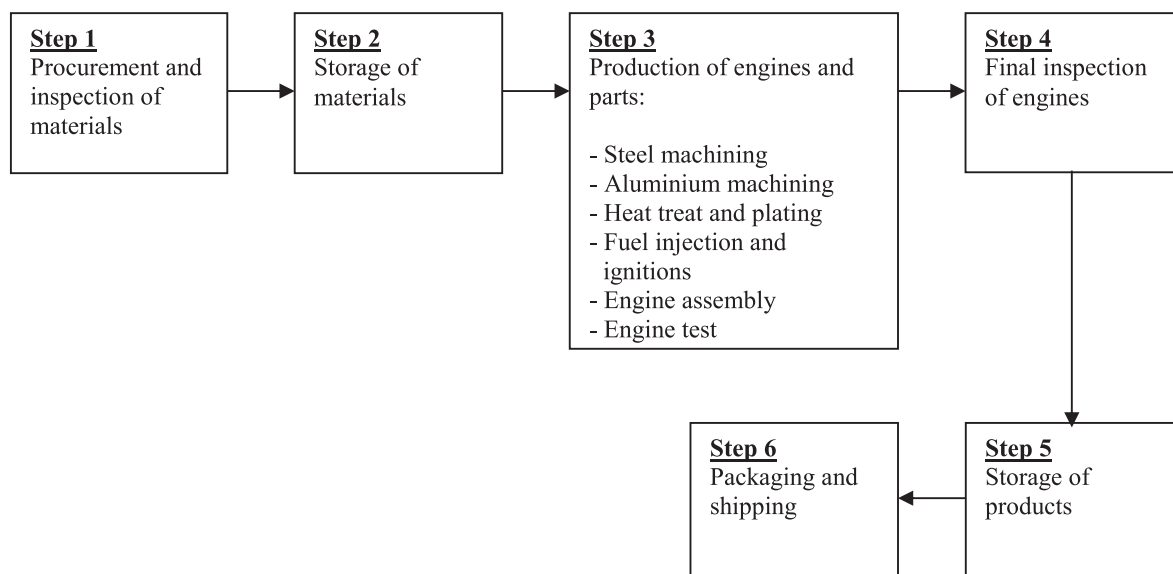
CMI's principal offices and manufacturing facilities are located in Mobile, Alabama, USA. CMI focuses on two market sub-segments in general aviation for new and replacement engine sales: (i) the premium performance gasoline piston engine aircraft segment powered by high-horsepower engine ratings; and (ii) the experimental/kit segment powered by mid-horsepower gasoline piston engine products. Its key customers are manufacturers of new piston powered aircrafts, owners/maintainers of existing general aviation aircraft and experimental and kit aircraft owners. The typical pricing for new engines is in the US\$22,000 to US\$100,000 range, with rebuilt and overhauled engines having a pricing of between US\$2,500 to US\$7,500 per engine less than their new equivalent. In addition, CMI manufactures a full line of aftermarket parts for the repair, maintenance and overhaul of both Continental and Lycoming branded engine products. Such aftermarket parts are sold through its master distributor, Aviall Services, Inc..

TMG

TMG's principal offices and engine manufacturing facilities are located in Sankt Egidien and Altenburg, Germany. TMG's principal activities are the design and manufacture of automotive derivative compression ignition (diesel) engines for use in General Aviation aircraft and the production of engine components for use in gasoline piston aircraft engines. It has one in production product, the CD100 series aircraft engines (rated at 135 to 155 horsepower), which are primarily used for training aircraft applications. Its key customers are: manufacturers of new piston engine powered aircraft, fleets and owner/operators of existing aircraft that would

convert from gasoline fuelled engines to diesel fuelled engines, owner/operators requiring maintenance and spare parts of their diesel fuelled aircraft engines, and developers/manufacturers/users of Unmanned Aerial Vehicles (UAVs). Diesel engines with the 135 horse power rating are priced at €33,000 for a base engine to €55,000 for a full installation kit and the diesel engines with the 155 horse power rating are priced at €39,000 for a base engine to €60,000 for a full installation kit.

Set out below is an operation flow of the Target Group’s engines manufacturing arm which comprises CMI and TMG:

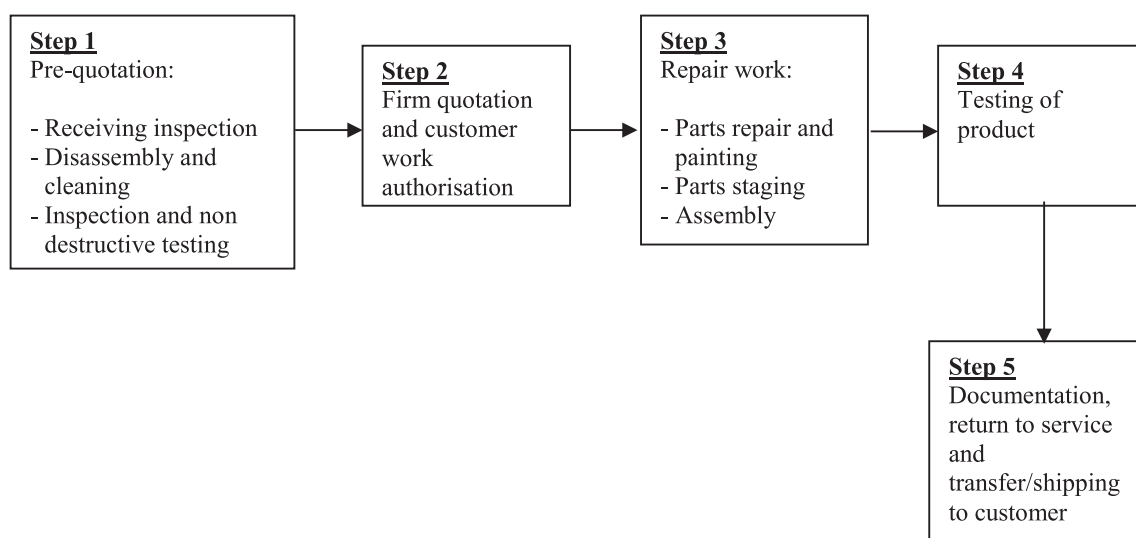


CMS

CMS offers a wide range of aviation services including but not limited to (i) overhaul/repair of Continental, Lycoming, and P&W PT6 aviation engines, (ii) major powerplant and airframe maintenance, (iii) factory engine sales and engine installations, (iv) avionics sales, repair and installation, (v) aircraft interior upgrades and refurbishment, (vi) Supplemental Type Certificate installations, and (vii) fixed-base operator services.

CMS’s principal offices and facilities are located in Fairhope, Alabama, the USA and Miami, Florida, the USA. Its maintenance, repair and overhaul (MRO) maintenance centre in Fairhope has recently completed a million-dollar renovation to establish a maximum, single shift, annual work capacity of 450 engine overhauls and 25,000 billable aircraft/avionics repair hours.

Below is CMS's workflow that applies to any aspect of the MRO business performed by CMS:



Financial Information

Based on the audited financial statements of the Target Company for the three years ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards, a summary of consolidated financial information of the Target Company is set out below:

	For the year ended 31 December		
	2014	2015	2016
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	161,444	163,689	204,315
Profit / (loss) before tax	(5,019)	5,648	9,535
Profit / (loss) for the year	(7,629)	11,593	5,372

The audited consolidated net asset value of the Target Group as at 31 December 2016 amounted to US\$10,836,000.

Revenue by business segment/geographical areas

The Target Group's revenue was generated from its two business segments: (i) engines and parts business; and (ii) repair and maintenance business. The following table sets forth a breakdown of its business revenue for the years indicated:

	For the year ended 31 December					
	% to total		% to total		% to total	
	2014 revenue	2015 revenue	2016 revenue	2014 revenue	2015 revenue	2016 revenue
	US'000	US'000	US'000	US'000	US'000	US'000
Engines and parts business	154,784	95.9%	150,160	91.7%	185,074	90.6%
Repair and maintenance business	<u>6,660</u>	<u>4.1%</u>	<u>13,529</u>	<u>8.3%</u>	<u>19,241</u>	<u>9.4%</u>
Total revenue	<u>161,444</u>	<u>100.0%</u>	<u>163,689</u>	<u>100.0%</u>	<u>204,315</u>	<u>100.0%</u>

The Target Group's business is global with primary revenue predominantly originated in the USA. For the three financial years ended 31 December 2016, approximately 77.8%, 78.7% and 79.8% of the Target Group's revenue was generated from customers from the USA. Set out below is the geographical breakdown of the Target Group's revenue for the three financial years ended 31 December 2016:

Region of customer	2014		2015		2016	
	Amount (US\$ '000)	% of the Target Group's revenue	Amount (US\$ '000)	% of the Target Group's revenue	Amount (US\$ '000)	% of the Target Group's revenue
USA	125,650	77.8%	128,788	78.7%	162,980	79.8%
Europe	19,737	12.2%	20,187	12.3%	25,357	12.4%
Others	<u>16,057</u>	<u>10.0%</u>	<u>14,714</u>	<u>9.0%</u>	<u>15,978</u>	<u>7.8%</u>
Total	<u>161,444</u>	<u>100%</u>	<u>163,689</u>	<u>100%</u>	<u>204,315</u>	<u>100%</u>

Loan Settlement Arrangement

Set out below is a summary of outstanding loans owed to or guaranteed by related parties of the Target Group as at 30 June 2017.

No.	Lender	Borrower	Loan balance as at 30 June 2017	Interest rate	Guarantor / Collateral	Date of loan agreement	Term of loan	Proposed plan prior to Acquisition Completion
1.	The Export-Import Bank of China	Technify Motor (USA) Inc.	US\$180 million	6 Month Libor + 300bp	Aviation Industry and AVIC International	15 April 2011	15 Years	AVIC HK to purchase the loan receivable from the Export-Import Bank of China
2.	Bank of China Limited	TMG	EUR46.975 million	EURIBOR + 1.4%	AVIC International	30 June 2016	30 June 2016 to 29 May 2019	AVIC HK to purchase the loan receivable from the Bank of China Limited
3.	CATIC International Finance Limited ¹	Technify Motor (USA) Inc.	US\$48.2 million (in aggregate)	Ranging from nil to 5.88% p.a.	Nil	Various (from 1 January 2012 to 14 April 2017)	Various	Technify Motor (USA) Inc. will repay the loan with funds received by way of new equity investment in the Target Group

As a condition precedent to Acquisition Completion, each loan receivable identified in Item 1 and 2 above shall be purchased from the respective banks by AVIC HK. AVIC HK will subsequently sell the two loans to the Target Company in return for the issuance by the Target Company of interest free, unsecured and repayable on demand loan note(s) in the same aggregate principal amount as the two loans (“**Shareholder’s Note(s)**”). Such Shareholder’s Note(s) together with the entire issued share capital of the Target Company will be sold to the Company pursuant to the terms of the Acquisition Agreement. It is also a condition precedent to Acquisition Completion that the Target Group will repay its loan in Item 3 above using funds resulting from additional indirect equity investment by AVIC International in Technify Motor (USA) Inc. prior to Acquisition Completion. As a result, there will be no outstanding loan or guarantee arrangement between AVIC International or AVIC HK and the Company after Acquisition Completion.

¹ *CATIC International Finance Limited is a wholly-owned subsidiary of AVIC HK.*

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company which has been engaged in property development and trading business since 2014, and was previously engaged in knitting and textile business until it was disposed in June 2016. The Company has also had a track record in aviation business since 2002, and has been exploring new businesses or investment opportunities in the aero-technology related business and other fields to enhance its business development and financial position.

As set out in the Company's announcement dated 7 September 2016, the Company was considering a series of business and asset reorganisation proposals which include the acquisition of certain assets and the disposal of the Group's real estate development business in the PRC. The proposed reorganisation is being contemplated by the Company as part of a wider restructuring campaign being implemented by SASAC. As part of the restructuring campaign, SASAC has requested that Aviation Industry dispose of all its real estate business.

In connection with the Acquisition, the Company has engaged Euromonitor International Limited ("**Euromonitor**") to conduct an independent assessment of the aircraft piston engine manufacturing industry in the USA. According to the commissioned research report prepared by Euromonitor, the Target Group is one of the leading manufacturers of and services providers to general aviation aircraft piston engines worldwide. The Target Group has been in the piston aircraft engine manufacturing industry since the beginning of the growth of the dominating USA market for general aviation piston aircraft delivering its first certified aircraft engine in 1929 and its engine products have been used in the Top 3 (in terms of fleet size) aircraft manufacturers of fixed wing piston powered aircraft, Beechcraft, Cessna, and Cirrus Aircraft since 1930. The Target Group stands apart from other major competitors in the field in its ability to produce engines ranging across market sectors dominated by its major competitors and in its capacities to produce both gasoline and diesel fuelled variations. The Target Group's history of innovation in diesel engine technology uniquely positions it to capture the market growth opportunities of general aviation both inside the USA and in the developing world. Certain clients use the diesel engines of the Target Group in their unmanned aviation systems ("**UAS**") aircrafts, while the market for UAS aircraft and technologies represents the most dynamic market for growth in aviation presently. With main operations in the USA and Germany, the Target Group has established a manufacturing presence in both North America and Europe, the two regions of the world that presently account for more than 70% of the world market for piston engine powered aircraft. The Target Group set up CMB in 2014 for product sales, service and distribution in China and plans further development to provide technology development and engineering

support for the growing number of new OEM aircraft developers being established in China. Given that China is encouraging the development of its general aviation industry, particularly the reform of low-altitude airspace management, the general aviation business in China will have a golden opportunity for development in future.

The Company believes that the Acquisition will provide an opportunity for the Group to capture the prospect of aviation industry, which will enable the Group to enhance the stability of revenue and cash flows and reduce the Group's reliance on property development in China which is undergoing a downward risk and subject to tightened government regulatory requirements.

The Company is continuing to explore opportunities to dispose of the Group's real estate assets, including the Company's real estates in (i) Shahekou District of Dalian, PRC with total saleable area upon completion of 350,488 square metres and (ii) Chongqing with a total site area of approximately 375,252 square metres. As at the date of this announcement, the Company has not yet entered into definitive terms for the proposed disposal.

Having considered the above, the Directors (excluding the non-executive Director and the independent non-executive Directors whose views will be rendered upon having received the advice of Somerley) believe that the Acquisition is in line with the development strategy of the Group and will facilitate the sustainable growth of the Group in the long run, and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 232). The Group's current principal business activities include: (a) property development and investment business; and (b) trading business. During the year ended 31 December 2016, the Group disposed of a 51%-owned subsidiary to an independent third party and ceased its knitting and textile business because it had been loss-making in recent years.

INFORMATION OF AVIATION INDUSTRY, AVIC INTERNATIONAL AND AVIC HK

Aviation Industry is a state-owned enterprise (全民所有制企業) established in the PRC and is wholly-owned by SASAC. Aviation Industry's core businesses consist of defense, transport aircraft, helicopter, avionics and systems, general aviation, aviation research and development, flight testing, trade and logistics, assets management, finance services, engineering and construction, automobile etc.

AVIC International is controlled by Aviation Industry. As the comprehensive platform under Aviation Industry, AVIC International's core businesses consist of international aviation, electronic high technology, international business, modern services, trade and bulk commodities, real estate and property services. As at the date of this announcement, AVIC International is owned as to 62.52% by Aviation Industry, 14.31% by National Council for Social Security Fund (全國社會保障基金理事會), 14.31% by Beijing Plateau Hanhua Equity Investment Fund (limited partnership) (北京普拓瀚華股權投資基金合夥企業(有限合夥)) and 8.86% by AVIC CCB Aviation Industry Equity Investment (Tianjin) Co., Ltd. (中航建銀航空產業股權投資(天津)有限公司). On 6 September 2016, Aviation Industry and China Poly Group Corporation reached a preliminary intention for cooperation in respect of the acquisition of Aviation Industry's real estate development business and assets by Poly Group.

AVIC HK is an investment holding company incorporated in Hong Kong with limited liabilities and a direct wholly-owned subsidiary of AVIC International as at the date of this announcement.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Acquisition exceeds 100% and AVIC HK (as a wholly-owned subsidiary of AVIC International, the controlling Shareholder) is a connected person of the Company, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Upon Acquisition Completion, any transaction between the Target Group and the AVIC Group (including its associates) will constitute a connected transaction or continuing connected transaction of the Company. It is expected that, upon Acquisition Completion, certain on-going transactions between the Target Group and the AVIC Group (including its associates) will constitute continuing connected transactions of the Company which are expected to include, among others, the Target Group's sale of engines and engine parts for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul. Depending on the annual caps, the continuing connected transaction may be subject to the reporting, annual review, announcement and/or the shareholders' approval requirements under

Chapter 14A of the Listing Rules and the Company will publish an announcement pursuant to Chapter 14A of the Listing Rules as soon as practicable after the Board has had a chance to review and finalise the terms and details of the continuing connected transaction.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR THE WHITEWASH WAIVER

As at the date of this announcement, the issued share capital of the Company comprises 5,519,591,000 Shares and the Company does not have any options, warrants or convertible securities in issue. As at the date of this announcement, the Concert Group owns/has control or direction over 1,895,715,000 Shares, which representing approximately 34.35% of the issued share capital of the Company. Other than the entering into of the Acquisition Agreement, none of the members of the Concert Group have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of this announcement.

As at the date of this announcement, save for the transactions contemplated under the Acquisition Agreement:

- (a) none of the members of the Concert Group has received any irrevocable commitment in relation to voting of the resolutions in respect of the Acquisition, the Whitewash Waiver or any transactions contemplated thereunder at the coming SGM;
- (b) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of any of the members of the Concert Group or the Company and which might be material to the Acquisition, the Whitewash Waiver or any transactions contemplated thereunder;
- (d) there is no agreement or arrangement to which any members of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition, the Whitewash Waiver or any transactions contemplated thereunder, including any break fees being payable;
- (e) none of members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and

- (f) the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

Upon Acquisition Completion, 3,783,783,783 Shares, representing approximately 40.67% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, will be issued to AVIC HK. As the Acquisition will increase the Concert Group's collective holding of voting rights of the Company by more than 2%, in the absence of the Whitewash Waiver, AVIC HK would be under an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Concert Group pursuant to the Takeovers Code as a result of the issue of Consideration Shares.

An application to the Executive for the Whitewash Waiver will be made by AVIC HK pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse and the Acquisition will not proceed. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders, upon the issue of the Consideration Shares to AVIC HK (and assuming there is no other change to the issued share capital of the Company), the interest of the Concert Group in the Company will exceed 50%. The Concert Group may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

LISTING COMMITTEE'S DECISION

The Listing Committee has determined that the Acquisition is an extreme very substantial acquisition and the reverse takeover rules would not apply. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard and Anglo Chinese Corporate Finance, Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Acquisition.

INDEPENDENT BOARD COMMITTEES

The LR IBC comprising all the independent non-executive Directors, namely Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping, has been established by the Company to advise the Independent Shareholders on the terms of the Acquisition and the transactions contemplated thereunder.

The Code IBC comprising all the independent non-executive Directors, namely Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping, and the sole non-executive Director, namely Mr. Chow Wai Kam, has been established by the Company to advise the Independent Shareholders on the terms of the Acquisition, the transactions contemplated thereunder and the Whitewash Waiver.

INDEPENDENT FINANCIAL ADVISER

With the approval of the Independent Board Committees in accordance with Rule 2.1 of the Takeovers Code, the Company has appointed Somerley as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition and the Whitewash Waiver and as to voting by the Independent Shareholders.

SGM

The Concert Group is required to abstain from voting in respect of the resolutions to approve the Acquisition and the Whitewash Waiver at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Acquisition and the Whitewash Waiver, together with the recommendation of the Independent Board Committees to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committees and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver and the notice of the SGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Listing Rules and the Takeovers Code.

As the Acquisition was classified as an extreme very substantial acquisition, enhanced disclosure will be required in the circular and as such, the Company will need extra time to prepare the circular. Pursuant to Rule 8.2 of the Takeovers Code, the Company shall be required to despatch the circular to Shareholders within 21 days from the date of this announcement. The Company will, if required, apply to the

Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code for extending the despatch date of the circular. Further announcement(s), if required, will be made by the Company if such time extension waiver(s) is/are granted. The Company will issue further announcement(s) to notify the Shareholders of the expected date of despatch of the circular when such date of despatch can be ascertained.

Acquisition Completion is subject to the satisfaction and/or waiver of the conditions precedent therein and therefore, may or may not proceed. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

II. THE CLAWBACK OFFER BY AVIC HK

Conditional upon and subject to the Acquisition Completion, in order to provide Qualifying Shareholders the opportunity to further participate in and share the growth of the Company and at least to maintain their shareholdings without being diluted by the Acquisition, AVIC HK will offer initially not more than 2,484,166,998 Offer Shares, which constitute approximately 65.65% of the Consideration Shares, approximately 45.01% of the issued share capital of the Company as at the date of this announcement and approximately 26.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, to the Qualifying Shareholders on a pro rata basis of 0.6855 Offer Share for every one Share held as at the close of business on the Record Date at HK\$0.37 per Offer Share, which is equal to the issue price of the Consideration Shares pursuant to the Acquisition Agreement, the details of which are as set out below.

As the Offering is conditional upon Acquisition Completion, the Offering may or may not proceed. Shareholders should exercise caution when dealing in the Shares of the Company.

Principal Terms of the Offering:

Number of Offer Shares:	Initially not more than 2,484,166,998 Shares and will be adjusted upwards for any increase in the number of Shares held by the Qualifying Shareholders up to, and including the Record Date based on the Offering ratio as set out in the paragraph headed “Assured Entitlement” below.
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Offer Price: HK\$0.37 per Offer Share (being determined with reference to the average closing price of the Shares for the 30 trading days immediately preceding the date of this announcement) as quoted on the Stock Exchange, which is equal to the issue price of the Consideration Shares pursuant to the Acquisition Agreement, excluding applicable fees, levies and buyer's ad valorem stamp duty at a rate of 0.1% payable by the Qualifying Shareholders.

Assured Entitlement: Shareholders will be entitled to apply on the basis of 0.6855 Offer Share for every one existing Share held as at the close of business on the Record Date.

A Qualifying Shareholder will be entitled to apply for a number of Offer Shares which is equal to or less than or in excess of his or her Assured Entitlement (subject to a minimum of 100 Offer Shares). The Assured Entitlement of each Qualifying Shareholder will be rounded down to the nearest whole number of Offer Shares, such that no fractional Share will be offered. No odd lot matching services will be provided by AVIC HK in respect of the Offering.

Transferability: The Assured Entitlements of the Qualifying Shareholders to the Offer Shares are not transferable or capable of renunciation and there will be no trading in nil-paid entitlements on the Stock Exchange. Any Offer Share not purchased or taken up by the Qualifying Shareholders will be available for excess application by other Qualifying Shareholders.

Status of the Offer Shares: The Offer Shares to be sold under the Offering shall be fully-paid and rank *pari passu* in all respects with the existing Shares, free from all liens, charges, encumbrances, pre-emptive rights and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the issuance of the Consideration Shares.

Excess Application: Qualifying Shareholders are entitled to apply for Offer Shares offered but not taken up. Application is made by completing the excess application form which will accompany the Prospectus. The directors of AVIC HK will allocate the excess Offer Shares at their discretion on a fair and reasonable basis and as far as practicable on a pro rata basis by reference to the number of excess Offer Shares applied for under each application. No preference will be given to topping up odd lots to whole board lots.

Qualifying Shareholders: All Independent Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Overseas Shareholders whom the directors of the Company and AVIC HK, after making relevant enquiries, consider it necessary or expedient to exclude from the Offering on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

Condition: The Offering is conditional upon Acquisition Completion. If Acquisition Completion does not take place on or before 31 March 2018 or such later date as may be announced by the Company, the Offering will lapse and any applications made by the Qualifying Shareholders for the Offer Shares pursuant to the Offering will be rejected.

Offering Arrangement

Given the Offering involves the offer of the Shares to the Qualifying Shareholders on a pro rata basis to enable the Qualifying Shareholders to further participate in and share the growth of the Company, the Prospectus will be issued by the Company and AVIC HK jointly. The Company will provide administrative assistance that would be necessary and expedient for implementing the Offering, e.g. the closure of the register of members in order to determine the Assured Entitlements of the Qualifying Shareholders, and the despatch of the Prospectus and the application forms through the Company's branch share registrars and transfer office. The costs and expenses arising from the implementation of the Offering will be borne by AVIC HK. AVIC HK will be primarily responsible for the preparation of the Prospectus and other documentations in relation to the Offering and the Company will provide reasonable assistance to AVIC HK to ensure the accuracy and sufficiency of information contained in the Prospectus and other documentations in relation to the Offering.

Effect of the Acquisition and Offering on the Shareholding Structure of the Company

For illustration purpose only, assuming that (i) there will be no change in the issued share capital of the Company and the Shares held by AVIC HK and its associates between the date of this announcement and completion of the Offering save for the allotment and issue of the Consideration Shares and the transfer of the Offer Shares by AVIC HK; and (ii) the initial 2,484,166,998 Offer Shares are fully accepted by the Qualifying Shareholders, the table below sets out the shareholding structure of the Company as at the date of this announcement, immediately upon Acquisition Completion, and immediately upon completion of the Offering:

	As at the date of this announcement		Immediately upon Acquisition Completion		Immediately upon completion of the Offering	
	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company	No. of Shares	Approximate % of the issued share capital of the Company
The Concert Group	1,895,715,000	34.35%	5,679,498,783	61.05%	3,195,331,785	34.35%
- Tacko International Limited	1,895,559,000	34.34%	1,895,559,000	20.37%	1,895,559,000	20.37%
- AVIC HK	0	0.00%	3,783,783,783	40.67%	1,299,616,785	13.97%
- Mr. Li Shangfu (a director of AVIC International)	156,000	0.00%	156,000	0.00%	156,000	0.00%
CK Hutchison Holdings Limited	450,000,000	8.15%	450,000,000	4.84%	758,475,000	8.15%
Other public Shareholders	<u>3,173,876,000</u>	<u>57.50%</u>	<u>3,173,876,000</u>	<u>34.11%</u>	<u>5,349,567,998</u>	<u>57.50%</u>
Total	<u>5,519,591,000</u>	<u>100.00%</u>	<u>9,303,374,783</u>	<u>100.00%</u>	<u>9,303,374,783</u>	<u>100.00%</u>

On the aforesaid assumption, 2,484,166,998 Offer Shares represent approximately 26.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares on the Record Date.

Expected Timetable

An indicative timetable of the Offering is set out as follows:

Date of the SGM and the announcement of the SGM poll results	Friday, 24 November 2017
Last day for trading in Shares with the Assured Entitlements	Monday, 27 November 2017
First day for trading in Shares without the Assured Entitlements	Tuesday, 28 November 2017
Latest time to lodge completed transfer forms and the relevant share certificates in order to qualify for the Assured Entitlements	4:30 p.m., Wednesday, 29 November 2017
Book closure period in relation to the Offering	From Thursday, 30 November 2017 to Sunday, 3 December 2017 (both dates inclusive)
Record Date	Thursday, 30 November 2017
Acquisition Completion/issue of Consideration Shares	Monday, 4 December 2017
Register of members of the Company reopens	Monday, 4 December 2017
Despatch of the Prospectus and forms of acceptance	Thursday, 7 December 2017
Offer period	From Friday, 8 December 2017 to Thursday, 21 December 2017 (both dates inclusive)
Latest time for lodging applications and payments for the Offer Shares	4:00 p.m., Thursday, 21 December 2017
Announcement of the results of the Offering	Tuesday, 2 January 2018

Despatch share certificates of the Offer Shares Wednesday, 10 January 2018

Dealings in the Offer Shares commence 9:00 a.m., Thursday, 11 January 2018

Note: This assumes the Independent Shareholders have approved the Acquisitions at the SGM and the Stock Exchange has granted the approval for the listing of, and permission to deal in, the Consideration Shares.

All times in this announcement refer to Hong Kong time. Dates stated for events mentioned in the timetable above are indicative only and may be extended or varied. Any changes to the expected timetable for the Offering will be announced as appropriate.

Closure of register of members in relation to the Offering

The register of members of the Company will be closed from Thursday, 30 November 2017 to Sunday, 3 December 2017, both dates inclusive, for the purposes of establishing the Assured Entitlements of the Qualifying Shareholders on the Record Date. During this period, no transfer of Shares will be registered. In order to qualify for the Assured Entitlements, all transfers of Shares, accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 29 November 2017.

DEFINITIONS

In this announcement, the following words and expressions shall have the meanings set out below, unless the context otherwise requires:

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|-------------------------|---|
| “Acquisition Agreement” | the agreement dated 19 September 2017 entered into between AVIC HK, AVIC International and the Company relating to the acquisition of the entire issued share capital of the Target Company and the shareholder's loan note(s) owing by the Target Company to AVIC HK as at Acquisition Completion; |
| “acting in concert” | has the meaning ascribed to it under the Takeovers Code; |
| “Acquisition” | the proposed acquisition contemplated under the Acquisition Agreement; |

“Acquisition Completion Date”	the date on which Acquisition Completion occurs;
“Acquisition Completion”	completion of the sale and purchase of the entire share capital of the Target Company and the shareholder’s loan note(s) owing by the Target Company to AVIC HK in accordance with the provisions of the Acquisition Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Assured Entitlement(s)”	the entitlement(s) of the Qualifying Shareholder(s) to apply for the Offer Shares under the Offering on the basis described in this announcement;
“Aviation Industry”	Aviation Industry Corporation of China (中國航空工業集團公司), a state-owned enterprise (全民所有制企業) established in the PRC and holds 62.52% of the equity interest in AVIC International as at the date of this announcement, a controlling shareholder of the Company;
“AVIC Group”	Aviation Industry and its subsidiaries;
“AVIC HK”	AVIC International (HK) Group Limited (中航國際(香港)集團有限公司), a company incorporated in Hong Kong and a direct wholly owned subsidiary of AVIC International.
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a company incorporated with limited liability in the PRC and owned as to 62.52% by Aviation Industry;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general commercial business;
“BVI”	the British Virgin Islands;

“CMB”	Continental Motors (Beijing) Co., Ltd., a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement;
“CMI”	Continental Motors, Inc., a company incorporated under the Laws of Delaware of USA with limited liability and an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement;
“CMS”	Continental Motors Services, Inc., a company incorporated under the Laws of Delaware of USA with limited liability and an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement;
“Code IBC”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping, and the sole non-executive Director, namely Mr. Chow Wai Kam, which has been established in accordance with the Takeovers Code to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver;
“Company”	AVIC International Holding (HK) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 232);
“Concert Group”	AVIC HK and AVIC International and parties acting in concert with each of them;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	a total of 3,783,783,783 new Shares to be issued at the issue price of HK\$0.37 per Share to be allotted and issued to AVIC HK in consideration for the sale and purchase of the entire issued share capital of the Target Company and the shareholder’s loan note(s) owing by the Target Company to AVIC HK as at Acquisition Completion;
“Directors”	the directors of the Company;

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate for the time being of the Executive Director;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committees”	the Code IBC and the LR IBC;
“Independent Shareholders”	the Shareholders other than the Concert Group and other Shareholders who are involved in, or interested in the Acquisition and the Whitewash Waiver;
“Last Trading Day”	19 September 2017, being the last trading day of the Shares immediately before the publication of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LR IBC”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping, which has been established to advise the Independent Shareholders on the Acquisition;
“Offering”	the offer to the Qualifying Shareholders to purchase the Offer Shares on and subject to the terms and conditions set out in the Prospectus and the application form(s) to be despatched;
“Offer Share(s)”	initially not more than 2,484,166,998 Shares (assuming that there will be no change in the issued share capital of the Company from the date of this announcement to and including the Record Date) offered pursuant to the Offering subject to adjustment as set out in the section headed “The Clawback Offer by AVIC HK” in this announcement;

“Overseas Shareholder(s)”	registered holder(s) of Shares whose addresses on the register of members of the Company are outside Hong Kong as at the close of business on the Record Date;
“Poly Group”	China Poly Group Corporation (中國保利集團公司), a state-owned enterprise incorporated in the PRC;
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus to be issued by the Company and AVIC HK in relation to the Offering;
“Qualifying Shareholder(s)”	Independent Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than certain Overseas Shareholders and other person(s) whom the directors of the Company and AVIC HK, after making relevant enquiries, consider it necessary or expedient to exclude from the Offering on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Record Date”	Thursday, 30 November 2017, or such later date as the parties may announce, the record date for ascertaining the Assured Entitlements;
“SASAC”	the PRC State-owned Assets Supervision and Administration Commission
“SGM”	the special general meeting of the Company to be convened and held for the purposes of passing all necessary resolutions for the implementation of the Acquisition and the transactions contemplated thereunder and the Whitewash Waiver;
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	registered holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Somerley”	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committees and the Independent Shareholders in respect of the Acquisition and Whitewash Waiver;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Target Company”	Motto Investment Limited, a company incorporated in BVI with limited liabilities and a direct wholly-owned subsidiary of AVIC International as at the date of this announcement;
“Target Group”	the Target Company, and its subsidiaries;
“TMG”	Technify Motors GmbH, a company incorporated in Germany with limited liability and an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement;
“US\$”	United States dollar, the lawful currency of the USA;
“USA”	United States of America;
“Whitewash Waiver”	the waiver under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of AVIC HK to make a general offer to the Shareholders for all issued shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by the Concert Group as a result of the allotment and issuance of the Consideration Shares to AVIC HK which will increase the Concert Group’s collective holding of the voting rights of the Company by more than 2%;
“%”	per cent.

By order of the Board
AVIC International Holding (HK) Limited
Liu Hongde
Chairman

Hong Kong, 19 September 2017

As at the date of this announcement, the Board comprises of Mr. Liu Hongde, Mr. Pan Linwu, Mr. Lai Weixuan, Ms. Zhou Chunhua and Mr. Xu Hongge as executive Directors; Mr. Chow Wai Kam as non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than in respect of the Concert Group 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 statement in this announcement misleading.

As at the date of this announcement, the board of directors of AVIC HK comprise Mr. Liu Hongde, Mr. Lai Weixuan, Mr. Sun Jiguang, Ms. Zhou Chunhua and Mr. Liu Jun.

The directors of AVIC HK jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Concert Group 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 statements in this announcement misleading.

As at the date of this announcement, the board of directors of AVIC International comprise Mr. Liu Hongde, Mr. Sun Jiguang, Mr. Rong Yichao, Mr. Li Shangfu, Mr. Yan Dong, Mr. Lai Weixuan, Ms. Zhou Chunhua, Mr. You Lei, Ms. Sun Hongyan, Ms. Li Bomei; Mr. Hui Xiaobing, Mr. Wang Huaishu and Ms. Kong Lingfen.

The directors of AVIC International jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Concert Group 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 statements in this announcement misleading.

As at the date of this announcement, the board of directors of Aviation Industry comprise Mr. Lin Zuoming, Mr. Wang Jianqiang, Mr. Tan Ruisong, Mr. Li Wanyu, Mr. Chen Yuanxian, Mr. Liu Xihan and Mr. Zhao Zhengping.

The directors of Aviation Industry jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Concert Group 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 statements in this announcement misleading.