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Araco Investment Limited
(Incorporated in the British Virgin Islands with limited liability)



中國自動化集團有限公司
China Automation Group Limited
(HK stock code 0569)
(Incorporated in the Cayman Islands with limited liability)

JOINT ANNOUNCEMENT
(1) CONDITIONAL MANDATORY CASH OFFERS BY
SOMERLEY CAPITAL LIMITED
ON BEHALF OF
THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES AND
TO CANCEL ALL OUTSTANDING OPTIONS OF
CHINA AUTOMATION GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED BY THE CONCERT GROUP)
(2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER
AND
(3) RESUMPTION OF TRADING

Financial adviser to the Offeror



SOMERLEY CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee



OPTIMA
CAPITAL
Optima Capital Limited

INTRODUCTION

The Company was informed by Mr. Xuan that on 23 June 2016 (after trading hours), Mr. Xuan and the Offeror (which is indirectly wholly-owned by Mr. Xuan through Brightex) entered into the SPA with Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang pursuant to which the Offeror agreed to acquire 457,933,541 Shares from Consen Group, representing approximately 44.62% equity interest in the Company as at the date of the SPA for an aggregate consideration of HK\$549,520,249.20. Pursuant to the SPA, Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang have given certain non-competition undertakings in favour of the Offeror for a period of five years from Completion (or such shorter period as may be needed to be applied in accordance with law in order to be enforceable), which will impose restrictions on each of Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang's conducts and activities which are relating to, among others, the business, the customers and the employees of the Group.

Completion took place on 24 June 2016. The Consideration under the SPA was fully settled.

THE OFFERS

Immediately prior to Completion, Consen Group, which is indirectly effectively held as to 46.9% by Mr. Xuan, as to 23.45% by each of Mr. Huang and Mr. Kuang and as to 6.2% by Mr. Yang, was interested in 457,933,541 Shares, representing approximately 44.62% voting rights in the Company. Immediately upon Completion, Mr. Xuan and the Offeror which is indirectly wholly-owned by Mr. Xuan, have become interested in 458,933,541 Shares, representing approximately 44.72% voting rights in the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Mr. Xuan, through the Offeror, is required to make a conditional mandatory cash offer for 567,330,188 Shares, representing all the issued Shares which are not already owned by the Concert Group, and to cancel all outstanding Options (other than those held by the Concert Group).

The Share Offer

As at the date of this announcement, there are 1,026,263,729 Shares in issue.

The Share Offer will be made by Somerley on behalf of the Offeror on the following basis:

For each Offer Share HK\$1.20 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date of the Composite Document.

The Option Offer

The Option Offer will be made by Somerley on behalf of the Offeror in accordance with Rule 13 of the Takeovers Code for the cancellation of all outstanding Options (excluding 11,860,000 Options held by the Concert Group, and assuming that no Options are exercised before the close of the Offers) on the following basis:

For cancellation of each Option HK\$0.01 in cash

The exercise price of the Options of HK\$1.60 per Share is above the Offer Price of HK\$1.20 per Offer Share under the Share Offer. Arrangement will be made under the Option Offer to cancel the Options for a nominal payment of HK\$0.01 for each Option.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Options together with all rights attaching to the Options will be entirely cancelled and renounced.

Confirmation of financial resources

The funds required by the Offeror to satisfy the consideration for the Offers will be financed by a loan facility granted by AACL to the Offeror pursuant to the Facility Agreement.

Somerley, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptances of the Offers as described above.

CONDITION OF THE OFFERS

The Share Offer is conditional on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Concert Group and acquired or agreed to be acquired before or during the Share Offer, will result in the Concert Group holding more than 50% of the voting rights of the Company.

The Option Offer will only become unconditional if the Share Offer becomes or is being declared unconditional in all respects.

THE CONSORTIUM AGREEMENT AND THE FACILITY AGREEMENT

On 23 June 2016 (after trading hours), AACL, the Offeror and Brightex (each a party to the Consortium Agreement and investor/potential investor in the Company) entered into the Consortium Agreement. On 23 June 2016 (after trading hours), AACL (as financier) and the Offeror (as borrower) entered into the Facility Agreement.

Pursuant to the Consortium Agreement, AACL, the Offeror and Brightex (each a party to the Consortium Agreement and investor/potential investor in the Company) have agreed, among other things: (i) subject to, and conditional upon, the terms of the Facility Agreement, AACL (as financier) agrees to provide financing for up to 100% of the consideration required by the Offeror (as borrower) to pay for the Offer Shares and the Options tendered under the Offers (and the stamp duty, fees and expenses payable in connection with the Offers) and following the Share Offer Closing Date, the Offeror agrees to finance its Proportion of the Offer Shares and Options; and (ii) following the Determination Date, but in any case on or prior to the date that is the later of (a) six (6) months after the Share Offer Closing Date; (b) six (6) months after the last day of the offer period in respect of the Offers; and (c) if the Share Offer becomes unconditional in all respects, three (3) months after the date on which the minimum public float of the Company is restored, if required under Rule 8.08 of the Listing Rules following the Share Offer Closing Date (or such other date that AACL, the Offeror and Brightex may agree in writing) and subject to the terms of the Facility Agreement, AACL shall have the Exchange Right, which may be exercised on one occasion (or such other number of occasions as AACL, the Offeror and Brightex may agree in writing), to require the Offeror to transfer the Shares at the Offer Price to it to discharge some or all of the amount then owing by the Offeror to AACL pursuant to the Facility Agreement and/or to purchase some or all of the Shares at the Offer Price then held by the Offeror in order to achieve the Proportion pursuant to the Consortium Agreement.

Pursuant to the Facility Agreement, an unsecured interest-free loan facility of the HK\$ equivalent of US\$99,000,000 has been granted by AACL to the Offeror.

Other principal terms and details of the Consortium Agreement and the Facility Agreement are set out under the section headed “The Consortium Agreement and the Facility Agreement” in this announcement.

COMPULSORY ACQUISITION AND CONTINUATION OF LISTING

If the Offeror receives valid acceptances of the Share Offer for not less than 90% in value of the Shares for which the Share Offer is made within four months of the posting of the Composite Document, the Offeror will consider to exercise the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer. On completion of the compulsory acquisition, if such right is exercised, the Offeror will be interested in 100% interest in the Company and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Concert Group during the four months after posting of the Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

However, if the Offeror receives acceptances of the Share Offer for less than 90% of the Shares for which the Share Offer is made, it is the intention of the Offeror that the listing of the Shares on the Stock Exchange should be maintained and appropriate steps will be taken by the Offeror as soon as possible following the Closing Date to ensure that not less than 25% of the Shares will be held in public hands.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has appointed Optima Capital as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and in particular as to whether the terms of the Offers are respectively fair and reasonable and as to acceptance pursuant to Rule 2.1 of the Takeovers Code. The appointment of Optima Capital has been approved by the Independent Board Committee. The letter of advice from Optima Capital in respect of the Offers will be included in the Composite Document.

GENERAL

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing, among other things, details of the Share Offer (accompanying therewith the acceptance and transfer form) and the Option Offer (accompanying therewith the acceptance and cancellation form) and other relevant information on the Offeror as required under the Takeovers Code to the Independent Shareholders and the Independent Optionholders within 21 days after the date of this announcement, or such later date as the Executive may approve.

It is the intention of the Offeror and the Board to combine the offer document and the offeree board circular into the Composite Document. Accordingly, the Composite Document in connection with the Offers setting out, inter alia, details of the Offers (including the expected timetable) and incorporating the respective letters of advice from the Independent Board Committee and Optima Capital on the Offers and as to acceptance will be issued and despatched by the Offeror and the Company jointly to the Independent Shareholders and the Independent Optionholders in accordance with the Takeovers Code.

Shareholders, Optionholders and/or potential investors of the Company should be aware that the Offers are subject to the condition as stated under the paragraph headed “Condition of the Offers” in this announcement and accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and/or potential investors of the

Company should therefore exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their stockbroker, bank manager, solicitor and other professional advisers.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Friday, 24 June 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 27 June 2016.

INTRODUCTION

Reference is made to the Rule 3.7 Announcement regarding a possible voluntary conditional general offer by Mr. Xuan and ACP through one or more special purpose vehicles controlled by either of them or their respective Affiliates, the Company's announcement dated 29 April 2016, the monthly progress update announcement dated 13 May 2016 and the announcement dated 24 May 2016 pursuant to Rule 3.7 of the Takeovers Code issued by the Company.

The Company was informed by Mr. Xuan that on 23 June 2016 (after trading hours), Mr. Xuan and the Offeror (which is indirectly wholly-owned by Mr. Xuan through Brightex) entered into the SPA with Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang pursuant to which the Offeror agreed to acquire 457,933,541 Shares from Consen Group, representing approximately 44.62% equity interest in the Company as at the date of the SPA for an aggregate consideration of HK\$549,520,249.20 (the "**Consideration**"). Pursuant to the SPA, Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang have given certain non-competition undertakings in favour of the Offeror for a period of five years from Completion (or such shorter period as may be needed to be applied in accordance with law in order to be enforceable), which will impose restrictions on each of Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang's conducts and activities which are relating to, among others, the business, the customers and the employees of the Group.

Completion took place on 24 June 2016. The Consideration under the SPA was fully settled by the internal resources of the Offeror and the issuance of a promissory note by the Offeror as follows:

- 1) HK\$291,795,252 (representing the portions for Mr. Huang's, Mr. Kuang's and Mr. Yang's effective interests in Consen Group) were paid by the Offeror to Consen Group in cash (the "**Cash Consideration**") upon Completion. Consen Group has directed and instructed the Offeror to pay the Cash Consideration to Newday (a company wholly-owned by Mr. Kuang), Cowin (a company wholly-owned by Mr. Huang) and Gembest (a company wholly-owned by Mr. Yang) directly in the following portions;
 - (i) as to HK\$128,862,498 to Newday;

(ii) as to HK\$128,862,498 to Cowin; and

(iii) as to HK\$34,070,256 to Gembest.

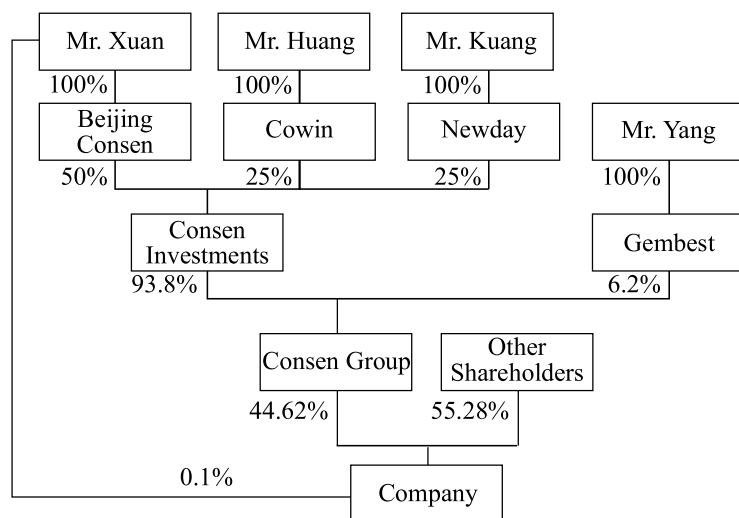
Consen Group thereby unconditionally and irrevocably confirms that the payment of the Cash Consideration in the manners above by the Offeror shall constitute a full discharge of the payment obligation of the Offeror in the sum of HK\$291,795,252, being the Cash Consideration; and

- 2) the remaining balance of the Consideration, being HK\$257,724,997.20 (representing the portion for Mr. Xuan’s effective interest in Consen Group), was settled by the issue of a promissory note by the Offeror in the sum equivalent to the remaining balance of the Consideration (the “**Remaining Consideration**”). The promissory note carries no interest, is unsecured and repayable on demand. Consen Group has directed and instructed the Offeror to issue the promissory note in favour of Beijing Consen.

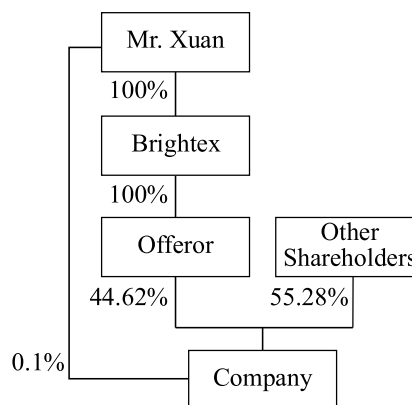
Consen Group thereby unconditionally and irrevocably confirms that the payment of the Remaining Consideration in the manners above by the Offeror shall constitute a full discharge of the payment obligation of the Offeror in the sum of HK\$257,724,997.20, being the Remaining Consideration.

Set out below is the shareholding structure of the Company immediately before and after Completion:

Shareholding structure of the Company immediately before Completion



Shareholding structure of the Company immediately after Completion



THE OFFERS

Immediately prior to Completion, Consen Group, which is indirectly effectively held as to 46.9% by Mr. Xuan, as to 23.45% by each of Mr. Huang and Mr. Kuang and as to 6.2% by Mr. Yang, was interested in 457,933,541 Shares, representing approximately 44.62% voting rights in the Company. Immediately upon Completion, Mr. Xuan and the Offeror which is indirectly wholly-owned by Mr. Xuan, have become interested in 458,933,541 Shares, representing approximately 44.72% voting rights in the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Mr. Xuan, through the Offeror is required to make a conditional mandatory cash offer for 567,330,188 Shares, representing all the issued Shares which are not already owned by the Concert Group, and to cancel all outstanding Options (other than those held by the Concert Group).

The Share Offer

As at the date of this announcement, there are 1,026,263,729 Shares in issue.

The Share Offer will be made by Somerley on behalf of the Offeror on the following basis:

For each Offer Share HK\$1.20 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date of the Composite Document.

The Option Offer

The Option Offer will be made by Somerley on behalf of the Offeror in accordance with Rule 13 of the Takeovers Code for the cancellation of all outstanding Options (excluding 11,860,000 Options held by the Concert Group, and assuming that no Options are exercised before the close of the Offers) on the following basis:

For cancellation of each Option HK\$0.01 in cash

The exercise price of the Options of HK\$1.60 per Share is above the Offer Price of HK\$1.20 per Offer Share under the Share Offer. Arrangement will be made under the Option Offer to cancel the Options for a nominal payment of HK\$0.01 for each Option.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Options together with all rights attaching to the Options will be entirely cancelled and renounced.

As at the date of this announcement, the Company has outstanding Options in respect of 102,626,000 Shares granted under the Share Option Scheme. As stated in the annual report of the Company for the year ended 31 December 2015, the Options have a validity period from 25 July 2014 to 24 July 2018 and have been and will be exercisable in the following manner: (i) up to approximately one third of the Options became exercisable on 25 July 2015; (ii) up to approximately one third of the Options will become exercisable commencing on 25 July 2016; (iii) up to approximately one third of the Options will become exercisable commencing on 25 July 2017, provided that relevant performance targets are achieved and the closing price of the Share on the trading day immediately preceding the date of exercise is HK\$2.40 or above (collectively, the “**Conversion Conditions**”). As, among other things, the closing price per Share of HK\$1.08 as quoted on the Stock Exchange on 23 June 2016, being the last trading day of the Shares prior to publication of this announcement, was below HK\$2.40, no Options are exercisable as at the date of this announcement.

Pursuant to the terms of the Share Option Scheme, if the Share Offer becomes or is declared unconditional, the Optionholders may exercise the Options within 21 days of the notice of the Offeror (to the extent which the Options have become exercisable on the date of the notice of the Offeror and not already exercised) to its full extent or to the extent specified in such notice. The Options not exercised at the expiry of such 21-day period shall lapse and the Options which have not become exercisable prior to the date of the aforesaid notice of the Offeror will not become exercisable as a result of the Share Offer becoming unconditional.

Save as aforesaid, the Company has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares.

Comparisons of value

The Offer Price of HK\$1.20 per Share represents:

- a) a premium of approximately 11.1% over the closing price of HK\$1.08 per Share as quoted on the Stock Exchange on 23 June 2016, being the last trading day of the Shares prior to publication of this announcement;
- b) a premium of approximately 18.8% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- c) a premium of approximately 36.2% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.881 per Share;
- d) a premium of approximately 44.2% over the average of the closing prices as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of HK\$0.832 per Share;

- e) a premium of approximately 42.5% over the average of the closing prices as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.842 per Share; and
- f) a discount of approximately 42.0% to the total equity attributable to owners of the Company per Share (based on 1,026,263,729 Shares in issue as at the date of this announcement) of approximately RMB1.73 (equivalent to approximately HK\$2.07) as at 31 December 2015.

Highest and lowest Share prices

During the six-month period up to and including 23 June 2016, being the last trading day of the Shares prior to the publication of this announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.11 per Share on 28 April 2016 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.71 per Share on 19 February 2016 and 22 February 2016.

Value of the Offers

As at the date of this announcement, there are 1,026,263,729 Shares in issue and 102,626,000 Options outstanding entitling the Optionholders to subscribe for the Shares pursuant to the Share Option Scheme.

On the basis of the Offer Price of HK\$1.20 per Offer Share and 567,330,188 Shares subject to the Share Offer (excluding 458,933,541 Shares held by the Concert Group and assuming that no Options are exercised before the close of the Offers), the Share Offer is valued at approximately HK\$680.8 million. On the basis of the Option Offer Price of HK\$0.01 each and 90,766,000 Options subject to the Option Offer (excluding 11,860,000 Options held by the Concert Group, and assuming that no Options are exercised before the close of the Offers), the total amount required to satisfy the cancellation of the Options is HK\$907,660. Based on the aforesaid and assuming that no Options are exercised before the close of the Offers, the Offers are valued at approximately HK\$681.7 million in aggregate.

In the event all the Options are exercised in full by the Optionholders before the Closing Date, the Company will have to issue 102,626,000 new Shares, representing approximately 10.0% of the issued share capital of the Company as at the date of this announcement. Assuming the Share Offer is accepted in full (including all Shares allotted and issued as a result of the exercise of the Options), and on the basis of the Offer Price of HK\$1.20 per Share and 658,096,188 Shares subject to the Share Offer (excluding 470,793,541 Shares held by the Concert Group), the maximum value of the Share Offer will be increased to approximately HK\$789.7 million. In this case, no amount will be payable by the Offeror under the Option Offer, and the Offers are valued at approximately HK\$789.7 million in aggregate on a fully-diluted basis.

In the event there is no Option outstanding at the time the Offeror makes the Share Offer, only the Share Offer will be made by the Offeror and there will not be any Option Offer.

Confirmation of financial resources

As discussed in the paragraph headed “The Option Offer” above, exercise of the Options is subject to, among other things, the Conversion Conditions and respective exercise periods of the Options. Given that the first and second exercise period commenced/commencing on 25 July 2015 and 25 July 2016 respectively, and subject to the fulfilment of the Conversion Conditions, only up to approximately two-third of the Options, being 68,979,000 Options (the “**Vested Options**”) (in which 2,067,000 Vested Options, 2,920,000 Vested Options and 2,920,000 Vested Options are held by Mr. Xuan, Mr. Huang and Mr. Kuang respectively), are expected to be possibly exercisable before the close of the Offers. In other words, it is expected that the remaining one-third of the Options will not become exercisable as the Offers, as currently scheduled, are expected to close before 25 July 2017.

Assuming full exercise of the Vested Options before the close of the Offers and full acceptance of the Share Offer, the maximum cash consideration payable under the Offers by the Offeror is approximately HK\$754,082,626.

The funds required by the Offeror to satisfy the consideration for the Offers will be financed by a loan facility granted by AACL to the Offeror pursuant to the Facility Agreement.

Somerley, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptances of the Offers as described above.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company immediately upon Completion and (i) as at the date of this announcement; (ii) for illustrative purposes only, assuming all Vested Options were exercised; and (iii) for illustrative purposes only, assuming all the outstanding Options were exercised:–

	Immediately upon Completion and as at the date of this announcement		For illustrative purposes only Immediately upon Completion and assuming all Vested Options were exercised (Note 3)		For illustrative purposes only Immediately upon Completion and assuming all the outstanding Options were exercised (Note 4)	
	no. of Shares	approx. %	no. of Shares	approx. %	no. of Shares	approx. %
Mr. Xuan (Note 1)	1,000,000	0.10%	3,067,000	0.28%	4,100,000	0.36%
Offeror (Note 1)	457,933,541	44.62%	457,933,541	41.81%	457,933,541	40.56%
Mr. Huang (Note 2)	–	–	2,920,000	0.27%	4,380,000	0.39%
Mr. Kuang (Note 2)	–	–	2,920,000	0.27%	4,380,000	0.39%
AACL	–	–	–	–	–	–
Concert Group	458,933,541	44.72%	466,840,541	42.63%	470,793,541	41.70%
Other Directors	–	–	268,000	0.02%	400,000	0.04%
<i>Public Shareholders</i>						
Employees of the Group	–	–	60,804,000	5.55%	90,366,000	8.00%
Other public Shareholders	567,330,188	55.28%	567,330,188	51.80%	567,330,188	50.26%
Total	<u>1,026,263,729</u>	<u>100.00%</u>	<u>1,095,242,729</u>	<u>100.00%</u>	<u>1,128,889,729</u>	<u>100.00%</u>

Notes:

1. The Offeror is the legal and beneficial owner of 457,933,541 Shares as at the date of this announcement. As at the date of this announcement, the Offeror is, through Brightex, indirectly wholly-owned by Mr. Xuan.
2. Consen Group was owned as to 93.80% by Consen Investments and 6.20% by Gembest. Consen Investments was owned as to 50%, 25% and 25% by Beijing Consen, Newday and Cowin, which were in turn wholly-owned by Mr. Xuan, Mr. Kuang and Mr. Huang respectively.
3. Following 25 July 2016, being the second exercise period commencing date of the Options, the Company would have 68,979,000 Vested Options, among which (i) 2,067,000 Vested Options, 2,920,000 Vested Options and 2,920,000 Vested Options were granted to Mr. Xuan, Mr. Huang and Mr. Kuang

respectively; (ii) 268,000 Vested Options were granted to other Directors, and (iii) the remaining 60,804,000 Vested Options were granted to employees of the Group. Conversion of the Options is subject to the Conversion Conditions and therefore, this scenario is shown for illustrative purposes only.

4. As at the date of this announcement, the Company has 102,626,000 outstanding Options, among which (i) 3,100,000 Options, 4,380,000 Options and 4,380,000 Options were granted to Mr. Xuan, Mr. Huang and Mr. Kuang respectively; (ii) 400,000 Options were granted to other Directors, and (iii) the remaining 90,366,000 Options were granted to employees of the Group. Conversion of the Options is subject to the Conversion Conditions and therefore, this scenario is shown for illustrative purposes only.

CONDITION OF THE OFFERS

The Share Offer is conditional on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with Shares already owned by the Concert Group and acquired or agreed to be acquired before or during the Share Offer, will result in the Concert Group holding more than 50% of the voting rights of the Company.

The Option Offer will only become unconditional if the Share Offer becomes or is being declared unconditional in all respects.

Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Share Offer is declared unconditional in all respects on or before the 7th day after the posting of the Composite Document, then the Closing Date would be on (but no earlier than) the First Closing Date. If the Share Offer is declared unconditional in all respects later than the 7th day after the posting of the Composite Document, then the Closing Date would be at least 14 days after the date of such declaration.

The Offer Price shall be payable in cash. The Offeror reserves the right to revise the terms of the Offers in accordance with the Takeovers Code.

The Offers may or may not become unconditional. Shareholders, Optionholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their stockbroker, bank manager, solicitor or other professional advisers.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the BVI with limited liability. The Offeror is the legal and beneficial owner of 457,933,541 Shares as at the date of this announcement. As at the date of this announcement, the Offeror is, through Brightex, indirectly wholly-owned by Mr. Xuan.

Information on Mr. Xuan

Mr. Xuan Rui Guo (宣瑞國), aged 47, is the Group's founder, executive Director and Chairman of the Company. Mr. Xuan graduated from Renmin University of China (中國人民大學) with a bachelor's degree in international politics. He is an incumbent director of Yabuli Entrepreneur Association and Deputy Chairman of China Instrument and Control Society. Mr. Xuan is also one of the winners of Ernst & Young Entrepreneur of The Year 2009 China. Mr. Xuan is also a director and deputy chairman of Guangdong Kaiping Chunhui Co., Ltd. (廣東開平春暉股份有限公司), which is a company listed on the Shenzhen Stock Exchange (Stock Code: 000976). He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He previously served as General Manager of Boda Telecommunication and Electronics Company Ltd. in Yunnan, China, Manager of Beijing Invention Biology Company Ltd. and General Manager of Beijing Consen Automation Control Co., Ltd., etc.

THE CONSORTIUM AGREEMENT AND THE FACILITY AGREEMENT

On 23 June 2016 (after trading hours), AACL, the Offeror and Brightex (each a party to the Consortium Agreement and investor/potential investor in the Company) entered into the Consortium Agreement. On 23 June 2016 (after trading hours), AACL (as financier) and the Offeror (as borrower) entered into the Facility Agreement.

AACL is an exempted company incorporated with limited liability in the Cayman Islands on 1 April 2016, which is a direct wholly-owned subsidiary of ACP. The general partner of ACP is Ascendent Capital Partners II GP, L.P and its general partner is Ascendent Capital Partners II GP Limited. ACP is advised by Ascendent Capital Partners (Asia) Limited and ultimately controlled by Ascendent Capital Partners II GP Limited. Ascendent Capital Partners (Asia) Limited is a private equity investment management firm focused on Greater China-related investment opportunities, managing capital for global renowned institutional investors including sovereign wealth funds, endowments, pensions and foundations.

Pursuant to the Consortium Agreement, AACL, the Offeror and Brightex (each a party to the Consortium Agreement and investor/potential investor in the Company) have agreed after arm's length commercial negotiations, among other things, that:

- 1) subject to, and conditional upon, the terms of the Facility Agreement, AACL (as financier) agrees to provide financing for up to 100% of the consideration required by the Offeror (as borrower) to pay for the Offer Shares and the Options tendered under the Offers (and the stamp duty, fees and expenses payable in connection with the Offers). Following the Share Offer Closing Date, the Offeror agrees to finance its Proportion (as defined below) of the Offer Shares and Options;

- 2) following the Determination Date (as defined below), but in any case on or prior to the date that is the later of (a) six (6) months after the Share Offer Closing Date; (b) six (6) months after the last day of the offer period in respect of the Offers; and (c) if the Share Offer becomes unconditional in all respects, three (3) months after the date on which the minimum public float of the Company is restored, if required under Rule 8.08 of the Listing Rules following the Share Offer Closing Date (or such other date that AACL, the Offeror and Brightex may agree in writing, the “**Final Exchange Date**”) and subject to the terms of the Facility Agreement, AACL shall have the right (the “**Exchange Right**”) to require the Offeror to transfer the Shares (the “**Exchange Shares**”) at the Offer Price to it to discharge some or all of the amount then owing by the Offeror to AACL pursuant to the Facility Agreement and/or to purchase some or all of the Shares at the Offer Price then held by the Offeror in order to achieve the following allocation of the Shares between the Offeror and AACL (the “**Proportion**”). The Exchange Right may only be exercised on one occasion (or such other number of occasions as AACL, the Offeror and Brightex may agree in writing) provided that AACL shall be permitted to exercise the Exchange Right on such number of occasions as is required: (1) to satisfy its sell down obligations pursuant to the Consortium Agreement for the purpose of restoring the minimum public float as required under Rule 8.08 of the Listing Rules and as required under the terms of the Consortium Agreement; or (2) to avoid triggering any obligation to make a general offer pursuant to Rule 26 of the Takeovers Code.

Shares held by the Offeror/acquired under the Share Offer

Acquirer of the Shares and the proportion

- | | |
|--|--|
| <p>(1) For the approximately 23.69% attributable interest in the Company acquired by the Offeror pursuant to the SPA</p> | <p>143,676,922 Shares, representing approximately 14.00% of the total issued share capital of the Company to go to AACL (“14% AACL Shares”) provided that if the Offers do not become unconditional, AACL shall have the sole discretion to determine whether or not to take up the 14% AACL Shares^(note)</p> <p>99,485,788 Shares, representing approximately 9.69% of the total issued share capital of the Company to remain with the Offeror</p> |
| <p>(2) For the first 54,198,324 Offer Shares, representing approximately 5.28% of the issued share capital of the Company to reach the 50% acceptance condition of the Share Offer</p> | <p>100.00% to AACL</p> |

- (3) For up to the next 256,565,932 Offer Shares, representing approximately 25.00% of the issued share capital of the Company to reach 75% of the total issued share capital of the Company 80.00% to the Offeror 20.00% to AACL
- (4) For up to the next 256,565,932 Offer Shares, representing approximately 25.00% of the issued share capital of the Company to reach 100% of the total issued share capital of the Company 37.00% to the Offeror 63.00% to AACL

Note:

In the event the Offers had not become or declared unconditional and AACL elects to take up the 14% AACL Shares, AACL shall pay the Offeror a consideration of HK\$172,412,304.75 (equivalent to approximately HK\$1.20 per Share) in cash within 15 business days after the Determination Date (as define below) in return for the Exchange Right over the 14% AACL Shares.

The determination of the allocation of Shares which are subject to the exercise of an Exchange Right, will only occur on the date that is five business days after the latest to occur of: (i) the last day of the offer period in respect of the Offers; (ii) the date that all consideration payable by the Offeror under the Share Offer is paid in full; and (iii) completion of compulsory acquisition (if any) (the “**Determination Date**”).

If AACL does not exercise the Exchange Right in respect of the full outstanding amount then owing by the Offeror to AACL pursuant to the Facility Agreement on or before the Final Exchange Date, AACL will be deemed to have exercised the Exchange Right for such outstanding amount as at the Final Exchange Date such that no amount will be repayable by the Offeror on the Final Exchange Date. Should the exercise of the Exchange Right triggers an obligation of AACL to make a general offer pursuant to Rule 26 of the Takeovers Code, AACL will comply with the applicable requirements under the Takeovers Code;

- 3) all decisions relating to the Offers will be made jointly by the Offeror and AACL;
- 4) in the event that as a result of the Offers, the Company no longer complies with the minimum public float requirement under Rule 8.08 of the Listing Rules, and provided that the Offeror and AACL have decided to maintain the Company’s listing status on the Main Board of the Stock

Exchange and not to exercise any right of compulsory acquisition (if any), the Offeror and AACL undertake to restore the minimum public float as required under Rule 8.08 of the Listing Rules as soon as practicable, by either:

- i) selling to members of the public a sufficient number of Offer Shares acquired by the Offeror pursuant to the Share Offer to restore the minimum public float as required under Rule 8.08 of the Listing Rules on terms mutually agreed between AACL and the Offeror in the following portion:
 - (1) in the case of the Offeror, equal to 37% of the total number of the Shares to be sold down; and
 - (2) in the case of AACL, equal to 63% of the total number of the Shares to be sold down, in which case AACL shall exercise its Exchange Right in respect of at least its proportion of the number of the Shares to be sold down; or
 - ii) procuring the Company to issue such number of new Shares to members of the public to ensure that it will comply with the minimum public float as required under Rule 8.08 of the Listing Rules;
- 5) the Offeror may not incur any indebtedness or arrange a refinancing of the of the loan facility made available by AACL pursuant to the Facility Agreement without the prior written consent of AACL and, in any case, not before the Determination Date. Notwithstanding anything to the contrary in the Consortium Agreement, in the event that such a refinancing is arranged by the Offeror prior to the exercise of the Exchange Right in respect of all the Exchange Shares for up to 100% of the consideration that was used by the Offeror to pay for the tendered Offer Shares and the Options under the Offers (and the stamp duty, fees and expenses payable in connection with the Share Offer and the Option Offer) (the “**Refinancing**”), AACL may instead elect (at its sole discretion) by notice in writing to the Offeror, to exercise all or part of its Exchange Right (depending on the relevant amount of the Refinancing) and take shares in the Offeror or Brightex in lieu of all or part of the Exchange Shares (depending on the relevant amount of the Refinancing) and Brightex and the Offeror each undertakes to take whatever action is necessary or desirable upon the reasonable request of AACL to:
- i. issue, allot or otherwise transfer to AACL such number of Equity Securities in the Offeror or Brightex, to enable AACL, along with any Shares acquired by AACL pursuant to any exercise of part of its Exchange Right (if applicable), to otherwise reflect AACL’s attributable interest in Shares as set out in paragraph (2) above, in consideration for and in lieu of AACL exercising its Exchange Right to acquire the Shares;
 - ii. not to transfer any Shares that it holds which represent the attributable interest of AACL in the Company for so long as AACL holds Equity Securities in the Offeror or Brightex;

- iii. for so long as AACL holds any Equity Securities in the Offeror or Brightex, ensure that the provisions in the Consortium Agreement relating to the restrictions of transfer of the Shares and the governance of the Company (as if the Company was delisted from the Main Board of the Stock Exchange) shall apply *mutatis mutandis* to the Offeror and Equity Securities of the Offeror or Brightex (as the case may be); and
 - iv. to transfer the Shares to AACL reflecting AACL's attributable interest in the Shares as set out in paragraph (2) above, in exchange for the buyback or surrender of any Equity Securities in the Offeror or Brightex held by AACL;
- 6) the Offeror undertakes to, during the period from the Determination Date and up to the Final Exchange Date, exercise, or procure the exercise of, the voting rights (whether on a show of hands, a poll or otherwise) attaching to the Shares (which are subject to the exercise of an Exchange Right) it owns or controls in accordance with the written instructions of AACL, provided that this undertaking to exercise any voting rights shall only apply to such number of Exchange Shares which will not result in AACL triggering any obligation under Rule 26 of the Takeovers Code to make a general offer;
- 7) (i) AACL and the Offeror shall each have a reciprocal right of first refusal in respect of any proposed transfer of Shares; (ii) AACL and the Offeror shall each have a reciprocal tag along right to the extent that it or its Affiliates proposes to transfer any Shares to any person other than to another party to the Consortium Agreement or any of its Affiliates at any time; (iii) AACL shall have a drag along right on the fifth anniversary of the Closing Date (under the circumstances provided in the Consortium Agreement) or when Mr. Xuan ceases to be a Director or senior manager of the Company; and
- 8) in the event that the Company is delisted from the Main Board of the Stock Exchange, AACL, the Offeror and Brightex have agreed upon certain corporate governance principles to apply to the Company including matters relating to the composition of the Board and that certain matters such as the sale of assets, issuance of any securities or connected transactions will require the prior written consent of AACL.

Pursuant to the Facility Agreement, an unsecured interest-free loan facility of the HK\$ equivalent of US\$99,000,000 has been granted by AACL to the Offeror. On the Determination Date, a settlement amount as between the Offeror and AACL, taking into account the Offeror's and AACL's respective Proportions, shall be calculated in accordance with the Consortium Agreement. To the extent that an amount remains payable by the Offeror after taking into account AACL's Proportion, the Offeror shall repay that amount to AACL.

For illustrative purposes only, set out below is the shareholding structure of the Company (A) as at the date of this announcement and (B) upon the Closing Date assuming that (i) no Options were exercised; (ii) the Share Offer had become unconditional with different level of acceptances; and (iii) AACL exercised the Exchange Right pursuant to the Consortium Agreement according to the Proportion:–

	As at the date of this announcement		Upon the Closing Date and the Offers did not become unconditional and therefore lapsed (Note 2)		Upon the Closing Date and total acceptances of approximately 5.28% of the total issued share capital of the Company received		Upon the Closing Date and total acceptances of approximately 30.28% of the total issued share capital of the Company received		Upon the Closing Date and total acceptances of approximately 55.28% of the total issued share capital of the Company received (Note 3)	
	no. of Shares	approx. %	no. of Shares	approx. %	no. of Shares	approx. %	no. of Shares	approx. %	no. of Shares	approx. %
Mr. Xuan (Note 1)	1,000,000	0.10%	1,000,000	0.10%	1,000,000	0.10%	1,000,000	0.10%	1,000,000	0.10%
Offeror (Note 1)	457,933,541	44.62%	314,256,619	30.62%	314,256,619	30.62%	519,509,364	50.62%	614,438,759	59.87%
Mr. Huang	-	-	-	-	-	-	-	-	-	-
Mr. Kuang	-	-	-	-	-	-	-	-	-	-
AACL	-	-	143,676,922	14.00%	197,875,246	19.28%	249,188,433	24.28%	410,824,970	40.03%
Concert Group	458,933,541	44.72%	458,933,541	44.72%	513,131,865	50.00%	769,697,797	75.00%	1,026,263,729	100.00%
Other Shareholders	567,330,188	55.28%	567,330,188	55.28%	513,131,864	50.00%	256,565,932	25.00%	-	-
Total	<u>1,026,263,729</u>	<u>100.00%</u>	<u>1,026,263,729</u>	<u>100.00%</u>	<u>1,026,263,729</u>	<u>100.00%</u>	<u>1,026,263,729</u>	<u>100.00%</u>	<u>1,026,263,729</u>	<u>100.00%</u>

Notes:

1. The Offeror is the legal and beneficial owner of 457,933,541 Shares as at the date of this announcement. As at the date of this announcement, the Offeror is, through Brightex, indirectly wholly-owned by Mr. Xuan.
2. Pursuant to the terms of the Consortium Agreement, if the Offers do not become unconditional, AACL has the sole discretion to determine whether or not to take up the Exchange Right over the 14% AACL Shares; AACL does not have such discretion and will take up the Exchange Right over the 14% AACL Shares if the Share Offer becomes unconditional in all respects.
3. Should the exercise of the Exchange Right trigger an obligation of AACL to make a general offer pursuant to Rule 26 of the Takeovers Code, AACL will comply with the applicable requirements under the Takeovers Code.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following completion of the Offers, the Offeror intends to undertake a detailed strategic review on the Group for the purpose of formulating business plans and strategies for the future business development of the Group and determining what changes, if any, would be appropriate or desirable in order to optimise the business activities of the Group. It is the intention of the Offeror to continue with the existing principal businesses of the Group in the manner in which it is presently conducted.

To the extent AACL acquires Shares following the exercise of its Exchange Right following the Determination Date and before the Final Exchange Date, it will be a financial investor in the Company, assist and provide advice to the Offeror in undertaking a detailed strategic review on the Group and possibly cooperate with the Offeror and the Company in the future business development of the Group.

Proposed change in Board composition

As at the date of this announcement, the Board comprises Mr. Xuan, Mr. Huang and Mr. Kuang as executive Directors; and Mr. Wang Tai Wen, Mr. Sui Yong Bin (“**Mr. Sui**”) and Mr. Ng Wing Fai as independent non-executive Directors.

Resignation of Directors

Pursuant to the SPA, Mr. Huang and Mr. Kuang shall resign as Directors with effect from the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code or by the Executive.

Pursuant to the SPA, Mr. Huang and Mr. Kuang resigned as the directors of certain subsidiaries of the Company on Completion.

Appointment of new Director

The Offeror intends to nominate a new executive Director to the Board with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

Save for the proposed change in Board composition as disclosed above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following completion of the Offers.

COMPULSORY ACQUISITION AND CONTINUATION OF LISTING

If the Offeror receives valid acceptances of the Share Offer for not less than 90% in value of the Shares for which the Share Offer is made within four months of the posting of the Composite Document, the Offeror will consider to exercise the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer. On completion of the compulsory acquisition, if exercised, the Offeror will be interested in 100% interest in the Company and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Concert Group during the four months after posting of the Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

However, if the Offeror receives acceptances of the Share Offer for less than 90% of the Shares for which the Share Offer is made, it is the intention of the Offeror that the listing of the Shares on the Stock Exchange should be maintained and appropriate steps will be taken by the Offeror as soon as possible following the Closing Date to ensure that not less than 25% of the Shares will be held in public hands.

Upon the close of the Offers, if less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

INFORMATION ON THE GROUP

The Group is engaged in the provision of safety and critical control system specialised for petrochemical and railway industries, along with related maintenance and engineering services.

Set out below is a summary of certain audited financial information of the Group for the two years ended 31 December 2015 as set out in the Company's annual report for the year ended 31 December 2015.

	For the year ended 31 December 2015	For the year ended 31 December 2014 (Re-presented)
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Revenue	1,640,983	1,918,510
(Loss)/profit before tax	(351,316)	38,662
(Loss)/profit for the year after tax from continuing operations	(363,519)	10,812
Discontinued operations		
Profit for the year after tax from discontinued operations	217,261	35,933
(Loss)/profit for the year after tax	(146,258)	46,745

As stated in the Company's annual report for the year ended 31 December 2015, the equity attributable to owners of the Company as at 31 December 2015 was approximately RMB1,773,010,000.

Further financial information of the Company will be set out in the Composite Document to be despatched to the Independent Shareholders and the Independent Optionholders.

FURTHER TERMS OF THE OFFERS

Acceptance of the Offers

Subject to the satisfaction of the acceptance condition of the Share Offer, the Offers will be made on the basis that acceptance of the Share Offer and/or the Option Offer by any person will constitute a warranty by such person or persons to the Offeror that all the Shares and/or Options to be acquired under the Share Offer and/or Option Offer respectively shall be free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the date on which the Share Offer is made.

The Independent Shareholders, the Independent Optionholders and/or potential investors are reminded to read the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Independent Optionholders in

respect of the Share Offer and the Option Offer respectively and the letter from Optima Capital containing its advice to the Independent Board Committee in respect of the Offers that will be included in the Composite Document.

Settlement of consideration

Subject to the Offers having become unconditional, settlement of the consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of (i) the date of receipt of a complete and valid acceptance in respect of the Offers, or (ii) the date on which the Offers become unconditional, whichever is later.

Taxation advice

The Independent Shareholders and the Independent Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Concert Group, the Company, Somerley and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Independent Shareholders and Independent Optionholders

The Offeror intends to make the Share Offer and Option Offer available to all Independent Shareholders and Independent Optionholders respectively including those who are not resident in Hong Kong. The availability of the Offers to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders and Independent Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are not resident in Hong Kong should seek professional advice (legal, financial or otherwise) in order to inform themselves about and observe, in its own responsibility, any applicable requirements and restrictions in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Hong Kong stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the stamp duty on behalf of accepting Independent Shareholders in connection with the acceptance of the Share Offer and the transfer of the Shares. No stamp duty is payable in connection with the cancellation of the Options.

Extension of the Offer Period

The Offeror will issue an announcement in relation to the revision, extension, expiry or unconditionality of the Offers in accordance with the Takeovers Code and the Listing Rules by 7:00 p.m. on the Closing Date.

DEALINGS DISCLOSURE

Under Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code, including but not limited to persons who own or control 5% or more of any class of relevant securities of the Company, the Offeror or AACL) of the Offeror, AACL and the Company are hereby reminded to disclose their dealings in any securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates (as defined in the Takeovers Code) and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates (as defined in the Takeovers Code) and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

INTERESTS AND DEALINGS IN SECURITIES

As at the date of this announcement, the Concert Group is interested in an aggregate of 458,933,541 Shares (representing approximately 44.72% of the existing issued share capital of the Company) and 11,860,000 Options. Save for the aforesaid, the Concert Group does not hold any Shares or any relevant securities of the Company which are convertible into Shares, nor are there any outstanding derivative in respect of securities in the Company entered into by the Concert Group as at the date of this announcement.

Save for the Share Transfer, the Consortium Agreement and the Facility Agreement, the Concert Group has not acquired any voting rights or rights over Shares during the six-month period prior to the commencement of the Offer Period, that is, prior to 12 April 2016, being the date of the first announcement made by the Company pursuant to Rule 3.7 of the Takeovers Code, up to and including the date of this announcement.

As at the date of this announcement, the Concert Group has not received any irrevocable commitment to accept or reject the Offers.

Save for the Consortium Agreement and the Facility Agreement, the Offeror has confirmed that it has no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the Offers (as referred to in Note 8 to Rule 22 of the Takeovers Code).

Save for the Consortium Agreement, there is no agreement or arrangement to which any member of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

As at the date of this announcement, the Concert Group has not borrowed or lent any relevant securities in the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

GENERAL

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch an offer document containing, among other things, details of the Share Offer (accompanying therewith the acceptance and transfer form) and the Option Offer (accompanying therewith the acceptance and cancellation form) and other relevant information on the Offeror as required under the Takeovers Code to the Independent Shareholders and the Independent Optionholders within 21 days after the date of this announcement, or such later date as the Executive may approve.

It is the intention of the Offeror and the Board to combine the offer document and the offeree board circular into the Composite Document. Accordingly, the Composite Document in connection with the Offers setting out, inter alia, details of the Offers (including the expected timetable) and incorporating the respective letters of advice from the Independent Board Committee and Optima Capital on the Offers and as to acceptance will be issued and despatched by the Offeror and the Company jointly to the Independent Shareholders and the Independent Optionholders in accordance with the Takeovers Code.

Independent Board Committee

Pursuant to Rule 2.1 of the Code, the Independent Board Committee has been established for the purpose of making a recommendation to the Independent Shareholders and the Independent Optionholders as to whether the Share Offer and the Option Offer are fair and reasonable and as to acceptance. The Independent Board Committee comprises two independent non-executive Directors,

namely Mr. Wang Tai Wen and Mr. Ng Wing Fai. Mr. Sui, the other independent non-executive Director, has been excluded from serving on the Independent Board Committee with SFC's consent due to his medical condition.

Appointment of independent financial adviser

The Company has appointed Optima Capital as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and in particular as to whether the terms of the Offers are respectively fair and reasonable and as to acceptance pursuant to Rule 2.1 of the Takeovers Code. The appointment of Optima Capital has been approved by the Independent Board Committee. The letter of advice from Optima Capital in respect of the Offers will be included in the Composite Document.

CONSENT TO EXCLUDE A DIRECTOR FROM THE RESPONSIBILITY STATEMENT

Pursuant to Rule 9.3 of the Takeovers Codes, all documents issued by the Company in relation to the Offers should state that all Directors jointly and severally accept full responsibility for the accuracy of information contained in the document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the document have been arrived at after due and careful consideration and there are no other facts not contained in the document, the omission of which would make any statement in the document misleading.

Mr. Sui currently suffers from serious illness and has been receiving continued medical treatments in hospital from time to time. In the light of Mr. Sui's medical condition, the Company has applied to the Executive, and the Executive has granted consent pursuant to Rule 9.4 of the Takeovers Code to exclude Mr. Sui from the responsibility statement given in all documents issued or to be issued by the Company in relation to the Offers.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Friday, 24 June 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 27 June 2016.

DEFINITIONS

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

“AACL”	Ascendent Automation (Cayman) Limited
“ACP”	Ascendent Capital Partners II, L.P.
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Affiliate”	<p>in relation to an individual, that individual’s relatives (whether close or distant, including any spouse, child (including adopted child and step-child), parent or sibling of that individual), any person which is Controlled by that individual and/or that individual’s relatives (whether close or distant and whether acting singly or together) (“Controlled Entity”) and any Affiliate of a Controlled Entity; and</p> <p>in relation to any other person, any other person that (directly or indirectly) controls, is controlled by or is under common control with such person</p>
“Beijing Consen”	Beijing Consen Holding Inc., a company incorporated in the BVI and beneficially wholly-owned by Mr. Xuan
“Board”	the board of Directors
“Brightex”	Brightex Enterprises Limited, a company incorporated in the BVI which is directly wholly-owned by Mr. Xuan and the immediate holding company of the Offeror
“business day”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or a public holiday in Hong Kong)
“BVI”	British Virgin Islands
“Closing Date”	the date to be stated in the Composite Document as the First Closing Date or any subsequent closing date as and may be announced by the Offeror and approved by the Executive

“Company”	China Automation Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 00569)
“Completion”	completion of the SPA
“Composite Document”	the composite offer and response document proposed to be jointly issued by the Offeror and the Company to the Independent Shareholders and the Independent Optionholders in accordance with the Takeovers Code containing, among others things, the terms and conditions of the Offers, the acceptance and transfer form in respect of the Share Offer and the acceptance and cancellation form in respect of the Option Offer
“Concert Group”	Offeror, AACL and parties acting in concert with any of them
“Consen Group”	Consen Group Holding Inc., a company incorporated in the BVI
“Consen Investments”	Consen Investments Holding Inc., a company incorporated in the BVI and the immediate holding company of Consen Group
“Consortium Agreement”	the consortium agreement entered into among AACL, the Offeror and Brightex dated 23 June 2016
“Cowin”	Cowin Resources Limited, a company wholly-owned by Mr. Huang and directly interested in 25% of equity interest in Consen Investments
“Director(s)”	director(s) of the Company
“Equity Securities”	with respect to any person, such person's capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (including, without limitation, in the case of the Company, the Shares) or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests (whether or not such derivative securities are issued by such person)

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Facility Agreement”	the facility agreement entered into between AACL as lender and the Offeror as borrower dated 23 June 2016
“First Closing Date”	the first closing date of the Share Offer
“Gembest”	Gembest Investment Limited, a company incorporated in the BVI with limited liability, which is beneficially wholly owned by Mr. Yang and directly interested in 6.2% of equity interest in Consen Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising two independent non-executive Directors, namely Mr. Wang Tai Wen and Mr. Ng Wing Fai, established to advise the Independent Shareholders and the Independent Optionholders in respect of the Share Offer and the Option Offer respectively and as to acceptance
“Independent Optionholder(s)”	Optionholders other than the Concert Group
“Independent Shareholders”	Shareholders other than the Concert Group
“Last Trading Day”	11 April 2016, being the last trading day of the Shares prior to the suspension of trading in the Shares on the Stock Exchange pending the publication of the Rule 3.7 Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Huang”	Mr. Huang Zhi Yong, an executive Director
“Mr. Kuang”	Mr. Kuang Jian Ping, an executive Director
“Mr. Xuan”	Mr. Xuan Rui Guo, the Chairman and an executive Director
“Mr. Yang”	Mr. Yang Hongyan
“Newday”	Newday Resources Limited, a company wholly-owned by Mr. Kuang and directly interested in 25% of equity interest in Consen Investments
“Offer Period”	has the meaning ascribed to it in the Takeovers Code
“Offer Price”	the price at which the Share Offer will be made, being HK\$1.20 per Offer Share
“Offer Share(s)”	all the issued Share(s) other than those already owned by the Concert Group
“Offeror”	Araco Investment Limited, a company incorporated in the BVI which is indirectly wholly-owned (through Brightex) by Mr. Xuan and owns 457,933,541 Shares as at the date of this announcement
“Offers”	the Share Offer and the Option Offer
“Optima Capital”	Optima Capital Limited, the independent financial adviser to the Independent Board Committee appointed by the Company with the approval of the Independent Board Committee
“Option Offer”	the conditional mandatory cash offer to be made by Somerley on behalf of the Offeror for the cancellation of all outstanding Options (excluding 11,860,000 Options held by the Concert Group, and assuming that no Options are exercised before the close of the Offers)

“Option Offer Price”	HK\$0.01 per Option
“Optionholder(s)”	the registered holder(s) of the Options
“Options”	the 102,626,000 outstanding options granted by the Company pursuant to the Share Option Scheme
“PRC”	The People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“relevant securities”	has the meaning as defined in Note 4 to Rule 22 of the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.7 Announcement”	the announcement issued by the Company dated 12 April 2016 pursuant to Rule 3.7 of the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer”	the conditional mandatory cash offer to be made by Somerley on behalf of the Offeror for all the issued Shares (other than those already owned by the Concert Group)
“Share Offer Closing Date”	the date that all consideration payable by the Offeror under the Share Offer is paid in full pursuant to the Takeovers Code
“Share Option Scheme”	the Company’s share option scheme adopted pursuant to a resolution passed on 16 June 2007
“Share Transfer”	the transactions contemplated under the SPA
“Shareholder(s)”	holder(s) of Share(s)
“Somerley”	Somerley Capital Limited, a licensed corporation permitted under SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance), being the financial adviser to the Offeror in respect of the Offers

“SPA”	the sale and purchase agreement entered into among Mr. Xuan, the Offeror, Consen Group, Mr. Huang, Mr. Kuang and Mr. Yang on 23 June 2016 in relation to the acquisition of 457,933,541 Shares by the Offeror from Consen Group at a consideration of HK\$549,520,249.20
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

By order of the board of
Araco Investment Limited
Xuan Rui Guo
Sole Director

By order of the board of
China Automation Group Limited
Huang Zhi Yong
Executive Director

Hong Kong, 24 June 2016

As at the date of this announcement, the sole director of the Offeror is Mr. Xuan Rui Guo.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement, and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement has been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the Board comprises Mr. Xuan Rui Guo, Mr. Huang Zhi Yong and Mr. Kuang Jian Ping as executive Directors of the Company; and Mr. Wang Tai Wen, Mr. Sui Yong Bin and Mr. Ng Wing Fai as independent non-executive Directors.

The Directors (except for Mr. Sui Yong Bin) jointly and severally accept full responsibility for the accuracy of the information relating to the Group contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement by the Group have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.