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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)**

## **PROPOSED MANDATE IN RELATION TO THE POSSIBLE VERY SUBSTANTIAL DISPOSAL**

**Financial Adviser to the Company**

**ANGLO CHINESE** 英高  
CORPORATE FINANCE, LIMITED

Reference is made to the announcements of the Company dated 7 September 2016, 19 September 2017 and 27 October 2017 and the circular of the Company dated 29 December 2017.

### **PROPOSED DISPOSAL**

The Company is continuing to explore opportunities to dispose of the Group's real estate business. On 17 April 2018, the Board resolved to dispose of the entire issued share capital of Ease Triumph and Shareholder's Loan by way of a public tender through an equity exchange. It is proposed that the Company will conduct the Proposed Disposal through CBEE.

The minimum bidding price for the entire issued share capital of Ease Triumph is RMB680 million, which was decided by the Board after taking into consideration of (i) the aggregate appraised value of the properties of the East Triumph Group as at 31 December 2017 of approximately HK\$3,305.8 million based on the appraisal report prepared by an independent third-party appraisal firm; (ii) the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HK\$166.1 million, being the Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HK\$56.4 million

plus the valuation adjustments on the properties of approximately HK\$305.0 million, and net of corresponding tax impact of approximately HK\$94.3 million and the part attributable to the non-controlling interests of the Ease Triumph Group of approximately HK\$101.0 million; (iii) the operation performance of the project companies of the Ease Triumph Group; and (iv) the initial feedback from the potential bidders whom the Company had contacted with.

The final consideration of the entire issued share capital of Ease Triumph will depend on the final bid price offered by the successful bidder, but will in any event be no less than the minimum bidding price.

The Board would like to seek the Proposed Mandate to be granted by the Shareholders at the SGM in advance to the Directors to conduct the Proposed Disposal.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%, the Proposed Disposal, if materialised, will constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

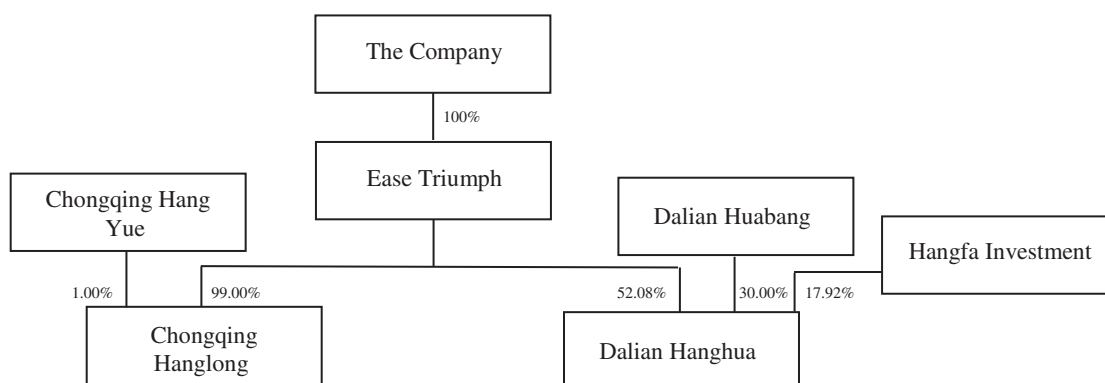
As such, the Proposed Disposal and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Proposed Disposal and a notice convening the SGM will be despatched to the Shareholders once available. As the Company requires time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 31 May 2018 in order to allow sufficient time for the preparation of such relevant information.

### **BACKGROUND OF AND PROCEDURES FOR THE PROPOSED DISPOSAL**

Reference is made to the announcements of the Company dated 7 September 2016, 19 September 2017 and 27 October 2017 and the circular of the Company dated 29 December 2017. The Company is continuing to explore opportunities to dispose of the Group's real estate business. On 17 April 2018, the Board resolved to dispose of the entire issued share capital of Ease Triumph and the Shareholder's Loan by way of a public tender through an equity exchange. It is proposed that the Company will conduct the Proposed Disposal through CBEE.

## THE PROPOSED DISPOSAL

Ease Triumph holds equity interest in two project companies, namely, Dalian Hanghua and Chongqing Hanglong, which were set up for the development and sale of properties in Dalian and Chongqing respectively. The following diagram illustrates the shareholding structure of the Ease Triumph Group as at the date of this announcement:



### I. Dalian Hanghua

Dalian Hanghua is principally engaged in the development and sale of properties in Dalian. As at the date of this announcement, it is held as to 52.08%, 30% and 17.92% by Ease Triumph, Dalian Huabang and Hangfa Investment, respectively.

The major assets of Dalian Hanghua include four parcels of land having a total site area of approximately 46,938 square meter (excluding communal site area). A large-scale development project, the International Square, is being constructed comprising offices, retail shops and residential buildings and is located at the Southeastern side of Zhongshan Road of the Shahekou District of the Dalian City (“Dalian Project”). The total saleable area of Dalian Project upon completion is approximately 350,488 square meter.

### II. Chongqing Hanglong

Chongqing Hanglong is principally engaged in the development and sale of properties in Chongqing. As at the date of this announcement, it is held as to 99.00% and 1.00% by Ease Triumph and Chongqing Hang Yue.

The major assets of Chongqing Hanglong include twelve parcels of land located at the Liangjiangxin District of Chongqing with a total site area of approximately 375,252 square meter and is currently in the early development phase.

### III. Shareholder's Loan

As at the date of this announcement, the Shareholder's Loan comprises:

- i) a principal amount of approximately USD98 million at the interest rate of 6% per annum, for which the interest start date is 1 July 2017;
- ii) a principal amount of RMB38 million at the interest rate of 6% per annum, for which the interest start date is 1 July 2017; and
- iii) a principal amount of approximately RMB433 million at the interest rate of 6% per annum, for which the interest start date is 27 March 2018.

### IV. Financial information of the Ease Triumph Group

Set out below is the unaudited consolidated financial information of the Ease Triumph Group for the years ended 31 December 2017 and 2016 prepared according to Hong Kong Financial Reporting Standards.

	<b>For the year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before tax	51,698	(44,346)
Profit/(Loss) after tax	(39,615)	(40,255)
Profit/(Loss) for the year attributable to owners of the company	(74,657)	(22,921)

The unaudited consolidated total assets and Net Assets of the Ease Triumph Group as at 31 December 2017 were approximately HK\$3,297.3 million and HK\$56.4 million, respectively.

The appraised value of the properties of Dalian Hanghua and Chongqing Hanglong as at 31 December 2017 was approximately HK\$2,328.9 million and HK\$976.9 million, respectively, based on a valuation performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Based on the above valuation of the property assets of the Ease Triumph Group, the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017 would be approximately HK\$166.1 million.

After Completion, Ease Triumph will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

## **V. Major Terms of the Proposed Disposal**

### ***Qualifications of potential bidders***

The potential bidders shall satisfy, among others, the following qualifications:

1. the potential transferee shall be financially sound and solvent;
2. the potential transferee shall have good business credibility;
3. the potential transferee shall be an independent third party;
4. if the potential transferee is a natural person, he/she shall have full civil capacity; and
5. other qualifications stipulated under the laws and regulations of the PRC.

### ***Consideration for the Proposed Disposal***

The total consideration for the Proposed Disposal includes two components:

1. The minimum bidding price for the entire issued share capital of Ease Triumph is RMB 680 million, which was decided by the Board after taking into consideration of: (i) the aggregate appraised value of the properties of the East Triumph Group as at 31 December 2017 of approximately HK\$3,305.8 million based on the appraisal report prepared by an independent third-party appraisal firm; (ii) the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HKD166.1 million, being the Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HK\$56.4 million plus the valuation adjustments on the properties of approximately HK\$305.0 million, and net of corresponding tax impact of approximately HK\$94.3 million and the part attributable to the non-controlling interests of the Ease Triumph Group of approximately HK\$101.0 million; (iii) the operation performance of the project companies of the Ease Triumph Group; and (iv) the initial feedback from the potential bidders whom the Company had contacted with.

The final consideration of the entire issued share capital of Ease Triumph will depend on the final bid price offered by the successful bidder, but will in any event be no less than the minimum bidding price.

2. The consideration of the Shareholder's Loan is the total outstanding principal of approximately USD98 million and RMB471 million (equivalent to approximately a total of HK\$1,352 million). In addition, the successful bidder should pay the interest in relation to the Shareholder's Loan up to the actual repayment date before Completion.

Since the minimum bidding price for the entire issued share capital of Ease Triumph is far above the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017 which also represents a reasonable gain over the cost of the Company's investment, and the consideration of the Shareholder's Loan is based on the book value, the Directors consider the minimum bidding price is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Since the consideration for the Proposed Disposal is subject to the final bid price and the minimum bidding price, the Board considers that the basis of the consideration is fair and reasonable.

The consideration shall be satisfied by the purchaser in the following manner:

- (i) 30% of the consideration shall be paid by the purchaser to the Company within five (5) business days after signing of the sale and purchase agreement. The remittance information shall be provided in the payment notice to be issued by the Company; and
- (ii) 70% of the consideration and the interest in relation to the Shareholder's Loan (up to the actual repayment date before Completion) shall be paid by the purchaser to the Company within thirty (30) days after signing of the sale and purchase agreement. The remittance information shall be provided in the payment notice to be issued by the Company.

#### ***Public tender process of the Proposed Disposal***

The Company will perform the preliminary disclosure of information (the "Pre-Listing Disclosure") procedures through CBEE, with a publicity period of 20 Business Days commencing immediately after the announcement. The Pre-Listing Disclosure will contain the basic information of the Ease Triumph Group and the qualifications requirements for the bidders, etc. The Company proposes to make the Pre-Listing Disclosure after obtaining the approval of the Board.

Upon completion of the Pre-Listing Disclosure procedures through CBEE, in order to commence the formal process of public tender of the entire issued share capital of Ease Triumph and the Shareholder's Loan, the Company will have to submit the tender notice setting out, inter alia, (i) the minimum consideration of the entire issued share capital of Ease Triumph and the Shareholder's Loan; (ii) the principal terms of the bidding; and (iii) qualifications of potential bidders, to CBEE for the Proposed Disposal after obtaining the Shareholders' approval at the SGM.

Once the tender notice is published, the publication period will commence and open for 20 Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the entire issued share capital of Ease Triumph and the Shareholder's Loan and register themselves as interested bidders.

Upon expiry of the publication period, CBEE will notify the Company the identity of the successful bidder of the public tender. The Company will then enter into a sale and purchase agreement in relation to the entire issued share capital of Ease Triumph and the Shareholder's Loan with the successful bidder and to complete the Proposed Disposal accordingly.

***Condition precedent to the entering into and completion of the Proposed Disposal***

The entering into the Proposed Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Proposed Disposal including the approval by the Shareholders in respect of the Proposed Mandate at the SGM. The Proposed Mandate will remain valid for 12 months since the date of approval by the Shareholders at the SGM.

Once a successful bidder for the entire issued share capital of Ease Triumph and the Shareholder's Loan has been identified, the Company will have an unconditional obligation under the rules of CBEE to enter into the sale and purchase agreement with such a successful bidder and shall, subject to the payment of the consideration and the interest in relation to the Shareholder's Loan (up to the actual repayment date before Completion) by the successful bidder, complete the transaction contemplated thereunder. The Company will not be able to include the approval of the Shareholders which is required under Chapter 14 of the Listing Rules as a condition precedent to the completion of the Proposed Disposal under the rules of CBEE. Accordingly, the Board will seek the Shareholders' advance approval for the grant of the Proposed Mandate at the SGM.

**VI. Reasons for and benefits of the Proposed Disposal**

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 part

of a wider restructuring campaign being implemented by the State-owned Assets Supervision and Administration Commission of the State Council, according to which Aviation Industry was requested to dispose of all its real estate business.

After the completion of acquisition of Motto Investment Limited, details of which can be found in the circular of the Company dated 29 December 2017 and the announcement of the Company dated 7 February 2018, the Company has changed its business focus to the worldwide general aviation aircraft piston engines market. The Directors are confident that such a change is beneficial to the Group's business performance and is in line with its development strategy in the long run. Given the incompatibility of the business natures of the PRC real estate market and the general aviation aircraft piston engines market, the Directors believe the Proposed Disposal would streamline the Group's operations and enhance its focus on the new core business. Further, the Proposed Disposal would bring a considerable sum of proceeds for the Group to settle part of the outstanding consideration for the abovementioned acquisition and to enhance the working capital position.

The Board has considered engaging real estate agencies for the disposal of the property assets of the Group. However, the Board is of the view that conducting the Proposed Disposal through CBEE could attract more potential bidders and maximise the consideration of the Proposed Disposal, which would be in the interest of the Company and the Shareholders as a whole. Also, the transaction costs and expenses through CBEE would be much lower than the cost of engagement of a real estate agency. As at the date of this announcement, the Company has contacted several potential bidders who are interested in the Proposed Disposal.

The Company has consulted CBEE regarding the requirements and tendering procedures applicable to the Proposed Disposal and CBEE indicated that a tender conditional on shareholders' approval will not be acceptable under the rules of CBEE. Under such a restriction, the Company would not be able to conduct the Proposed Disposal under the public tender process unless a prior mandate is sought.



The Company is of the view that the following appropriate measures are in place to safeguard the interests of the Company and its Shareholders as a whole for the Proposed Disposal:

- a. the major terms and conditions in relation to the Proposed Disposal, except the final consideration, would be fixed and publicly disclosed in this announcement and in the public tender;
- b. a minimum bidding price would be set for the Proposed Disposal, meaning that the Company would be protected against any unfavourable bidding results which might not be in the interest of the Company and its Shareholders as a whole;
- c. the Proposed Mandate would be subject to Shareholders' approval; and
- d. further details in respect of the Proposed Mandate and the Proposed Disposal would be included in the circular to allow the Shareholders to make a properly informed decision.

## **VII. Use of Proceeds and Financial Impact of the Proposed Disposal**

Based on the minimum bidding price, the gross proceeds from the Proposed Disposal are expected to be the aggregate of approximately RMB1,160 million and USD104 million and net proceeds (after deducting related tax expenses, transaction cost and professional expenses) are expected to be the aggregate of approximately RMB1,110 million and USD104 million. The Group intends to use: (i) approximately HK\$800 million to settle part of the consideration of the acquisition of Motto Investment Limited; (ii) approximately RMB433 million for the repayment of interest-bearing liabilities of the Group; and (iii) the remaining of the proceeds for general working capital purpose.

The Proposed Disposal is expected to give rise to a gain of approximately HK\$560 million (before taxation, if any), calculated with reference to the difference between the minimum bidding price for the entire issued share capital of Ease Triumph and the unaudited carrying amount of the Ease Triumph Group as at 31 December 2017, and the transaction costs and expenses in relation to the Proposed Disposal. The actual gain or loss as a result of the Proposed Disposal to be recorded by the Company is subject to any changes to the carrying amount of the Ease Triumph Group at Completion day and the final consideration.

## INFORMATION ABOUT 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) general aviation aircraft piston engine business.

For the year ended 31 December 2017, the Group's property development and investment business recorded a revenue of HK\$1,520,710,000 and a gross loss of HK\$185,812,000. The main reason for the loss was due to the loss of HK\$296,848,000 arisen from writing down properties under development and completed properties held for sale to net realisable value and included in the cost of sales. As at 31 December 2017, the Group's properties under development and completed properties held for sale amounted to HK\$2,937,160,000 and investment properties amounted to HK\$368,639,000. Please refer to the results announcement of the Company for the year ended 31 December 2017 dated 14 March 2018 for details of the latest development of the Group's existing business.

On 7 February 2018, the Company completed the acquisition of Motto Investment Limited's entire issue share capital and the shareholder's loan notes owed to AVIC International (HK) Group Limited ("**Acquisition**"). After the completion of the Acquisition and up to the date of this announcement, the Group has been endeavouring to integrate the newly acquired business into the Group on the aspects of culture, management, internal control and financial reporting systems. Also, the Group is in the process of compiling and reviewing the latest operation and financial status of the newly acquired business. The Directors are not aware of any material change in the operation of Motto Investment Limited and its subsidiaries as disclosed in the circular of the Company dated 29 December 2017.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%, the Proposed Disposal, if materialised, will constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

As such, the Proposed Disposal and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Proposed Disposal and a notice convening the SGM will be despatched to the Shareholders once available. As the Company requires time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 31 May 2018 in order to allow sufficient time for the preparation of such relevant information.

## DEFINITIONS

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

- “Aviation Industry” Aviation Industry Corporation of China, Ltd (中國航空工業集團有限公司), a state-owned company (國有獨資公司) established in the PRC which holds 62.52% of the equity interest in AVIC International Holding Corporation (中國航空技術國際控股有限公司) as at the date of this announcement, a controlling shareholder of the Company;
- “Board” the board of Directors;
- “Business Day” a day (other than a Saturday or Sunday or public holiday) on which banks are open in PRC for general commercial business;
- “CBEE” China Beijing Equity Exchange\* (北京產權交易所), an equity trading institution approved by the People’s Government of Beijing Municipality;
- “Chongqing Hanglong” Chongqing Hanglong Real Estate Company Limited\* (重慶航龍置業有限公司), a limited liability company established in PRC, and as at the date of this announcement, its equity interest is owned as to 99% and 1% by Ease Triumph and Chongqing Hang Yue, respectively;
- “Chongqing Hang Yue” Chongqing Hang Yue Company Limited\* (重慶航悅置業有限公司), a limited liability company incorporated in PRC and is wholly owned by Chongqing Jianghang Investment Company Limited\* (重慶江航投資有限公司), a limited liability company established in PRC which is indirectly wholly owned by Hangfa Investment;
- “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);
- “Completion” completion of the Proposed Disposal;

“Dalian Hanghua”	Dalian Hanghua Real Estate Company Limited * (大連航華置業有限公司), a limited liability company established in PRC, and as at the date of this announcement, its equity interest is owned as to 52.08%, 30% and 17.92% by Ease Triumph, Dalian Huabang and Hangfa Investment, respectively;
“Dalian Huabang”	Dalian Huabang Investment Development Company Limited* (大連華邦投資發展有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“Directors”	the directors of the Company;
“Ease Triumph”	Ease Triumph International Limited (拓業國際有限公司), a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company;
“Ease Triumph Group”	Ease Triumph and its subsidiaries;
“Group”	the Company and its subsidiaries;
“Hangfa Investment”	Hangfa Investment Limited* (航發投資管理有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Net Assets”	net assets attributable to owners of the company;
“PRC”	the People’s Republic of China;
“Proposed Disposal”	the proposed public tender for disposal of the entire issued capital of Ease Triumph and the Shareholder’s Loan through CBEE;

“Proposed Mandate”	the general mandate to be granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the SGM;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened and held on 15 June 2018 for the purpose of considering and, if thought fit, granting the Proposed Mandate to the Directors;
“Shareholder(s)”	registered holder(s) of the Share(s);
“Shareholder’s Loan”	the outstanding shareholder’s loans owed by Ease Triumph to the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	United States dollar, the lawful currency of the United States of America; and
“%”	per cent.

\* *English name of such entity is the transliteration of its Chinese name for reference only*

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

Hong Kong, 17 April 2018

*As at the date of this announcement, the Board comprises 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.*