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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 232)**

## **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS AND RESUMPTION OF TRADING**

### **THE ZHEJIANG AGREEMENT**

On 11 August 2011, the Vendor and the Zhejiang Purchaser entered into the Zhejiang Agreement, pursuant to which the Zhejiang Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Zhejiang Sale Shares and the Zhejiang Sale Loan at a total consideration of RMB16,395,610.51 (equivalent to approximately HK\$20.0 million), which was settled by the Zhejiang Purchaser to the Vendor in cash on 25 August 2011. The Zhejiang Agreement was completed on 30 September 2011.

### **THE HANGZHOU AGREEMENT**

On 1 November 2011, the Vendor and the Hangzhou Purchaser entered into the Hangzhou Agreement, pursuant to which the Hangzhou Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Hangzhou Sale Shares and the Hangzhou Sale Loan at a total consideration of RMB12,296,707.88 (equivalent to approximately HK\$15.0 million), which will be settled by the Hangzhou Purchaser to the Vendor in cash.

### **THE AGREEMENT**

On 1 November 2011, the Company and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell, the Sale Share and the Sale Loan at a total consideration of HK\$338,993,455.38, which will be settled by the Purchaser to the Company in cash pursuant to the Agreement.

The Consideration has been arrived at after arm's length negotiations between the Company and the Purchaser and was determined with reference to, including but not limited to, (i) the historical performance of the Operating Company with profitable track record in the preceding two financial years; (ii) the attributable unaudited net asset value of the Sale Share of approximately RMB57.8 million (equivalent to approximately HK\$70.7 million) based on the unaudited net asset value of the Operating Company of approximately RMB118.0 million (equivalent to approximately HK\$144.2 million) as at 30 June 2011; and (iii) the amount of the Sale Loan. The amount of the Sale Loan of HK\$164,958,535.82 was included in the Consideration for assignment on a dollar for dollar basis.

The Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of the independent financial adviser) consider that the terms of the Hangzhou Agreement and the Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Disposals are in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The transactions contemplated under the Agreement, on a standalone basis and when aggregated with the transactions contemplated under the Zhejiang Agreement and the Hangzhou Agreement pursuant to Rule 14.22 of the Listing Rules constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals exceeds 75%.

To the best of the Directors' knowledge and information, the Hangzhou Purchaser and the Purchaser are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of their respective shareholdings of more than 10% in the Operating Company. As such, the transactions contemplated under the Hangzhou Agreement and the Agreement shall also constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, the Hangzhou Agreement, the Agreement, and the transactions contemplated thereunder are subject to the independent Shareholders' approval, by way of poll, at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shares are held by the Hangzhou Purchaser, the Purchaser, and their respective associates as at the date of this announcement. As such, no Shareholders are required to abstain from voting on the resolution approving the Disposals at the SGM. An independent board committee will be formed to advise the independent Shareholders on the Disposals and an independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders on the Disposals.

A circular containing, among other things, further details of the Disposals, the financial information of the Target Company and the Operating Company, pro forma financial information of the Group, the advices from the independent board committee and the independent financial adviser, the notice of SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 30 November 2011.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 1:30 p.m. on 1 November 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 10 November 2011.

## **INTRODUCTION**

On 11 August 2011, the Vendor entered into the Zhejiang Agreement with the Zhejiang Purchaser to sell 4% of the equity interest in the Operating Company. On 1 November 2011, the Vendor and the Hangzhou Purchaser entered into the Hangzhou Agreement, whereby, the Vendor conditionally agreed to sell and the Hangzhou Purchaser conditionally agreed to purchase 3% of the equity interest in the Operating Company. On 1 November 2011, the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the total issued and paid up share capital in the Target Company.

## **THE ZHEJIANG AGREEMENT DATED 11 AUGUST 2011**

### **Parties:**

- (i) the Vendor: 中航技直升機技術服務(深圳)有限公司 (CATIC Helicopter Development (Shenzhen) Limited), an indirect wholly-owned subsidiary of the Company
- (ii) the Zhejiang Purchaser: 浙江中強化纖有限公司 (Zhejiang Zhongqiang Chemical Fiber Co., Ltd.\*)

The Vendor is principally engaged in the provision of technical advisory services on aero-technology related products and parts, the research and development of aero-technology related products, and the provision of repair and maintenance services on aero-technology related precision instruments and equipments.

The Zhejiang Purchaser is a company duly established and validly existing under the PRC law and is principally engaged in the production and sale of synthetic filaments.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Zhejiang Purchaser and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be disposed of**

- (i) the Zhejiang Sale Shares, representing 4% of the entire equity interest in the Operating Company; and
- (ii) the Zhejiang Sale Loan, representing the indebtedness in the amount of RMB1,995,610.51 (equivalent to approximately HK\$2.4 million) as at the date of the Zhejiang Agreement owed by the Operating Company to the Vendor.

### **Consideration**

The Zhejiang Consideration shall be an aggregate purchase price of RMB16,395,610.51 (equivalent to approximately HK\$20.0 million) for the purchase of the Zhejiang Sale Shares and the Zhejiang Sale Loan, which shall be satisfied in cash within five PRC Business Days after the obtaining of all relevant documents in relation to the change in shareholding register of the Operating Company in respect of the sale and purchase of the Zhejiang Sale Shares by the Zhejiang Purchaser.

The Zhejiang Consideration has been arrived at after arm's length negotiations between the Vendor and the Zhejiang Purchaser and was determined with reference to, including but not limited to, (i) the historical performance of the Operating Company with profitable track record in the preceding two financial years; (ii) the attributable unaudited net asset value of the Zhejiang Sale Shares of approximately RMB4.7 million (equivalent to approximately HK\$5.8 million) based on the unaudited net asset value of the Operating Company of approximately RMB118.0 million (equivalent to approximately HK\$144.2 million) as at 30 June 2011; and (iii) the amount of the Zhejiang Sale Loan. The amount of the Zhejiang Sale Loan of RMB1,995,610.51 (equivalent to approximately HK\$2.4 million) was included in the Zhejiang Consideration for assignment on a dollar for dollar basis.

The Zhejiang Consideration was settled by the Zhejiang Purchaser to the Vendor in cash on 25 August 2011.

## **Conditions Precedent**

The Zhejiang Completion was conditional upon the following conditions precedent being satisfied:

- (1) the due execution of the Zhejiang Agreement by the Vendor and the Zhejiang Purchaser; and
- (2) all necessary approvals and consents required to be obtained from any government authority in respect of the Zhejiang Agreement and/or the transactions contemplated hereunder being obtained unconditionally and irrevocably.

## **Completion**

The Zhejiang Completion took place on 30 September 2011.

## **THE HANGZHOU AGREEMENT DATED 1 NOVEMBER 2011**

### **Parties:**

- (i) the Vendor: 中航技直升機技術服務(深圳)有限公司 (CATIC Helicopter Development (Shenzhen) Limited), an indirect wholly-owned subsidiary of the Company
- (ii) the Hangzhou Purchaser: 杭州源和燃料有限公司 (Hangzhou Yuan He Fuel Co., Ltd.\*)

The Vendor is principally engaged in the provision of technical advisory services on aero-technology related products and parts, the research and development of aero-technology related products, and the provision of repair and maintenance services on aero-technology related precision instruments and equipments.

The Hangzhou Purchaser is a company duly established and validly existing under the PRC law and is principally engaged in the wholesaling and retailing of coal.

### **Assets to be disposed of**

- (i) the Hangzhou Sale Shares, representing 3% of the entire equity interest in the Operating Company; and
- (ii) the Hangzhou Sale Loan, representing the indebtedness in the amount of RMB1,496,707.88 (equivalent to approximately HK\$1.8 million) as at the date of the Hangzhou Agreement owed by the Operating Company to the Vendor.

### **Consideration**

The Hangzhou Consideration shall be an aggregate purchase price of RMB12,296,707.88 (equivalent to approximately HK\$15.0 million) for the purchase of the Hangzhou Sale Shares and the Hangzhou Sale Loan, which shall be satisfied in cash within five PRC Business Days after the obtaining of all relevant documents in relation to the change in shareholding register of the Operating Company in respect of the sale and purchase of the Hangzhou Sale Shares by the Hangzhou Purchaser.

The Hangzhou Consideration has been arrived at after arm's length negotiations between the Vendor and the Hangzhou Purchaser and was determined with reference to, including but not limited to, (i) the historical performance of the Operating Company with profitable track record in the preceding two financial years; (ii) the attributable unaudited net asset value of the Hangzhou Sale Shares of approximately RMB3.5 million (equivalent to approximately HK\$4.3 million) based on the unaudited net asset value of the Operating Company of approximately RMB118.0 million (equivalent to approximately HK\$144.2 million) as at 30 June 2011; and (iii) the amount of the Hangzhou Sale Loan. The amount of the Hangzhou Sale Loan of RMB1,496,707.88 (equivalent to approximately HK\$1.8 million) was included in the Hangzhou Consideration for assignment on a dollar for dollar basis.

### **Conditions Precedent**

The Hangzhou Completion is conditional upon the following conditions precedent being satisfied:

- (1) the due execution of the Hangzhou Agreement by the Vendor and the Hangzhou Purchaser;
- (2) the entering into the disposal of the Hangzhou Sale Shares and Hangzhou Sale Loan by the Vendor being approved by the Shareholders in general meeting of the Company; and
- (3) all necessary approvals and consents required to be obtained from any government authority in respect of the Hangzhou Agreement and/or the transactions contemplated thereunder being obtained unconditionally and irrevocably.

### **Completion**

Subject to the terms and provisions of the Hangzhou Agreement and the fulfillment of the conditions precedent, Hangzhou Completion shall take place upon the transfer of the Hangzhou Sales Shares.

### **THE AGREEMENT DATED 1 NOVEMBER 2011**

#### **Parties:**

- (i) Vendor: the Company
- (ii) Purchaser: Hong Kong Yuanhe International Trade Group Limited

The Purchaser is incorporated in Hong Kong with limited liability. Based on the information available to the Company, the Purchaser and its subsidiary, Asia Capital, are principally engaged in investment holding. The Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of its shareholding of more than 10% in the Operating Company. As the Purchaser is owned as to 100% by its ultimate beneficial owner who is an individual, such individual is also a connected person of the Company.

The Purchaser is an existing shareholder of the Operating Company through its interest in Asia Capital. The Company commenced the negotiation for the Disposals with the Purchaser and the Hangzhou Purchaser on 21 October 2011 when the Company was formally approached by the Purchaser regarding its interest to increase its stake in the Operating Company. The Disposals were negotiated separately and independently with the major transaction of the Company announced on 21 September 2011.

## **Assets to be disposed of**

- (i) the Sale Share, representing the total issued and paid up share capital in the Target Company; and
- (ii) the Sale Loan, representing the indebtedness in the amount of HK\$164,958,535.82 as at the date of the Agreement and as at the Deferred Payment Date owed by the Target Company to the Company.

## **Consideration**

The Consideration shall be an aggregate purchase price of HK\$338,993,455.38 for the purchase of the Sale Share and the Sale Loan.

The Consideration has been arrived at after arm's length negotiations between the Company and the Purchaser and was determined with reference to, including but not limited to, (i) the historical performance of the Operating Company with profitable track record in the preceding two financial years; (ii) the attributable unaudited net asset value of the Sale Share of approximately RMB57.8 million (equivalent to approximately HK\$70.7 million) based on the unaudited net asset value of the Operating Company of approximately RMB118.0 million (equivalent to approximately HK\$144.2 million) as at 30 June 2011; and (iii) the amount of the Sale Loan. The amount of the Sale Loan of HK\$164,958,535.82 was included in the Consideration for assignment on a dollar for dollar basis.

The Purchaser paid to the Company the Deposit on 4 November 2011. In the event of successful Completion, the Deposit shall be offset against the Consideration and only the balance of the Consideration shall be payable by the Purchaser. Apart from such offset or the return of the Deposit provided for pursuant to the Agreement, the Deposit shall otherwise be non-refundable, and the Company shall not be required under any circumstances to account to the Purchaser for any interest in respect thereof.

At Completion, the Purchaser shall, against compliance in full by the Company of its obligations set out in the Agreement, deliver to the Company the evidence of remittance to the Company's account of immediately available funds denominated in Hong Kong dollars in the net amount after deduction of all remittance and other bank charges equal to the Consideration less the Deposit and the Deferred Consideration.

After Completion, the Purchaser shall give notice in writing to the Company of the proposed Deferred Payment Date which notice shall be received by the Company not later than the fifth Business Day prior to such Deferred Payment Date. If by the fifth Business Day prior to the earlier of (i) the Agreement Completion First Anniversary; or (ii) 31 December 2012 no such notice has been received by the Company then the Purchaser shall be deemed to have elected that the earlier of (i) the Agreement Completion First Anniversary; or (ii) 31 December 2012 shall be the Deferred Payment Date.

Set out below is the summarised settlement schedule of the Consideration pursuant to the Agreement:

	<b>Amount</b>	<b>Settlement date</b>
Deposit	HK\$20,000,000.00	No later than 4 November 2011
Payment at Completion	HK\$134,993,455.38	At Completion
Deferred Consideration	<u>HK\$184,000,000.00</u>	Deferred Payment Date
Consideration	<u><u>HK\$338,993,455.38</u></u>	

The Deposit has been settled by the Purchaser in cash on 4 November 2011.

### **Share Charge**

Pursuant to the Agreement, the Purchaser (as chargor) and the Company (as chargee) will execute the Share Charge at Completion. Upon receipt of the Deferred Consideration, the Company shall deliver to the Purchaser the Share Charge Release duly executed by the Company, to effect the release of the security under the Share Charge with effect from such Deferred Payment Date.

### **Conditions Precedent**

Completion is conditional upon the following conditions precedent being satisfied or waived, in the case of the conditions other than condition (3), not later than Long Stop Date, and in the case of condition (3) as at Completion Date:

- (1) the entering into the Disposal by the Company being approved by the Shareholders in general meeting;
- (2) all necessary approvals and consents required to be obtained by any of the Target Company, Operating Company and/or the Company and/or the Purchaser from any government authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder being obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company acting reasonably; and
- (3) the Warranties remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

The Purchaser may, in its absolute discretion, waive condition (3) above at any time by specific notice in writing to such effect to the Company.

Save as otherwise expressly provided herein, if the conditions other than condition (3) shall not have been fulfilled or waived by the Purchaser by the Long Stop Date, or condition (3) shall not have been fulfilled or waived by the Purchaser as at Completion Date, then the Agreement and everything therein contained shall become null and void and of no effect pursuant to the Agreement.

## Completion

Subject to the terms and provisions of the Agreement and the fulfillment or waiver (as the case may be) of the conditions, Completion shall take place on the Completion Date, or on such other Business Day as the parties to the Agreement may agree in writing.

## INFORMATION ON THE TARGET COMPANY AND THE OPERATING COMPANY

### The Target Company

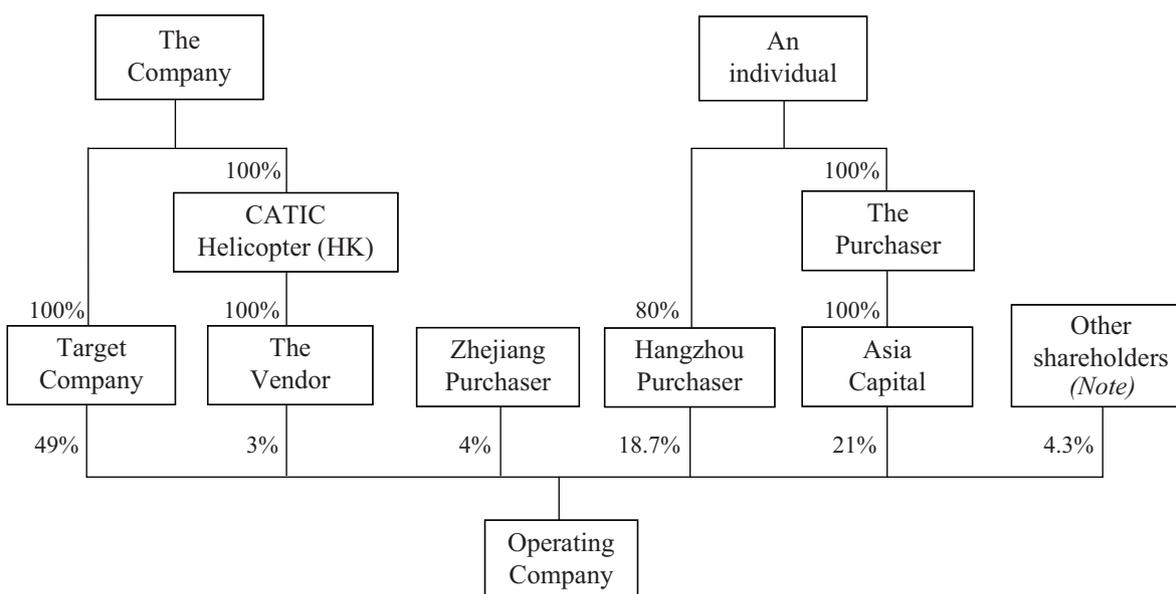
The Target Company is an investment holding company incorporated in the BVI with limited liability and is wholly-owned by the Company. As at the date of this announcement, the Target Company owns 49% of the equity interest in the Operating Company.

### The Operating Company

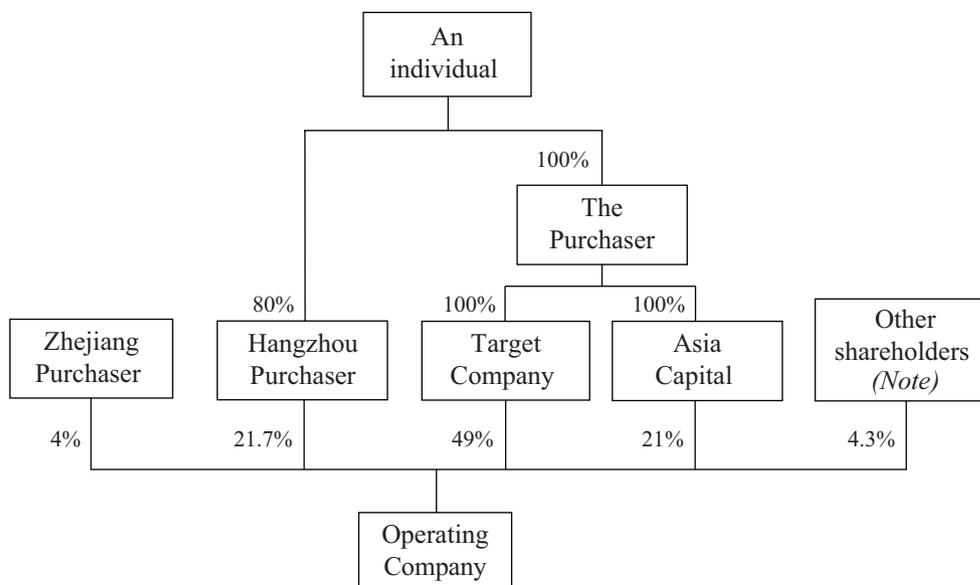
The Operating Company is a company duly established and validly existing under the PRC law and a non wholly-owned subsidiary of the Company, and is principally engaged in the generation and sale of electric and steam power in the Linping industrial region of Hangzhou in the PRC.

## CORPORATE STRUCTURE OF THE TARGET COMPANY AND THE OPERATING COMPANY

Set out below is the shareholding structure of the Target Company and the Operating Company as at the date of this announcement:



Set out below is the shareholding structure of the Target Company and the Operating Company after the Hangzhou Completion and the Completion:



Note: Other shareholders of the Operating Company include 杭州天晟房地產開發有限公司 (Hangzhou Tiancheng Property Development Company Limited\*), 杭州國恒電力燃料有限公司 (Hangzhou Guoheng Electricity & Fuel Company Limited\*), 杭州金聯自動化工程技術有限公司 (Hangzhou Jinlian Automation Engineering Technology Co., Ltd.\*) and 浙江中燃電力能源有限公司 (Zhejiang Zhongran Electric Power Company Limited\*), which own 1.5%, 1.5%, 0.3% and 1.0% of the total equity interest in the Operating Company respectively as at the date of this announcement and are Independent Third Parties.

Set out below are the unaudited financial information of the Target Company for the two years ended 31 December 2010 prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>
	<i>unaudited</i>	<i>unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	—
Profit before taxation	11,354	14,898
Profit after taxation	11,354	12,198

As at 30 June 2011, the unaudited net asset value of the Target Company amounted to approximately HK\$61.8 million.

Set out below is extracted from the PRC audited financial statements of the Operating Company for the two years ended 31 December 2010:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>
	<i>audited</i>	<i>audited</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	205,217	243,576
Profit before taxation	26,253	27,265
Profit after taxation	20,935	20,776

As at 30 June 2011, the unaudited net asset value of the Operating Company amounted to approximately RMB118.0 million (equivalent to approximately HK\$144.2 million).

### **FINANCIAL EFFECTS OF THE DISPOSALS**

Upon completion of the Hangzhou Agreement and the Agreement, the Group shall not have any equity interest in the Target Company and the Operating Company. The Target Company and the Operating Company shall cease to be subsidiaries of the Company and their respective financial information will not be consolidated in the accounts of the Company upon completion of the Disposals.

Based on the unaudited financial information of the Group as at 30 June 2011, it is expected that a gain before tax of approximately HK\$141.8 million, being the estimated net cash proceeds of approximately HK\$185.8 million for the Sale Share and the Hangzhou Sale Shares (after payment of professional fees and other related expenses) net of the net asset value of the Target Company and the Operating Company in aggregate of approximately HK\$65.8 million as at 30 June 2011, together with the release of the exchange fluctuation reserve of the Group relating to the Target Company and the Operating Company of approximately HK\$21.8 million as at 30 June 2011, would have been recognized in the consolidated financial statements of the Company had the Disposals been completed on 30 June 2011.

The net proceeds from the Disposals (after payment of professional fees and other related expenses) are estimated to be of approximately HK\$352.6 million. The Company intends to apply the net proceeds from the Disposals for general working capital of the Group and for future acquisition opportunities that are in the interests of the Company and its Shareholders as a whole. As at the date of this announcement, no such opportunity has been identified.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain eventually to be recognized in the consolidated financial statements of the Company depends on the net asset value of the Target Company as at the Completion Date and the net asset value of the Operating Company as at the date of Hangzhou Completion.

## **REASONS FOR THE DISPOSALS**

The Company is an investment holding company and its subsidiaries are principally engaged in the generation and sale of electric and steam power, and the aero-technology related business, including the share of profit from the development, manufacture and distribution of helicopters. The Company also plans to develop in the textile business (the “Acquisition”), details of which are referred to the announcement of the Company dated 21 September 2011. The Acquisition constitutes a major transaction and possible connected transaction of the Company. As at the date of this announcement, the Acquisition is yet to be completed pending, among others, the obtaining of the Shareholders’ approval at the special general meeting to be held for approving the Acquisition.

The Group has been exploring investment opportunities across various businesses and industries. The Directors consider that the Disposals represent a good opportunity for the Group to realise its investments in the business of generation and sale of electric and steam power and to invest in businesses in other industries, including but not limited to, the consumer goods industry to which the Acquisition is related or projects in the aviation and aero-related industry with better growth prospects, with an aim to restructure its business portfolio and to increase Shareholders’ value.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be given in the circular to be despatched to the Shareholders after taking into account the advice of the independent financial adviser) consider that the terms of the Hangzhou Agreement and the Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Disposals are in the interests of the Company and its Shareholders as a whole.

The counterparties of the Disposals, the Acquisition and the Sino Gas Transactions are not related to each other. The negotiations of the Acquisition, the Disposals and the Sino Gas Transactions took place separately, and were independent of and not inter-conditional with each other. The short time frame between the entering into the Acquisition, the Disposals and the Sino Gas Transactions was merely because such opportunities arose at a close proximity of timing.

## **GENERAL**

The transactions contemplated under the Agreement, on a standalone basis and when aggregated with the transactions contemplated under the Zhejiang Agreement and the Hangzhou Agreement pursuant to Rule 14.22 of the Listing Rules constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals exceeds 75%.

To the best of the Directors’ knowledge and information, the Hangzhou Purchaser and the Purchaser are connected persons of the Company under Chapter 14A of the Listing Rules by virtue of their respective shareholdings of more than 10% in the Operating Company. As such, the transactions contemplated under the Hangzhou Agreement and the Agreement shall also constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, the Hangzhou Agreement, the Agreement, and the transactions contemplated thereunder are subject to the independent Shareholders’ approval, by way of poll, at the SGM. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shares are held by the Hangzhou Purchaser, the Purchaser, and their respective associates as at the date of this announcement. As such, no Shareholders are required to abstain from voting on the resolution approving the Disposals at the SGM. An independent board committee will be formed to advise the independent Shareholders on the Disposals and an independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders on the Disposals.

A circular containing, among other things, further details of the Disposals, the financial information of the Target Company and the Operating Company, pro forma financial information of the Group, the advices from the independent board committee and the independent financial adviser, the notice of SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 30 November 2011.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 1:30 p.m. on 1 November 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 10 November 2011.

## **DEFINITIONS**

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

“Agreement”	the sale and purchase agreement dated 1 November 2011 entered into among the Purchaser and the Company in relation to the Disposal
“Agreement Completion First Anniversary”	the date 12 months after the Completion Date or, if such date is not a Business Day then the immediately preceding Business Day
“Asia Capital”	Asia Capital Financial Group Limited, a wholly-owned subsidiary of the Purchaser incorporated in the BVI with limited liability
“Asia Capital Shares”	shares in Asia Capital representing all of its issued and paid up share capital as at Completion Date
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“BVI”	the British Virgin Islands
“CATIC Helicopter (HK)”	CATIC Helicopter (H.K.) Limited, a wholly-owned subsidiary of the Company incorporated in the BVI with limited liability
“Company”	AVIC International Holding (HK) Limited, 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)

“Completion”	the completion of the sale and purchase of the Sale Share and the Sale Loan in the manner specified in the Agreement
“Completion Date”	the first Business Day next following the date on which all the conditions other than the condition (3) have been satisfied or waived in accordance with the Agreement or such other time and/or Business Day as the parties in the Agreement may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Company for the purchase of the Sale Share and the Sale Loan pursuant to the Agreement
“Deferred Consideration”	that portion of the Consideration, in the amount of HK\$184,000,000, which is to be received by the Company on Deferred Payment Date
“Deferred Payment Date”	the Business Day notified by Purchaser to the Company pursuant to the Agreement, being a date falling after Completion and which is not later than the earlier of (i) the Agreement Completion First Anniversary; or (ii) 31 December 2012
“Deposit”	an amount of HK\$20,000,000 paid by the Purchaser to the Company on 4 November 2011 pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company to the Purchaser pursuant to the Agreement
“Disposals”	the disposal of the Sale Share and the Sale Loan pursuant to the Agreement, and the disposal of the Hangzhou Sale Shares and the Hangzhou Sale Loan pursuant to the Hangzhou Agreement
“Group”	the Company and its subsidiaries
“Hangzhou Agreement”	the sale and purchase agreement dated 1 November 2011 entered into among the Hangzhou Purchaser and the Vendor in relation to the disposal of the Hangzhou Sale Shares and the Hangzhou Sale Loan
“Hangzhou Completion”	the completion of the sale and purchase of the Hangzhou Sale Shares and the Hangzhou Sale Loan in the manner specified in the Hangzhou Agreement

“Hangzhou Consideration”	the total consideration payable by the Hangzhou Purchaser to the Vendor for the purchase of the Hangzhou Sale Shares and the Hangzhou Sale Loan pursuant to the Hangzhou Agreement
“Hangzhou Purchaser”	杭州源和燃料有限公司 (Hangzhou Yuan He Fuel Co., Ltd.*), a company established in the PRC with limited liability
“Hangzhou Sale Loan”	the indebtedness in the amount of RMB1,496,707.88 (equivalent to approximately HK\$1.8 million) as at the date of the Hangzhou Agreement owed by the Operating Company to the Vendor
“Hangzhou Sale Shares”	2,100,000 ordinary shares in the Operating Company, representing 3% of the entire equity interest in the Operating Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2012
“Operating Company”	浙江海聯熱電股份有限公司 (Zhejiang Sealand Thermolectric Share-Holding Co.), a company duly established under the PRC law and a non wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“PRC Business Day”	a day (other than a Saturday, Sunday and PRC statutory public holiday) on which banks in the PRC are open for business and provide normal banking services
“Purchaser”	Hong Kong Yuanhe International Trade Group Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the indebtedness in the amount of HK\$164,958,535.82 as at the date of the Agreement and as at Deferred Payment Date owed by the Target Company to the Company, representing the accumulated advances extended by the Company to the Target Company from time to time prior to the date of the Agreement

“Sale Share”	the one issued and fully paid share of US\$1.00 nominal value in the share capital of the Target Company representing all of its issued and paid up share capital as at the date of the Agreement and as at Completion
“SGM”	the special general meeting(s) of the Company to be convened to consider and approve, among other things, the Hangzhou Agreement, the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Charge”	the first priority legal charge over (a) the Sale Share and all accretions thereto; and (b) the Asia Capital Shares and all accretions thereto, as granted by the Purchaser to the Company, for the purpose of securing (1) the liability of the Purchaser to the Company thereunder to pay the Deferred Consideration on Deferred Payment Date; and (2) by way of guarantee, the liability of the Target Company to the Company under the Sale Loan, and pursuant to which there will be restrictions with regard to dealings by the Target Company or Asia Capital with their respective equity interests in the Operating Company, and with regard to dealings by the Operating Company with its assets and properties, to be executed in the form attached to the Agreement
“Share Charge Release”	the release with effect from Deferred Payment Date of the security granted under the Share Charge as executed in the form attached to the Agreement
“Shareholder(s)”	holder(s) of the Shares
“Sino Gas”	Sino Gas Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Sino Gas Transactions”	the proposed disposal of the interest in a company to a subsidiary of Sino Gas and the subscription of open offer shares in the proposed open offer of Sino Gas, details of which are disclosed in a separate announcement of the Company dated 9 November 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Polyson Investment Limited, a wholly-owned subsidiary of the Company incorporated in the BVI with limited liability
“Vendor”	中航技直升機技術服務(深圳)有限公司 (CATIC Helicopter Development (Shenzhen) Limited), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability

“Warranties”	the representations, warranties and undertakings by the Company to the Purchaser pursuant to the Agreement
“Zhejiang Agreement”	the sale and purchase agreement dated 11 August 2011 entered into among the Zhejiang Purchaser and the Vendor in relation to the disposal of the Zhejiang Sale Shares and the Zhejiang Sale Loan
“Zhejiang Completion”	the completion of the sale and purchase of the Zhejiang Sale Shares and Zhejiang Sale Loan in the manner specified in the Zhejiang Agreement
“Zhejiang Consideration”	the total consideration payable by the Zhejiang Purchaser to the Vendor for the purchase of the Zhejiang Sale Shares and the Zhejiang Sale Loan pursuant to the Zhejiang Agreement
“Zhejiang Purchaser”	浙江中強化纖有限公司 (Zhejiang Zhongqiang Chemical Fiber Co., Ltd.*), a company established in the PRC with limited liability
“Zhejiang Sale Loan”	the indebtedness in the amount of RMB1,995,610.51 (equivalent to approximately HK\$2.4 million) as at the date of the Zhejiang Agreement owed by the Operating Company to the Vendor
“Zhejiang Sale Shares”	2,800,000 ordinary shares in the Operating Company, representing 4% of the entire equity interest in the Operating Company
“%”	per cent

*For illustration purposes, figures in RMB in this announcement have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.222. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.*

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

Hong Kong, 9 November 2011

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

\* For identification purpose only