
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AVIC International Holding (HK) Limited**, you should at once hand this circular, the 2013 annual report and proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSALS FOR
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of AVIC International Holding (HK) Limited to be held at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong, on Wednesday, 28 May 2014 at 10:00 a.m. is set out on pages 13 to 17 of this circular. Whether or not you propose to attend the meeting, you are requested to read the notice and to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

Hong Kong, 8 April 2014

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Adoption Date”	the date on which the New Share Option Scheme is conditionally adopted by resolution of the shareholders of the Company in general meeting
“AGM”	the annual general meeting of the Company to be held at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 28 May 2014 at 10:00 a.m., notice of which is set out on pages 13 to 17 of this circular
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the Bye-laws of the Company as may be amended from time to time
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Company”	AVIC International Holding (HK) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Grant Date”	the date on which the grant of an Option is made to (and subject to acceptance by) a Participant as determined in accordance with the New Share Option Scheme
“Grantee”	any Participant who accepts the grant of any Option in accordance with the terms of the Scheme or (where the context so permits) the legal representative(s) entitled to any such Option in consequence of the death of the original Grantee

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	2 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of the rules of which is set out in Appendix IV to this circular
“Option”	an option to subscribe for Shares granted to (and subject to acceptance by) a Participant pursuant to the New Share Option Scheme
“Option Period”	a period not exceeding ten (10) years commencing on the date which the Board may determine at its discretion, but such date shall not be earlier than 3 months after the Grant Date (subject to acceptances of the relevant Option in accordance with the New Share Option Scheme)
“Participant”	any individual being an employee, officer or consultant of the Company or any Subsidiary including any executive or non-executive directors thereof whether employed in Hong Kong or any part of the world
“Previous Share Option Scheme”	the share option scheme of the Company adopted on 13 May 2003 and expired on 12 May 2013
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period, as set out in the Repurchase Resolution, Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 4A of the notice of the AGM

DEFINITIONS

“Scheme Period”	the period of ten (10) years commencing on the Adoption Date
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the terms of the New Share Option Scheme
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) or Section 86 of the Companies Act 1981 of Bermuda (as amended from time to time)) of the Company whether incorporated in Hong Kong, Bermuda or elsewhere
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong



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)

Executive Directors:

Mr. Wu Guangquan (*Chairman*)
Mr. Pan Linwu (*Deputy Chairman*)
Mr. You Lei
Mr. Ji Guirong (*Deputy Chairman and
Chief Executive Officer*)
Mr. Zhang Chuanjun

Non-executive Director:

Mr. Ip Tak Chuen, Edmond

Independent Non-executive Directors:

Mr. Chu Yu Lin, David
Mr. Li Ka Fai, David
Mr. Li Zhaoxi

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head Office and Principal
Place of Business:*

Unit B, 15th Floor
United Centre
95 Queensway
Hong Kong

8 April 2014

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 22 May 2013, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the AGM. It is therefore proposed to seek your approval

LETTER FROM THE BOARD

by way of an ordinary resolution to be proposed at the AGM to grant a new general mandate to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution.

The general mandate granted pursuant to the Repurchase Resolution shall be exercisable during the period from the passing of the Repurchase Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws of Bermuda or Bye-laws to be held; or
- (iii) the date on which the authority set out in such resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company.

An explanatory statement which is required to be sent to shareholders under the Listing Rules to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange will provide requisite information to you for your consideration of the Repurchase Proposal and is set out in Appendix I hereto.

2. GENERAL MANDATE TO ISSUE SHARES

The Directors also propose at the AGM an ordinary resolution granting the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the resolution. As at the Latest Practicable Date, the issued share capital of the Company comprised 4,619,591,000 Shares. Subject to the passing of the ordinary resolution approving the general mandate to issue Shares and assuming that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under such general mandate to issue not more than 923,918,200 Shares. In addition, an ordinary resolution will be proposed to extend such general mandate by an aggregate nominal amount of Shares repurchased by the Company.

The general mandate to allot, issue and deal with Shares shall be exercisable during the period from the passing of the ordinary resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws of Bermuda or Bye-laws to be held; or
- (iii) the date on which the authority set out in such resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company.

3. RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of nine Directors, namely Mr. Wu Guangquan, Mr. Pan Linwu, Mr. You Lei, Mr. Ji Guirong, Mr. Zhang Chuanjun, Mr. Ip Tak Chuen, Edmond, Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Li Zhaoxi.

LETTER FROM THE BOARD

Pursuant to the Bye-laws, Mr. Zhang Chuanjun, Mr. Chu Yu Lin, David and Mr. Pan Linwu will retire by rotation from office at the AGM and, being eligible, will offer themselves for re-election.

As at the Latest Practicable Date, Mr. Chu Yu Lin, David has served as an independent non-executive Director for more than nine years since May 1999. Pursuant to the code provision A.4.3 of the CG Code, (a) having served the company for more than nine years could be relevant to the determination of an independent non-executive director's independence and (b) if an independent non-executive director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

The Company has received from Mr. Chu Yu Lin, David a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. Chu Yu Lin, David has not engaged in any executive management of the Group. Taking into consideration of his independent scope of works in the past years, the Directors consider Mr. Chu Yu Lin, David to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Accordingly, Mr. Chu Yu Lin, David shall be subject to retirement by rotation and re-election by way of a separate resolution to be approved by the Shareholders at the AGM.

Details of retiring Directors proposed for re-election at the AGM are set out in Appendix III to this circular.

4. ADOPTION OF NEW SHARE OPTION SCHEME

A. The New Share Option Scheme

The Previous Share Option Scheme was adopted at the annual general meeting of the Company held on 13 May 2003 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. The Previous Share Option Scheme had a term of 10 years and expired on 12 May 2013. In light of the expiry of the Previous Share Option Scheme and in order to enable the Board to continue to providing incentives and rewards to eligible participants, the Board proposes to adopt the New Share Option Scheme. An ordinary resolution will be proposed at the AGM to approve the adoption of the New Share Option Scheme.

Operation of the New Share Option Scheme will commence after all conditions precedent as referred to under the paragraph headed "Conditions precedent of the New Share Option Scheme" below have been fulfilled. A summary of terms of the New Share Option Scheme is set out in Appendix IV to this circular.

Since the adoption of Previous Share Option Scheme and up to the Latest Practicable Date, no options have been granted thereunder.

The purpose of the New Share Option Scheme is to provide incentives to Participants to contribute to the business development and growth of the Group and to enable the Group to recruit high-calibre employees and attract or retain human resources that are valuable to the Group.

The exercise price of Options granted under the New Share Option Scheme shall be determined by the Board subject to such minimum amount as set out in the rules of the New Share Option Scheme. A grant of an Option shall be made to a Participant by letter in such form

LETTER FROM THE BOARD

as the Board may from time to time determine specifying, among other things, the Option Period and the Subscription Price. The requirement for the Option to be held for a minimum period of three (3) months (or such longer period as the Board may determine at its discretion) before it can be exercised will serve the purpose of the New Share Option Scheme to retain valuable human resources of the Group, while the requirement for a minimum exercise price as well as the selection criteria prescribed by the rules of the New Share Option Scheme will serve to protect the value of the Shares as well as to achieve the purpose of the New Share Option Scheme. In essence, a Grantee will be able to benefit from an Option only if the trading price of the Shares increases after the grant of the Option. The Company does not at present intend to appoint a trustee to the New Share Option Scheme.

As at the Latest Practicable Date, the total number of Shares in issue comprised 4,619,591,000 Shares. Assuming that there is no change in the number of issued Shares during the period between the Latest Practicable Date and the Adoption Date, the number of Shares issuable pursuant to the New Share Option Scheme will initially be 461,959,100 Shares, being 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme, unless the Company obtains a fresh approval from its Shareholders to renew the 10% limit on the basis that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

B. Conditions precedent of the New Share Option Scheme

The New Share Option Scheme will take effect subject to the following conditions:

- (a) the passing by the Shareholders in general meeting of an ordinary resolution to approve the adoption of the New Share Option Scheme and authorising the Directors to grant Options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of Options under the New Share Option Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

C. Value of the Options

The Board considers that it is not appropriate to state the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of the Options have not been determined. Such variables include the exercise price, the exercise period, the projected trading prices of the Shares during the exercise period, the vesting period (if any) and other relevant factors. The Board believes that any calculation of the value of any option which might have been granted on the Latest Practicable Date would be based on a number of speculative assumptions and therefore not only would such calculation not be meaningful or representative, but it could also potentially be misleading to the Shareholders.

LETTER FROM THE BOARD

D. Principal terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix IV to this circular. This serves as a summary of the terms of the New Share Option Scheme but does not constitute the full terms of the same. The full terms of the New Share Option Scheme will be available for inspection at the Company's head office and principal place of business in Hong Kong at Unit B, 15th Floor, United Centre, 95 Queensway, Hong Kong at normal business hours from the date of this circular up to and including the date of the AGM and at the AGM.

5. ANNUAL GENERAL MEETING

The notice convening the AGM, which contains, inter alia, ordinary resolutions to approve the Repurchase Proposal, granting of the general mandate for Directors to issue new Shares and extension of such general mandate, and adoption of the New Share Option Scheme, is set out in Appendix II on pages 13 to 17 of this circular.

6. ACTION TO BE TAKEN

A proxy form for use at the AGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM. Completion and return of the proxy form will not prevent you from attending and voting at the meeting if you so wish.

7. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the AGM will be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

8. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors believe that the Repurchase Proposal, granting of the general mandate for Directors to issue new Shares and extension of such general mandate, re-election of the retiring Directors and adoption of New Share Option Scheme are all in the best interest of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM. So far as the Directors are aware, as at the Latest Practicable Date, no Shareholder is required to abstain from voting under the Listing Rules in respect of any of the resolutions to be proposed at the AGM.

Yours faithfully,
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to Shareholders for their consideration of the Repurchase Resolution.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 4,619,591,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 461,959,100 Shares representing 10% of the issued share capital of the Company as at the Latest Practicable Date.

REASON FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and the Shareholders. Such purchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-laws and the applicable laws of Bermuda. The Companies Act 1981 of Bermuda provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or out of the funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium of the Company. Further, the Company cannot purchase its own shares if on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2013 in the event that the Repurchase Proposal were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase of Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
April 2013	0.340	0.280
May 2013	0.420	0.325
June 2013	0.390	0.310
July 2013	0.370	0.325
August 2013	0.355	0.300
September 2013	0.330	0.300
October 2013	0.320	0.280
November 2013	0.400	0.280
December 2013	0.395	0.330
January 2014	0.380	0.305
February 2014	0.325	0.295
March 2014	0.345	0.290
April 2014 (up to the Latest Practicable Date)	0.310	0.300

UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to sell any of the Shares to the Company or its subsidiaries, in the event that the Repurchase Proposal is approved by the Shareholders.

TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Aviation Industry Corporation of China (“AVIC”), the ultimate holding company of the Company, and its associates are interested in 1,895,559,000 Shares, representing approximately 41.03% of the issued share capital of the Company. Based on such shareholding and in the event that the Repurchase Proposal is exercised in full, the interests of AVIC and its associates will be increased to approximately 45.59% of the issued share capital of the Company and an obligation to make a general offer to Shareholders in accordance with Rules 26 and 32 of the Takeovers Code may arise. However, the Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to an extent as would result in such obligation.

In the event that the power to repurchase Shares pursuant to the Repurchase Resolution is exercised in full, the number of Shares held by the public would not fall below 25%.

SHARES REPURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.



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)

NOTICE IS HEREBY GIVEN that the annual general meeting of AVIC International Holding (HK) Limited (the “**Company**”) will be held at Park Lane Room VI, 27th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong, on Wednesday, 28 May 2014 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the report of the directors and the independent auditors’ report of the Company for the year ended 31 December 2013.
2.
 - (a) To re-elect Mr. Zhang Chuanjun as director of the Company;
 - (b) To re-elect Mr. Chu Yu Lin, David (who has served as an independent non-executive director for more than 9 years) as independent non-executive director of the Company;
 - (c) To re-elect Mr. Pan Linwu as director of the Company; and
 - (d) To authorize the board of directors of the Company to fix the remuneration of directors.
3. To re-appoint auditors and to authorize the board of directors of the Company to fix the remuneration of auditors.
4. As a special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

A. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of

Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares of the Company which the Directors are authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”

B. “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

- C. “**THAT** subject to the passing of Resolutions No. 4A and No. 4B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to Resolution No. 4B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4A set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the said Resolution.”
5. As a special business, to consider and, if thought fit, to pass with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the shares of the Company which may fall to be issued pursuant to the exercise of options which may be granted under the share option scheme of the Company (the “**New Share Option Scheme**”), the rules of which are contained in the document marked “**A**” produced to the meeting and for the purpose of identification signed by the Chairman of the meeting, the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into such transactions, arrangements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:

- (i) to administer the New Share Option Scheme under which options will be granted to eligible participants under the New Share Option Scheme to subscribe for shares in the Company;
- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- (iii) to grant options under the New Share Option Scheme and to issue and allot from time to time such number of shares of the Company as may be required to be issued pursuant to the exercise of options under the New Share Option Scheme in accordance with the terms of the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;

- (iv) to make application at the appropriate time or times to the Stock Exchange, and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any shares of the Company which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and

- (v) to consent, if it so deems fit and expedient to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.

By order of the Board
AVIC International Holding (HK) Limited
Leung Yuen Chee, Sara
Secretary

Hong Kong, 8 April 2014

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting if the member so desires.

3. With regard to item 2 in this notice, the particulars of all retiring directors of the Company are set out in Appendix III of the circular to shareholders of the Company dated 8 April 2014.

4. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

5. The voting on the above resolutions at the meeting will be conducted by way of a poll.

The following are the particulars of the retiring Directors proposed to be re-elected at the AGM:

(a) Mr. Zhang Chuanjun

Mr. Zhang Chuanjun, aged 43, has been an Executive Director of the Company since February 2008. He holds a Master's degree and a Bachelor's degree in Management Accounting and is a senior accountant. Mr. Zhang has served the Company as the Chief Financial Officer since October 2003. He is also a deputy chief financial officer of AVIC International Holding Corporation ("**AVIC International**"), the chief financial officer of AVIC International (HK) Group Limited ("**AVIC International (HK) Group**") and a director of Speed Profit Enterprises Limited, all being substantial Shareholders. Mr. Zhang has over 21 years of experience in accounting and finance. He is an executive director and a vice president of China Environmental Investment Holdings Limited (an associate of the Company) and an executive director of Peace Map Holding Limited (formerly known as Mongolia Investment Group Limited), both being listed on the Stock Exchange.

The Company has entered a letter of appointment and a service contract with Mr. Zhang. There is no length of service specified in the said letter of appointment and service contract. Mr. Zhang is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Zhang's emoluments, which are reviewed and approved by the Remuneration Committee of the Company in accordance with the Company's remuneration policy in consideration of his duties and responsibilities within the Group, the Group's performance and profitability and the market benchmark, comprising a monthly salary of HK\$63,330, a director's fee subject to review by the Board from time to time pursuant to the power conferred on it at annual general meetings of the Company, discretionary year-end incentive bonus and discretionary share options. The director's fee currently received by Mr. Zhang annually amounts to HK\$36,000.

Mr. Zhang is a director of certain subsidiaries of the Company and certain companies controlled by certain substantial Shareholders. Save as disclosed above, Mr. Zhang does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders. Mr. Zhang does not hold any directorship in other listed public companies in the past three years and does not hold any other position with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Zhang does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

Save as set out above, there is no other matter regarding the re-election of Mr. Zhang which needs to be brought to the attention of the Shareholders and there is no other information needs to be disclosed pursuant to the requirement of Rule 13.51(2) of the Listing Rules.

(b) Mr. Chu Yu Lin, David, JP, SBS

Mr. Chu Yu Lin, David, aged 70, has been an Independent Non-executive Director of the Company since May 1999. He is also a member and the Chairman of the Audit Committee and the Remuneration Committee of the Company. Mr. Chu received his Master of Business Administration degree from Harvard University after degrees in Electrical Engineering and Management at Northeastern University and was awarded an honorary Doctor of Public Service degree from Northeastern University. He worked for a number of sizeable international corporations such as Bank of America, General Electric Co. and Jardine Matheson & Company Limited. Mr. Chu is an independent non-executive director of Chuang's China Investments Limited, Chuang's Consortium International Limited and Zhuhai Holdings Investment Group Limited, all being listed on the Stock Exchange.

The Company has entered a letter of appointment with Mr. Chu. There is no length of service specified in the said letter of appointment. Mr. Chu is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Chu's emolument consists of a director's fee determined in consideration of his duties, experience and responsibilities and is subject to review by the Board from time to time pursuant to the power conferred on it at annual general meetings of the Company. The director's fee currently received by Mr. Chu annually amounts to HK\$240,000.

Save as disclosed above, Mr. Chu does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders. Mr. Chu does not hold any directorship in other listed public companies in the past three years and does not hold any other position with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Chu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as set out above, there is no other matter regarding the re-election of Mr. Chu which needs to be brought to the attention of the Shareholders and there is no other information needs to be disclosed pursuant to the requirement of Rule 13.51(2) of the Listing Rules.

(c) Mr. Pan Linwu

Mr. Pan Linwu, aged 49, has been an Executive Director of the Company since February 2008 and appointed Deputy Chairman of the Company with effect from 28 January 2013. He holds a Master's degree in Aeronautical Engineering, a Bachelor's degree in Engineering and a Postgraduate Diploma in Financial Accounting, and is a professional senior accountant. Mr. Pan served at the Ministry of Aviation Industry and the audit department of the Ministry of Aero-Space Industry. In 1993, he was transferred to AVIC International and served as deputy director and director of the audit division. Mr. Pan is an executive vice president and the chief financial officer of AVIC International, and, a director of AVIC International (HK) Group and Tacko International Limited, which is a substantial Shareholder. He has many years' experience in financial management, supervision and audit, and has substantial experience in the area of finance, capital operation and risk management. Mr. Pan is also an executive director of AVIC International Holdings Limited, company listed on the Stock Exchange.

The Company has entered a letter of appointment with Mr. Pan. There is no length of service specified in the said letter of appointment. Mr. Pan is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws. Mr. Pan's emoluments, which are reviewed and approved by the Remuneration Committee of the Company in accordance with the Company's remuneration policy in consideration of his duties and responsibilities within the Group, the Group's performance and profitability and the market benchmark, comprising a director's fee subject to review by the Board from time to time pursuant to the power conferred on it at annual general meetings of the Company and discretionary share options. The director's fee currently received by Mr. Pan annually amounts to HK\$36,000.

Mr. Pan is a director of certain companies controlled by certain substantial Shareholders. Save as disclosed above, Mr. Pan does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders. Mr. Pan does not hold any directorship in other listed public companies in the past three years and does not hold any other position with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Pan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as set out above, there is no other matter regarding the re-election of Mr. Pan which needs to be brought to the attention of the Shareholders and there is no other information needs to be disclosed pursuant to the requirement of Rule 13.51(2) of the Listing Rules.

The following is a summary of the principal terms of the rules of the New Share Option Scheme to be approved at the AGM. It does not form part of, nor is it intended to be part of the rules of the New Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the AGM to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary of this appendix.

(a) Purpose of the New Share Option Scheme and Basis of eligibility of the Participants

The purpose of the New Share Option Scheme is to provide incentives to Participants to contribute to the Company and to enable the Company to recruit or to retain high-calibre employees and attract human resources that are valuable to the Group. In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(b) Conditions

The New Share Option Scheme shall take effect subject to the following conditions:

- (i) the passing by the Shareholders in general meeting of an ordinary resolution to approve the adoption of the New Share Option Scheme and authorising the Directors to grant Options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of Options under the New Share Option Scheme.

(c) Duration and Administration

Subject to the fulfillment of conditions in paragraph (b) and the termination provisions in paragraph (t), the New Share Option Scheme shall be valid and effective for the Scheme Period after which period no further Options will be granted or accepted but in all other respects, subject to the compliance with the provisions under the Listing Rules, the provisions of the New Share Option Scheme shall remain full force and effect to the extent necessary to give effect to the exercise of any Options granted and accepted hereunder prior to the expiration of the Scheme Period or otherwise as may be required in accordance with the provisions of the New Share Option Scheme, and Options which are granted within the Scheme Period may continue to be exercisable in accordance with the terms of their issue.

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

The Board shall have the power from time to time to make or vary regulations for the administration and operation of the New Share Option Scheme, provided that the same are not inconsistent with the requirements of the Listing Rules and the provisions of the New Share Option Scheme.

(d) Grant of Options

On and subject to the requirements of the Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time and from time to time during the Scheme Period (provided that no Options shall be granted after the expiration of the Scheme Period or after the New Share Option Scheme has been terminated (if applicable)) to grant (subject to acceptance in accordance with the terms of the New Share Option Scheme) to any Participant who, the Board may determine in its absolute discretion and subject to such conditions as the Board may think fit an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price.

The Board shall not grant an Option to (and subject to acceptance by) any Participant after inside information has come to the knowledge of the Board, until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, within the period commencing one month immediately before the earlier of: (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of such results announcement, no Option may be granted.

A grant of an Option shall be made to a Participant by letter (the date of which shall be deemed to be the date on which the grant of an Option (subject to acceptance by the Grantee) is made) in such form as the Board may from time to time determine specifying, inter alia, the number of Shares and the Option Period in respect of the relevant Option and the Subscription Price and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme. The grant shall remain open for acceptance by the Participant for a period of 28 days from the Grant Date.

(e) Payment on acceptance of Option

A grant of an Option shall be deemed to have been accepted by the Grantee and the grant of an Option shall be deemed to have been granted and to have taken effect when the duplicate of the grant letter, comprising acceptance of the grant of Option, duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within the period of acceptance referred to in paragraph (d). Such remittance shall not be refundable or be considered as part of the Subscription Price.

(f) Subscription Price

The Subscription Price shall be determined by the Board and notified to a Participant at the time the grant of the Options (subject to any adjustments made pursuant to paragraph (o)) is made to (and subject to acceptance by) the Participant and shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Grant Date, which must be a Business Day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Grant Date (subject to acceptance) of the Option; and (c) the nominal value of the Shares.

(g) Maximum number of Shares available for subscription

The limit on the total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of any member of the Group must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the New Share Option Scheme and any other share option schemes of any member of the Group if such grant will result in the said 30% limit being exceeded.

In addition, subject as provided below in this paragraph (g), the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme, together with all options to be granted under any other share option schemes of any member of the Group, must not in aggregate represent more than 10% of the total number of Shares in issue as at the Adoption Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of any member of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may refresh the Scheme Mandate Limit (or further refresh a refreshed Scheme Mandate Limit) at any time, subject to prior Shareholders' approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, provided that the total number of Shares which may be issued under Options to be granted under the New Share Option Scheme together with all options to be granted under any other share option scheme(s) of any member of the Group under the limit as refreshed (or further refreshed, as the case may be) must not exceed 10% of the number of issued Shares as at the date of the approval of the refreshed limit (or the further refreshed limit, as the case may be). Options previously granted (subject to acceptance) under the New Share Option Scheme or any other share option scheme(s) of any member of the Group (including those outstanding, cancelled or lapsed or have been exercised) will not be counted for the purpose of calculating the limit as "refreshed". The Company may also seek separate approval from the Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options beyond the Scheme Mandate Limit (or refreshed Scheme Mandate Limit) to such Participants, in respect of such number of Shares and on such terms as may be specified in such approval.

(h) Maximum entitlement of Shares of each Participant

Subject as hereinafter provided in this paragraph (h), the total number of Shares issued and to be issued upon exercise of the Options (whether exercised, cancelled or outstanding) granted or to be granted under the New Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of Shares in issue as at the proposed grant date. Any further grant of Options in excess of this limit is subject to prior Shareholders' approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, with the relevant Participant and his associates abstaining from voting.

Where any grant of Options is proposed to be made to a Participant who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, such grant must first be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of such Options).

Where any grant of Options is made to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the New Share Option Scheme and any other scheme(s) of any member of the Group in the 12-month period up to and including the date of the grant (subject to acceptance) of the Options:

- (i) representing in aggregate over 0.1% of the number of Shares then in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date of the grant (subject to acceptance) of the Options, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders in general meeting. In such case, the Company shall send a circular to the Shareholders containing the information required by the Listing Rules. All connected persons of the Company shall abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the proposed grant of such Options must be taken on a poll.

(i) Exercise of Option

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period of 10 years commencing on the date which the Board may determine at its discretion, but such date shall not be earlier than 3 months after the Grant Date.

The right to exercise an Option is not subject to or conditional upon the achievement of any performance target.

An Option may be exercised in whole or in part (but if in part only, in respect of a Board Lot or an integral multiple thereof) by the Grantee (or, as the case may be, by his legal personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the confirmation from the independent financial adviser or the auditors for the time being of the Company, the Company shall allot the relevant Shares to the Grantee credited as fully paid and issue to the Grantee (or his legal representative(s), as the case may be) a share certificate in respect of the Shares so allotted.

(j) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option, or any part thereof (to the extent that it has not been exercised) granted to such Grantee.

(k) Rights on ceasing employment or other engagement

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director) or consultant of the relevant member of the Group for any reason other than death, ill health, disability, insanity, misconduct or certain other grounds specified in the New Share Option Scheme, then, if the Option Period has not at the date of cessation commenced, the Option shall lapse; and if the Option Period has commenced, the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 3 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual day of employment, office or consultancy with the relevant member of the Group whether payment in lieu of notice is made or not (if applicable).

For the purposes of this paragraph (k), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director) or consultant of the relevant member of the Group if he ceases to hold a position of employment, office or consultancy with a particular member of the Group but at the same time takes up a different position of employment, office or consultancy with the same or another member of the Group.

(l) Rights on death, ill health, disability or insanity

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director) or consultant of the relevant member of the Group by reason of death, ill health, disability or insanity before exercising the Option in full and none

of certain events specified in the New Share Option Scheme has occurred, the Grantee (or his legal personal representative(s)) shall be entitled after commencement of the Option Period until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 6 months from the date of cessation (or such longer period as the Board may determine) to exercise the Option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such Option.

(m) Rights on takeover

If a general offer to acquire Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his legal personal representatives) shall, even though the Option Period has not yet commenced, be entitled to exercise all or any of the Option (to the extent not already exercised) at any time thereafter until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional, after which the Option shall lapse.

(n) Rights on winding up

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company, give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than 5 Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(o) Reorganisation of capital structure

Subject to the limits on the number of Shares subject to the New Share Option Scheme described in paragraph (g) above, in the event of any capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction) whilst an Option remains outstanding in that it is granted and yet to be exercised (and has not lapsed or been cancelled), such corresponding adjustments (if any) will be made to:

- (i) the number of Shares subject to the New Share Option Scheme;

**APPENDIX IV SUMMARY OF THE PRINCIPAL TERMS OF THE
NEW SHARE OPTION SCHEME**

- (ii) the number of Shares subject to outstanding Options;
- (iii) the Subscription Price in relation to each outstanding Option; and/or
- (iv) the method of exercise of the Options,

provided that no adjustment shall be made to the extent that the effect of such adjustment would be to enable a Share to be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as to which he was previously entitled. In respect of any adjustment set out in this paragraph (o), other than any made on a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing proviso.

(p) Lapse of Options

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the other periods referred to in paragraphs (k), (l) or (m) above;
- (iii) the close of business on the fifth Business Day prior to the general meeting referred to in paragraph (n) above;
- (iv) save as otherwise provided in paragraph (m) above, or by the Court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Act by the Supreme Court of Bermuda of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company;
- (v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director) or consultant of the relevant member of the Group by reason of the termination of his employment, office or consultancy on certain grounds specified in the New Share Option Scheme including, but not limited to, misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors and conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment, office or consultancy at common law or pursuant to applicable laws or under the Grantee's contract, agreement or arrangement with the relevant member of the Group; or
- (vi) the date on which the Board exercises the Company's right to cancel the Option because of a breach by the Grantee of the rules summarised in paragraph (j) above.

(q) Ranking and voting rights of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-Laws and will rank pari passu with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

A Share issued upon the exercise of an Option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

(r) Cancellation of Options

The Board may effect the cancellation of any Options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

Where the Company cancels any Options granted but not exercised and grants new Options to the same Grantee, such grant of new Options may only be made under the New Share Option Scheme if there is available unissued Options (excluding the cancelled Options) within each of the 10%-limits as referred to in paragraph (g) above.

(s) Alteration to the New Share Option Scheme

The terms of the New Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the Shareholders in general meeting.

Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must first be approved by the Shareholders in general meeting.

(t) Termination of the New Share Option Scheme

The Company by resolution of its shareholders in general meeting or of the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be granted or accepted but the provisions of the New Share Option Scheme shall remain in force in all other respects. All Options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme. Upon such termination, details of the Options granted (including options exercised or outstanding) under the New Share Option Scheme are required under the Listing Rules to be disclosed in the circular to shareholders seeking approval of the first new scheme established thereafter.