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Brightex Enterprises Limited

(Incorporated in the British Virgin Islands with limited liability)

Ascendent Automation (Cayman) Limited

(Incorporated in the Cayman Islands with limited liability)



中國自動化

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) PROPOSAL FOR THE PRIVATISATION OF CHINA
AUTOMATION GROUP LIMITED BY THE JOINT OFFERORS
BY WAY OF A SCHEME OF ARRANGEMENT (UNDER
SECTION 86 OF THE COMPANIES LAW)**
- (2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER TO
THE INDEPENDENT BOARD COMMITTEE
AND**
- (3) PROPOSED WITHDRAWAL OF LISTING**

Financial Adviser to
The Joint Offerors



SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to
China Automation Group Limited

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INTRODUCTION

References are made to the Initial Announcement and the monthly update announcement of the Company dated 3 May 2019 and 3 June 2019 respectively pursuant to Rule 3.7 of the Takeovers Code. On 14 June 2019, the Joint Offerors requested the Board to put forward a proposal to the holders of the Scheme Shares for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

TERMS OF THE PROPOSAL

Under the Scheme, the Scheme Shareholders will receive from the Joint Offerors the Cancellation Price of HK\$1.50 in cash for each Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

The Cancellation Price of HK\$1.50 per Scheme Share represents:

- a premium of approximately 11.94% over the closing price of HK\$1.340 per Share as quoted on 13 June 2019, being the last trading day of the Shares prior to the Announcement Date;
- a premium of approximately 23.97% over the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.86% over the average closing price of approximately HK\$1.096 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 47.78% over the average closing price of approximately HK\$1.015 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 47.49% over the average closing price of approximately HK\$1.017 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 46.63% over the average closing price of approximately HK\$1.023 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- a premium of approximately 45.49% over the average closing price of approximately HK\$1.031 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 42.45% over the average closing price of approximately HK\$1.053 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 1.38% to the audited net asset value of the Company per Share of approximately RMB1.337 (equivalent to approximately HK\$1.521) as at 31 December 2018, based on the 1,026,263,729 Shares in issue as at the Announcement Date; and
- a premium of approximately 16.01% over the audited equity attributable to owners of the Company per Share in the Company of approximately RMB1.136 (equivalent to approximately HK\$1.293 as at 31 December 2018, based on the 1,026,263,729 Shares in issue as at the Announcement Date.

The Proposal and the Scheme will be conditional upon the fulfillment or waiver, as applicable, of all the Conditions as described in the section headed “Conditions of the Proposal and the Scheme” below. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will not proceed or lapse, as the case may be.

The 2018 Facility Agreement, the Amendment Agreement to the 2018 Facility Agreement and the AACL Undertaking

On 17 December 2018, AACL (as lender), Araco (as borrower), Brightex (as corporate guarantor) and Mr. Xuan (as personal guarantor) entered into the 2018 Facility Agreement pursuant to which, AACL advanced a loan in the principal amount of HK\$360,000,000 (the “**Loan**”) to Araco. On 3 January 2019, Araco executed a share charge to create a charge over 300,000,000 Shares (the “**Charged Shares**”) owned by it in favour of AACL as security.

Pursuant to the 2018 Facility Agreement, AACL has the right to exchange (the “**Exchange Right**”) in full the outstanding loan amount for the Charged Shares at the exchange price of HK\$1.20 per Share (subject to adjustment) at any time after the utilisation date of the Loan but on or before the final exchange date (i.e. 31 December 2023), and such Exchange Right may be exercised on one occasion. If AACL does not exercise the Exchange Right before 31 December 2023, Araco shall repay the Loan together with all outstanding amounts under the finance documents (including the 2018 Facility Agreement) in full on 31 December 2023.

On 14 June 2019 (after trading hours), Araco, AACL, Mr. Xuan and Brightex entered into the Amendment Agreement to the 2018 Facility Agreement to amend, among other things, the exchange price and interest payable under the 2018 Facility Agreement. If (i) on or prior to the

Effective Date, Brightex and/or Mr. Xuan has not deposited an amount equal to US\$18,000,000 into a bank account designated by AACL; or (ii) in the event when there exists any circumstances constituting an Event of Default (as defined in the Scheme Facility Agreement) (to the extent relating to bankruptcy/insolvency of Araco, Mr. Xuan and Brightex only) of the Scheme Facility Agreement, and the purchase price is not paid in accordance with the Sale and Purchase Agreement, in either case, the Amendment Agreement to the 2018 Facility Agreement shall become effective upon issuance of a notice declaring effectiveness of the Amendment Agreement to the 2018 Facility Agreement by AACL. The purpose of the deposit of US\$18,000,000 is to reduce AACL's outstanding capital investment in the Company. Regardless of whether US\$18,000,000 is deposited with AACL pursuant to the Amendment Agreement to the 2018 Facility Agreement, AACL's commitment under the Scheme Facility Agreement will not be affected. As the amendments set out in the Amendment Agreement to the 2018 Facility Agreement relate primarily to the adjustment of the exchange price and interest payable under the 2018 Facility Agreement, the amendments therein do not affect the terms of the Scheme.

AACL has provided an undertaking that it will not transfer the Exchange Right to any party before the Record Date (the "AACL Undertaking").

The Convertible Bonds and the AHCL Opt-out Undertaking

On 26 July 2017, the Company issued Convertible Bonds in the principal amount of RMB675,588,000 to AHCL, which, based on the initial conversion price of RMB1.0640 (equivalent to approximately HK\$1.21) per share can be converted into 634,951,127 Shares. As at the Announcement Date, AHCL has not exercised its conversion rights under the Convertible Bonds.

AHCL is an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2014 and is wholly-owned by ACP Fund I. Both AHCL and AACL are ultimately controlled by Mr. Meng Liang. AHCL is a party acting in concert with the Joint Offerors. AHCL has provided an undertaking opting out of the Scheme by waiving its right to receive offer under Rule 13 of the Takeovers Code and it will not exercise its conversion rights under the Convertible Bonds and will not transfer the Convertible Bonds to any party and will not take any action which will enable any other party to convert the Convertible Bonds before the Record Date.

SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Announcement Date, the authorised share capital of the Company was HK\$30,000,000 divided into 3,000,000,000 Shares, and the Company had 1,026,263,729 Shares in issue. As at the Announcement Date, the Scheme Shares, comprising 261,332,433 Shares, represent approximately 25.46% of the issued share capital of the Company.

As at the Announcement Date, (i) Brightex, through Araco, indirectly held 515,696,164 Shares (representing approximately 50.25% of the issued share capital of the Company); (ii) Mr. Xuan, who is a Joint Offeror Concert Party, held 1,000,000 Shares (representing approximately 0.10% of the issued share capital of the Company); (iii) AACL held 248,235,132 Shares (representing approximately 24.19% of the issued share capital of the Company); and (iv) the Ascendent Employee held 250,000 Shares (representing approximately 0.02% of the issued share capital of the Company). All such Shares (except those held by the Ascendent Employee) will not form part of the Scheme Shares, will not be voted on the Scheme at the Court Meeting and will not be cancelled upon the Effective Date. The Shares held by the Ascendent Employee will form part of the Scheme Shares and will be cancelled upon the Effective Date but will not be voted on the Scheme at the Court Meeting.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Joint Offerors and the Joint Offeror Concert Parties (excluding the Ascendent Employee) will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Record Date and taking into consideration the AACL Undertaking and the AHCL Opt-out Undertaking, the amount of cash required for the Proposal is approximately HK\$391,998,649.50.

Brightex is financing the funds required for the Proposal by the loan facility granted by AACL under the Scheme Facility Agreement, which is in turn funded by a letter of credit issued by a bank in favour of AACL (the “**Letter of Credit**”). AACL Payment obligations, if triggered, would also be funded by the Letter of Credit. For the avoidance of doubt, the Scheme Shareholders will be paid under the Scheme, if approved, either (i) by Brightex by utilising the facility pursuant to the Scheme Facility Agreement; or (ii) by AACL directly by utilising the Letter of Credit in the event the AACL Payment occurs.

Somerley, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for discharging their obligations in respect of the full implementation of the Scheme in accordance with its terms.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the following independent non-executive Directors, Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai, has been established by the Board to make a recommendation to the Independent Shareholders as to: (i) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM.

INDEPENDENT FINANCIAL ADVISER

Elstone Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Elstone Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among other things, further details of the Proposal, the Scheme, the expected timetable, an explanatory memorandum as required under the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme, the letter of advice from the Independent Financial Adviser, the property valuation, a notice of the Court Meeting and a notice of an EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable laws and regulations.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the listing of the Shares on the Stock Exchange will be withdrawn.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with either of them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

WARNINGS

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution

when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

1. INTRODUCTION

References are made to the Initial Announcement and the monthly update announcement of the Company dated 3 May 2019 and 3 June 2019 respectively pursuant to Rule 3.7 of the Takeovers Code. On 14 June 2019, the Joint Offerors requested the Board to put forward a proposal to the holders of the Scheme Shares for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date of the Scheme, be reduced by the cancellation of the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to either Brightex (in the event the AACL Payment does not occur) or AACL (in the event the AACL Payment occurs) only, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the issued capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to Brightex or AACL only (as the case may be). The Shares equal the number of Scheme Shares cancelled and new Shares to be issued to Brightex (assuming the AACL Payment does not occur) and will be charged in favour of AACL as security under the Scheme Facility Agreement.

2. TERMS OF THE PROPOSAL

Cancellation Price

Under the Scheme, the Scheme Shareholders will receive from the Joint Offerors the Cancellation Price of HK\$1.50 in cash for each Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

Comparison of value

The Cancellation Price of HK\$1.50 per Scheme Share represents:

- a premium of approximately 11.94% over the closing price of HK\$1.340 per Share as quoted on 13 June 2019, being the last trading day of the Shares prior to the Announcement Date;

- a premium of approximately 23.97% over the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.86% over the average closing price of approximately HK\$1.096 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 47.78% over the average closing price of approximately HK\$1.015 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 47.49% over the average closing price of approximately HK\$1.017 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 46.63% over the average closing price of approximately HK\$1.023 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 45.49% over the average closing price of approximately HK\$1.031 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 42.45% over the average closing price of approximately HK\$1.053 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a discount of approximately 1.38% to the audited net asset value of the Company per Share of approximately RMB1.337 (equivalent to approximately HK\$1.521) as at 31 December 2018, based on the 1,026,263,729 Shares in issue as at the Announcement Date; and
- a premium of approximately 16.01% over the audited equity attributable to owners of the Company per Share of approximately RMB1.136 (equivalent to approximately HK\$1.293) as at 31 December 2018, based on the 1,026,263,729 Shares in issue as at the Announcement Date.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The 2018 Facility Agreement, the Amendment Agreement to the 2018 Facility Agreement and the AACL Undertaking

On 17 December 2018, AACL (as lender), Araco (as borrower), Brightex (as corporate guarantor) and Mr. Xuan (as personal guarantor) entered into the 2018 Facility Agreement pursuant to which, AACL advanced a loan in the principal amount of HK\$360,000,000 (the “**Loan**”) to Araco. On 3 January 2019, Araco executed a share charge to create a charge over 300,000,000 Shares (the “**Charged Shares**”) owned by it in favour of AACL as security.

Pursuant to the 2018 Facility Agreement, AACL has the right to exchange (the “**Exchange Right**”) in full the outstanding loan amount for the Charged Shares at the exchange price of HK\$1.20 per share (subject to adjustment) at any time after the utilisation date of the Loan but on or before the final exchange date (i.e. 31 December 2023), and such Exchange Right may be exercised on one occasion. If AACL does not exercise the Exchange Right before 31 December 2023, Araco shall repay the Loan together with all outstanding amounts under the finance documents (including the 2018 Facility Agreement) in full on 31 December 2023.

On 14 June 2019 (after trading hours), Araco, AACL, Mr. Xuan and Brightex entered into the Amendment Agreement to the 2018 Facility Agreement to amend, among other things, the exchange price and the interest payable under the 2018 Facility Agreement. If (i) on or prior to the Effective Date, Brightex and/or Mr. Xuan has not deposited an amount equal to US\$18,000,000 into a bank account designated by AACL; or (ii) in the event when there exists any circumstances constituting an Event of Default (as defined in the Scheme Facility Agreement) (to the extent relating to bankruptcy/insolvency of Araco, Mr. Xuan and Brightex only) of the Scheme Facility Agreement, and the purchase price is not paid in accordance with the Sale and Purchase Agreement, in either case, the Amendment Agreement to the 2018 Facility Agreement shall become effective upon issuance of a notice declaring effectiveness of the Amendment Agreement to the 2018 Facility Agreement by AACL. The purpose of the deposit of US\$18,000,000 is to reduce AACL’s outstanding capital investment in the Company. Regardless of whether US\$18,000,000 is deposited with AACL pursuant to the Amendment Agreement to the 2018 Facility Agreement, AACL’s commitment under the Scheme Facility Agreement will not be affected. As the amendments set out in the Amendment Agreement to the 2018 Facility Agreement relate primarily to the adjustment of the exchange price and the interest payable under the 2018 Facility Agreement, the amendments therein do not affect the terms of the Scheme.

AACL has provided an undertaking that it will not transfer the Exchange Right to any party before the Record Date (the “**AACL Undertaking**”).

The Convertible Bonds and the AHCL Opt-out Undertaking

On 26 July 2017, the Company issued Convertible Bonds in the principal amount of RMB675,588,000 to AHCL, which, based on the initial conversion price of RMB1.0640 (equivalent to approximately HK\$1.21) per share can be converted into 634,951,127 Shares. As at the Announcement Date, AHCL has not exercised its conversion rights under the Convertible Bonds.

AHCL is an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2014 and is wholly-owned by ACP Fund I. Both AHCL and AACL are ultimately controlled by Mr. Meng Liang. AHCL is a party acting in concert with the Joint Offerors. AHCL has provided an undertaking opting out of the Scheme by waiving its right to receive offer under Rule 13 of the Takeovers Code and it will not exercise its conversion rights under the Convertible Bonds and will not transfer the Convertible Bonds to any party and will not take any action which will enable any other party to convert the Convertible Bonds before the Record Date.

Conditions of the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the following Conditions:

- 1) the approval of the Scheme (by way of poll) by a majority in number representing 75% in value of the holders of the Scheme Shares on the Record Date (or class of such holders as directed by the Grand Court) present and voting either in person or by proxy at the Court Meeting, provided that:
 - a. the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - b. the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Independent Shareholders;
- 2) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy or by duly authorized representative at an EGM to approve and give effect to: (i) the reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; (ii) the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by issuing to either Brightex (in the event the AACL Payment does not occur) or AACL (in the event the AACL Payment occurs) only such number of new

Shares as is equal to the number of Scheme Shares cancelled and (iii) the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new Shares issued to Brightex or AACL only (as the case may be), credited as fully paid;

- 3) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the reduction of the issued share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- 4) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15, 16 and 17 of the Companies Law in relation to the reduction of the issued share capital of the Company;
- 5) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of Shares from the Stock Exchange which may be required under any existing contractual obligations of the Company being obtained and remained in effect;
- 6) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme;
- 7) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
- 8) since the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or

remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

The Joint Offerors reserve the right to waive conditions (5) to (8) either in whole or in part, either generally or in respect of any particular matter. With respect to Condition (6), it is not envisaged that any such actions, proceedings or suits will be instituted based on the facts and circumstances as at the Announcement Date. Conditions (1), (2), (3) and (4) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Joint Offerors in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

Warnings:

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3. THE SCHEME CONSORTIUM AGREEMENT, THE PRE-DELISTING SHAREHOLDERS' AGREEMENT, THE SHAREHOLDERS' AND BONDHOLDERS' AGREEMENT AND THE SALE AND PURCHASE AGREEMENT

The Scheme Consortium Agreement

On 14 June 2019 (after trading hours), AACL, Araco, Mr. Xuan and Brightex entered into the Scheme Consortium Agreement, pursuant to which they have agreed, among other things, that:

- 1) AACL (as financier) agrees to provide financing for up to 100% of the consideration required to be paid by Brightex to the Scheme Shareholders pursuant to the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by the cancellation of the Scheme Shares, but will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to Brightex, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled;
- 2) as further consideration for AACL making available the loan under the Scheme Facility Agreement, Araco, AACL, Mr. Xuan and Brightex have entered into the Amendment Agreement to the 2018 Facility Agreement at the same time as entry of the Scheme

Facility Agreement. If (i) on or prior to the Effective Date, Brightex and/or Mr. Xuan has not deposited an amount equal to US\$18,000,000 into a bank account designated by AACL or (ii) in the event when there exists any circumstances constituting an Event of Default (as defined in the Scheme Facility Agreement) (to the extent relating to bankruptcy/insolvency of Araco, Mr. Xuan and Brightex only) of the Scheme Facility Agreement, and the purchase price is not paid in accordance with the Sale and Purchase Agreement, in either case, the Amendment Agreement to the 2018 Facility Agreement shall become effective upon issuance of a notice declaring effectiveness of the Amendment Agreement to the 2018 Facility Agreement by AACL;

- 3) if, with respect to Brightex, Araco or Mr. Xuan, there exists any circumstance constituting an Event of Default (as defined in the Scheme Facility Agreement) (to the extent relating to his/their bankruptcy/insolvency only) of the Scheme Facility Agreement, AACL shall pay the Scheme Shareholders the Cancellation Price in cash (“**AACL Payment**”), subject to compliance with applicable laws, rules and regulations and any requisite shareholder approval of the Company (if required). If AACL pays the Scheme Shareholders the Cancellation Price in cash, then (i) Brightex agrees that AACL shall have no obligation to fund under the Scheme Facility Agreement and shall not make any drawdown request under the Scheme Facility Agreement; and (ii) the Joint Offerors agree that the issued share capital of the Company will, on the Effective Date, be reduced by the cancellation of the Scheme Shares, but will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to AACL, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to AACL; and
- 4) all decisions relating to the Scheme will be made jointly by AACL and Brightex.

Therefore, Brightex (as Joint Offeror) has the primary obligation to pay the Cancellation Price and acquire the Scheme Shares. AACL will only step in and pay the Cancellation Price to acquire the Scheme Shares only in the event there exists any circumstances constituting an Event of Default (to the extent relating to bankruptcy/insolvency of Araco, Mr. Xuan and/or Brightex only).

The Pre-Delisting Shareholders’ Agreement

On 24 April 2019, AACL, Araco and Brightex entered into the Pre-Delisting Shareholders’ Agreement, pursuant to which they have agreed, among other things, that with effect from the date of the Pre-Delisting Shareholders’ Agreement up to the Delisting Date:

- 1) (a) AACL and Araco shall each have a reciprocal right of first refusal in respect of any proposed transfer of Shares; (b) AACL and Araco 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 Pre-Delisting Shareholders’ Agreement or any of its

affiliates at any time; and (c) AACL shall have a drag along right if certain conditions are met on 9 September 2021 or when Mr. Xuan ceases to be a director of the Company or senior manager of the Company;

- 2) certain corporate governance matters including composition of the Board; and
- 3) unless with the prior consent of AACL, Araco and Brightex shall not and shall procure that none of their respective affiliates shall, create any encumbrances over any: (a) equity interests of Araco held by Brightex, Mr. Xuan or any of his affiliates; or (b) Shares held by Araco, Brightex, Mr. Xuan or any of his affiliates as security in favour of, or to secure obligations owed to, any financiers or any other third party (the “**Pre-Delisting Pledge Restriction**”). The Pre-Delisting Pledge Restriction shall expire on the earlier of: (A) 9 September 2021; or (B) the date on which the aggregate number of Shares held by AACL and its affiliates is equal to or less than 82,101,098 Shares representing approximately 8.0% of the total issued Shares as at the Announcement Date.

The Shareholders’ and Bondholders’ Agreement

On 14 June 2019 (after trading hours), AACL, Araco, AHCL, Mr. Xuan, Brightex and the Company entered into the Shareholders’ and Bondholders’ Agreement, pursuant to which they have agreed, among other things, that with effect from and after the Delisting Date:

- 1) (a) AACL and AHCL (together the “**ACP Holders**”, and each, an “**ACP Holder**”) on one hand, and Mr. Xuan, Brightex and Araco (together the “**Management Holders**”, and each, a “**Management Holder**”) on the other hand, shall each have a reciprocal right of first refusal in respect of any proposed transfer of equity securities of the Company by the other party; (b) each ACP Holder on one hand, and each Management Holder on the other hand, shall have a reciprocal tag along right to the extent that the Transferring Shareholder (as defined in the Shareholders’ and Bondholders’ Agreement), who could be any ACP Holder or any Management Holder, proposes to transfer any Equity Securities to any person other than to another party to the Shareholders’ and Bondholders’ Agreement or any of its affiliates at any time; and (c) AACL shall have a drag along right if on 9 September 2021, (i) the ACP Holders together with their respective affiliates still hold not less than 10% of the total share capital of the Company at that time (calculated on an as-converted and as-exchanged basis); or (ii) Mr. Xuan ceases to be a director of the Company or senior manager of the Company;
- 2) certain corporate governance matters including composition of the Board; and
- 3) unless with the prior consent of AACL, each Management Holder shall not and shall procure that none of their respective affiliates shall, transfer any: (a) equity securities of Araco held by Brightex, Mr. Xuan or any of his affiliates, (b) Shares held by Araco (including the Charged Shares), Brightex, Mr. Xuan or any of his affiliates; or (c) equity securities of Brightex held by Mr. Xuan or any of his affiliates, as security in favour of, or

to secure obligations owed to, any financiers or any other third party (the “**Lock-Up**”). The Lock-Up shall expire on the earlier of: (A) the date falling on the fifth anniversary of the Delisting Date; or (B) the date on which the aggregate number of Shares held by ACP Holders and their affiliates (calculated on an as-converted and as-exchanged basis) is equal to or less than 82,101,098 Shares, representing approximately 8.0% of the total issued Shares as at the Announcement Date.

The Pre-Delisting Shareholders’ Agreement shall be terminated and be of no further force or effect upon the Delisting Date. For the avoidance of doubt, the Pre-Delisting Shareholders’ Agreement shall remain effective in the event the Scheme is not approved or the Proposal otherwise lapses.

The Sale and Purchase Agreement

On 14 June 2019 (after trading hours), AACL, Araco, Mr. Xuan and Brightex entered into the Sale and Purchase Agreement, which shall become effective immediately where there exists any circumstance constituting an Event of Default (as defined in the Scheme Facility Agreement) (to the extent relating to bankruptcy/insolvency of Araco, Mr. Xuan and Brightex only) of the Scheme Facility Agreement and AACL is obligated to pay the Scheme Shareholders the Cancellation Price in cash in accordance with the Scheme Consortium Agreement. Pursuant to the Sale and Purchase Agreement, AACL shall sell, and Mr. Xuan and Brightex shall purchase the new Shares so issued to AACL as a result of the AACL Payment and the cancellation of the Scheme Shares, at a price per Share equal to the Cancellation Price, subject to the terms and conditions therein and provided that any such sale and purchase will complete only after the Delisting Date and before 31 December 2019.

The consideration payable under the Sale and Purchase Agreement will be settled by Brightex and/or Mr. Xuan in cash by internal/own resources or through external means including but not limited to debt or equity fund raising activities.

For the avoidance of doubt, if the Delisting lapses, the AACL Payment arrangement, the Amendment Agreement to the 2018 Facility Agreement and the Sale and Purchase Agreement will terminate automatically.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company was HK\$30,000,000 divided into 3,000,000,000 Shares, and the Company had 1,026,263,729 Shares in issue. As at the Announcement Date, the Scheme Shares, comprising 261,332,433 Shares, represent approximately 25.46% of the issued share capital of the Company.

As at the Announcement Date, (i) Brightex, through Araco, indirectly held 515,696,164 Shares (representing approximately 50.25% of the issued share capital of the Company); (ii) Mr. Xuan, who is a Joint Offeror Concert Party, held 1,000,000 Shares (representing approximately 0.10%

of the issued share capital of the Company); (iii) AACL held 248,235,132 Shares (representing approximately 24.19% of the issued share capital of the Company); and (iv) the Ascendent Employee held 250,000 Shares (representing approximately 0.02% of the issued share capital of the Company). All such Shares (except those held by the Ascendent Employee) will not form part of the Scheme Shares, will not be voted on the Scheme at the Court Meeting and will not be cancelled upon the Effective Date. The Shares held by the Ascendent Employee will form part of the Scheme Shares and will be cancelled upon the Effective Date but will not be voted on the Scheme at the Court Meeting.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Immediately upon completion of the Proposal (assuming the AACL Payment does not occur)		Immediately upon completion of the Proposal (assuming the AACL Payment occurs)	
	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
Joint Offerors: (Note 2)						
Brightex (Note 1)	515,696,164 (300,000,000 of which are charged in favour of AACL)	50.25	777,028,597 (561,332,433 of which are charged in favour of AACL)	75.71	515,696,164 (300,000,000 of which are charged in favour of AACL)	50.25
AACL	248,235,132	24.19	248,235,132	24.19	509,567,565	49.65
Joint Offeror Concert Parties not subject to the Scheme: (Note 2)						
Mr. Xuan (Note 1)	1,000,000	0.10	1,000,000	0.10	1,000,000	0.10
AHCL	0	0	0	0	0	0
Joint Offeror Concert Parties subject to the Scheme:						
Ascendent Employee (Note 2)	250,000	0.02	0	0	0	0
Aggregate number of Shares held by the Joint Offerors and the Joint Offeror Concert Parties	765,181,296	74.56	1,026,263,729	100.00	1,026,263,729	100.00
Independent Shareholders	261,082,433	25.44	-	-	-	-
Total number of Shares	1,026,263,729	100.00	1,026,263,729 (Note 3)	100.00	1,026,263,729 (Note 3)	100.00
Total number of Scheme Shares	261,332,433	25.46	-	-	-	-

Notes:

1. Brightex, through Araco, indirectly held 515,696,164 Shares as at the Announcement Date, in which 300,000,000 Shares are charged by Araco in favour of AACL as security under the 2018 Facility Agreement. The 261,332,433 new Shares to be issued to Brightex (assuming the AACL Payment does not occur) will be charged in favour of AACL as security under the Scheme Facility Agreement. As at the Announcement Date, Brightex is wholly-owned by Mr. Xuan.
2. Shares in which the Joint Offerors and the Joint Offeror Concert Parties are interested (except those held by the Ascendent Employee) will not form part of the Scheme Shares and will not be cancelled.

The Shares held by the Ascendent Employee were purchased before she became an employee of Ascendent Investment Consulting (Shanghai) Co., Ltd. (which is wholly-owned by Ascendent Capital Partners (Asia) Limited) and before the period beginning on the date that is six months prior to the date of the Initial Announcement.

3. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by the cancellation of the Scheme Shares. Taking into account the AHCL Opt-out Undertaking, the Convertible Bonds will not be exercised before the Effective Date and the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to either Brightex (in the event the AACL Payment does not occur) or AACL (in the event the AACL Payment occurs) only, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The credit arising in the Company's books of account as a result of the issued capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to Brightex or AACL only (as the case may be).
4. The percentages of the Shares are rounded to the nearest 2 decimal places, and the total number of the percentages may not add up to 100% due to rounding.

Immediately following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Joint Offerors and the Joint Offeror Concert Parties (excluding the Ascendent Employee) will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

Aggregate value of the Proposal

On the assumption that no further Shares are issued before the Record Date and taking into consideration the AACL Undertaking and the AHCL Opt-out Undertaking, the Scheme Shares comprise 261,332,433 Shares which represent approximately 25.46% of the issued share capital of the Company as at the Announcement Date and the amount of cash required for the Proposal is approximately HK\$391,998,649.50 based on the Cancellation Price.

5. FINANCIAL RESOURCES

Brightex is financing the funds required for the Proposal by the loan facility granted by AACL under the Scheme Facility Agreement which is in turn funded by a letter of credit issued by a bank in favour of AACL (the “**Letter of Credit**”). AACL Payment obligations, if triggered, would also be funded by the Letter of Credit. For the avoidance of doubt, the Scheme Shareholders will be paid under the Scheme, if approved, either (i) by Brightex by utilising the facility pursuant to the Scheme Facility Agreement; or (ii) by AACL directly by utilising the Letter of Credit in the event the AACL Payment occurs.

Somerley, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors for discharging their obligations in respect of the full implementation of the Scheme in accordance with its terms.

6. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

The Proposal will allow the Company more freedom for implementing its long-term growth strategies.

The Group is engaged in (i) the provision of safety and critical control system and control valves specialized for petrochemical industries, along with related maintenance and engineering services (collectively, the “**Petrochemical Business**”); and (ii) hospital services business in Suzhou, the PRC.

It was disclosed in the annual report of the Company for the financial year ended 31 December 2018 that, the Group has undertaken a detailed strategic review of the Group for the purpose of developing business plans and strategies for its business development in the future, and determining whether any change would be appropriate or desirable in order to optimize its business.

In this regard and as disclosed in the Company’s announcement dated 18 December 2018, the Company has been contemplating a disposal of the Petrochemical Business (the “**Possible Disposal**”). The Petrochemical Business has been recording net losses since 2015 and up to 2018. The Possible Disposal was contemplated with a view to enhancing the Company’s growth potential and maximising value for its Shareholders. However, due to various technical and compliance issues under the Listing Rules as stated in the announcement made by the Company dated 18 December 2018, the Possible Disposal has not proceeded.

Whilst Brightex and AACL, being the controlling Shareholder and the substantial Shareholder respectively, may continue to explore new development opportunities and to formulate long-term growth strategies, they understand that any such plan may inevitably affect the Company’s short-term growth profile and may result in divergence between the Company’s and Joint Offerors’ view on the Company’s potential long-term value on the one hand, and the investors’ views on the Company’s share price on the other. The Joint Offerors consider that following the

implementation of the Proposal, the Joint Offerors and the Company can deploy strategic decisions focused on long-term benefits, free from the regulatory constraints and pressure of market expectations on share price associated with being a publicly listed company.

Due to the relatively low liquidity in the trading of its Shares as discussed below, the Joint Offerors consider that the Company's current listing platform may no longer be able to serve as an effective fund-raising platform for the Company's business and future growth.

The Proposal also represents a good opportunity for the Scheme Shareholders to realize their investment with a premium.

The Cancellation Price of HK\$1.50 per Scheme Share represents a premium of approximately 27.12% over the closing price per Share on 30 April 2019, being the last full trading day prior to the issuance of the Initial Announcement. The Cancellation Price also represents a premium of approximately 48.51% and 47.06% over the average closing prices of approximately HK\$1.01 and approximately HK\$1.02 per Share for 30 and 90 consecutive trading days up to and including 30 April 2019, respectively. The average daily trading volume of the Shares for the 24 months up to and including 30 April 2019 was approximately 289,529 Shares per day, representing only approximately 0.03% of the issued Shares as at 30 April 2019. The relatively low trading liquidity of the Shares makes it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. The Joint Offerors and the Directors (excluding the Independent Board Committee who will give their opinion following advice from Independent Financial Adviser) consider that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

Intentions of the Joint Offerors in relation to the Group

The Joint Offerors intend to continue the existing businesses of the Group and as at the Announcement Date, do not have plan to make any major changes to the business of the Group other than a potential separation of the Petrochemical Business with the hospital services business (including but not limited to the Possible Disposal) to facilitate any further strategic review of these two businesses, exploring new development opportunities and implementing long-term growth strategies alongside the continued review of its strategic options relating to the business, structure and/or direction of the Group.

In the past, the Company has explored opportunity to enhance its financial flexibility by restructuring its assets such as the disposal of certain loss-making subsidiaries as disclosed in the announcement of the Company dated 26 June 2017 and the Possible Disposal. The Joint Offerors may continue to explore the possibility of realigning or redeploying the assets and/or businesses of the Group and assess suitable opportunities to enhance the financial flexibility and/or rationalise the businesses of the Group, which may involve divestments and/or securitisation of existing investments and/or fixed and other types of assets of the Group. Any disposal or redeployment of assets or businesses of the Group in the future, if any, will be in

compliance with the constitutional documents of the Group and the Takeovers Code (if applicable). The Joint Offerors have no intention of making any significant changes to employees of the Group as a result of the implementation of the Proposal.

7. INFORMATION ON THE GROUP AND THE JOINT OFFERORS

Information of the Company and the Group

The Company is an investment holding company and the Group is engaged in the (i) provision of safety and critical control system and control valves specialized for petrochemical industries, along with related maintenance and engineering services; and (ii) hospital services business in Suzhou, the PRC.

Information of Brightex

Brightex was incorporated in the British Virgin Islands with limited liability. Brightex is the indirect owner of 515,696,164 Shares as at the Announcement Date. As at the Announcement Date, Brightex is wholly-owned by Mr. Xuan.

Information on Mr. Xuan

Mr. Xuan, aged 50, is the Group's founder, executive Director and Chairman of the Company and the sole director of Araco and Brightex respectively. 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 Huatie Tongda High-speed Railway Equipment Corporation 廣東華鐵通達高鐵裝備股份有限公司 (formerly known as 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 Beijing Consen Automation Control Co., Ltd. (北京康吉森自動化設備技術有限責任公司), etc.

Information on AACL

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 Fund II. The general partner of ACP Fund II is Ascendent Capital Partners II GP, L.P, and its general partner is Ascendent Capital Partners II GP Limited. ACP Fund II is advised by Ascendent Capital Partners (Asia) Limited and ultimately controlled by Ascendent Capital Partners II GP Limited, which is ultimately owned by Mr. Meng Liang. 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.

8. WITHDRAWAL OF LISTING OF SHARES

Upon the Effective Date, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Effective Date.

An announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective will be made by the Company. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, among other things, further details of the Scheme.

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with either of them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Joint Offerors in accordance with Rule 2.3 of the Takeovers Code.

10. OVERSEAS SHAREHOLDERS

The making of the Proposal to the holders of the Scheme Shares who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such holders of the Scheme Shares are located.

Such overseas holders of the Scheme Shares should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas holders of the Scheme Shares, wishing to take an action in relation to the Proposal, respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, 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 in such jurisdiction.

Any acceptance by such overseas holders of the Scheme Shares will be deemed to constitute a representation and warranty from such persons to the Company, the Joint Offerors and their respective advisers, that those laws and regulatory requirements have been complied with. If such overseas Shareholders are in doubt as to their positions, they should consult their professional advisers.

In the event that the despatch of the Scheme Document to overseas holders of the Scheme Shares is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or its Shareholders), the Scheme Document will not be despatched to such overseas holders of the Scheme Shares. For that purpose, the Company may apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas holders of the Scheme Shares. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such overseas holders of the Scheme Shares.

11. TAXATION AND INDEPENDENT ADVICE

Holders of the Scheme Shares are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Joint Offerors, Joint Offeror Concert Parties and the Company or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

12. SCHEME SHARES, MEETING OF THE HOLDERS OF THE SCHEME SHARES ON RECORD DATE AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Announcement Date, (i) Brightex, through Araco, indirectly held 515,696,164 Shares (representing approximately 50.25% of the issued share capital of the Company); (ii) Mr. Xuan, who is a Joint Offeror Concert Party, held 1,000,000 Shares (representing approximately 0.10% of the issued share capital of the Company); (iii) AACL held 248,235,132 Shares (representing approximately 24.19% of the issued share capital of the Company)); and (iv) the Ascendent Employee held 250,000 Shares (representing approximately 0.02% of the issued share capital of

the Company). All such Shares (except those held by the Ascendent Employee) will not form part of the Scheme Shares, will not be voted on the Scheme at the Court Meeting and will not be cancelled upon the Effective Date. The Shares held by the Ascendent Employee will form part of the Scheme Shares and will be cancelled upon the Effective Date but will not be voted on the Scheme at the Court Meeting. Each of the Joint Offerors and the Joint Offeror Concert Parties will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

All Shareholders will be entitled to attend the EGM and vote on the special resolution to approve and give effect to (i) the reduction of the issued share capital of the Company by the cancellation of the Scheme Shares, (ii) the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by issuing to either Brightex (in the event the AAFL Payment does not occur) or AAFL (in the event the AAFL Payment occurs) only such number of new Shares as is equal to the number of Scheme Shares cancelled and (iii) the application of the credit arising in the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new Shares issued to Brightex or AAFL only (as the case may be), credited as fully paid.

The Joint Offerors and the Joint Offeror Concert Parties have indicated that if the Scheme is approved at the Court Meeting, those Shares held by them will be voted in favour of the resolutions to be proposed at the EGM.

13. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the following independent non-executive Directors, Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai, has been established by the Board to make a recommendation to the Independent Shareholders as to: (i) whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the EGM.

14. INDEPENDENT FINANCIAL ADVISER

Elstone Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Elstone Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

15. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among other things, further details of the Proposal, the Scheme, the expected timetable, an explanatory memorandum as required under the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal and the Scheme, the property valuation, the letter of advice from the Independent Financial Adviser, a notice of the Court Meeting and a notice of

an EGM, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the holders of the Scheme Shares are urged to read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

16. DISCLOSURE OF DEALINGS

Associates of the Joint Offerors and the Company (as defined in the Takeovers Code, including Shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Joint Offerors and the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period.

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

“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 of an offeror or the offeree company and other persons under Rule 22 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. 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 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates 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.”

17. GENERAL

The Joint Offerors have appointed Somerley as their financial adviser in connection with the Proposal.

Mr. Xuan (an executive Director and the sole director of the Brightex) is regarded as being interested in the Proposal, and therefore has abstained and will continue to abstain from voting in respect of the board resolutions of the Company in relation to the Proposal. The Directors (excluding members of the Independent Board Committee) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

No irrevocable commitment from the Independent Shareholders to vote for or against the Scheme has been received by Joint Offerors or the Joint Offeror Concert Parties, as at the Announcement Date.

Save for the Proposal, the Scheme Consortium Agreement, the Convertible Bonds, the 2018 Facility Agreement (as amended by the Amendment Agreement to the 2018 Facility Agreement), the AACL Undertaking, the AHCL Opt-out Undertaking, the Scheme Facility Agreement, the Pre-Delisting Shareholders' Agreement, the Shareholders' and Bondholders' Agreement and the Sale and Purchase Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of each of the Joint Offerors between the Joint Offerors or any of the Joint Offeror Concert Parties and any other person which might be material to the Proposal.

There are no agreements or arrangements to which a Joint Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

Save for the Exchange Right acquired by AACL, none of the Joint Offerors nor, any of the Joint Offeror Concert Parties had any dealings for value in the Shares during the period commencing six months prior to the date of the Initial Announcement.

The Joint Offerors and the Joint Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Announcement Date.

Save for the Convertible Bonds, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by any of the Joint Offerors or the Joint Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offeror Concert Parties.

Save as the Scheme Facility Agreement, the 2018 Facility Agreement, the Amendment Agreement to the 2018 Facility Agreement the AACL Undertaking the AHCL Opt-out Undertaking, the Scheme Consortium Agreement, the Pre-Delisting Shareholders' Agreement, the Shareholders' and Bondholders' Agreement and the Sale and Purchase Agreement, there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2)(a) the Joint Offerors and Joint Offeror Concert Parties, or (b) the Company, its subsidiaries or associated companies.

18. NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Law. The financial information included in this Announcement (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities and Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for US holders of Scheme Shares and Convertible Bonds to enforce their rights and claims arising out of the US federal securities laws, since the Joint Offerors and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

19. DEFINITIONS

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

“2018 Facility Agreement”	the facility agreement entered into between AACL, Araco, Brightex and Mr. Xuan on 17 December 2018
“AACL”	Ascendent Automation (Cayman) Limited, a direct wholly-owned subsidiary of ACP Fund II

“AACL Payment”	the possible payment to be made by AACL as described in the section headed “3. The Scheme Consortium Agreement, the Pre-Delisting Shareholders’ Agreement, the Shareholders’ and Bondholders’ Agreement and the Sale and Purchase Agreement – the Scheme Consortium Agreement” of this Announcement
“AACL Undertaking”	the undertaking given by AACL as described in the section headed “2. Terms of the Proposal – The 2018 Facility Agreement, the Amendment Agreement to the 2018 Facility Agreement and the AACL Undertaking” of this Announcement
“ACP Fund I”	Ascendent Capital Partners I, L.P., holding 100% equity interest in AHCL
“ACP Fund II”	Ascendent Capital Partners II, L.P.
“AHCL”	Ascendent Healthcare (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 12 February 2014 and is wholly-owned by ACP Fund I and the holder of the Convertible Bonds
“AHCL Opt-out Undertaking”	the undertaking given by AHCL as described in the section headed “2. Terms of the Proposal – The Convertible Bonds and the AHCL Opt-out Undertaking” of this Announcement
“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“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>

“Amendment Agreement to the 2018 Facility Agreement”	the amendment agreement amending the 2018 Facility Agreement entered into between Araco, AACL, Mr. Xuan and Brightex on 14 June 2019 as described in the section headed “2. Terms of the Proposal – The 2018 Facility Agreement, the Amendment Agreement to the 2018 Facility Agreement and the AACL Undertaking” of this Announcement;
“Announcement”	this announcement jointly issued by the Joint Offerors and the Company
“Announcement Date”	14 June 2019, being the date of this Announcement
“Araco”	Araco Investment Limited, a company incorporated in the British Virgin Islands which is indirectly wholly-owned (through Brightex) by Mr. Xuan and is directly interested in 515,696,164 Shares (representing approximately 50.25% of the issued share capital of the Company) as at the Announcement Date
“Ascendent Employee”	Zhou Haiying (周海英), an employee of Ascendent Investment Consulting (Shanghai) Co., Ltd. which is wholly-owned by Ascendent Capital Partners (Asia) Limited
“associates”	has the meaning ascribed to it under the Takeovers Code, unless otherwise defined
“Board”	the board of directors of the Company
“Brightex”	Brightex Enterprises Limited, a company incorporated in the British Virgin Islands which is directly wholly-owned by Mr. Xuan and the immediate holding company of Araco and indirectly, through Araco, owns 515,696,164 Shares as at the Announcement Date
“Cancellation Price”	the cancellation price of HK\$1.50 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme
“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)

“Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “2. Terms of the Proposal – Conditions of the Proposal and the Scheme” of this Announcement
“Convertible Bonds”	convertible bonds with the principal amount of RMB675,588,000 issued by the Company to AHCL on 26 July 2017
“Court Meeting”	the meeting(s) of the holders of the Scheme Shares on the Record Date (or of the classes of such holders) to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Delisting”	the delisting of the Shares from the Main Board of the Stock Exchange
“Delisting Date”	the date on which the Company is delisted from the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Law
“EGM”	extraordinary general meeting of the Company
“Equity Securities”	means, with respect to any person, such person’s capital stock, membership interests, partnership interests, registered capital, joint venture or other ownership interests 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 Securities and Futures Commission or any delegate thereof

“Grand Court”	the Grand Court of the Cayman Islands
“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 board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal and the Scheme
“Independent Financial Adviser”	Elstone Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser in respect of the Proposal and the Scheme appointed by the Company with the approval of the Independent Board Committee
“Independent Shareholder(s)”	Shareholder(s) other than the Joint Offerors and the Joint Offeror Concert Parties
“Initial Announcement”	the first announcement dated 3 May 2019 issued by the Company pursuant to, amongst others, Rule 3.7 of the Takeovers Code relating to the Proposal
“Joint Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Joint Offerors under the definition of “acting in concert” under the Takeovers Code, including Araco, Mr. Xuan, AHCL and the Ascendent Employee (but excluding the Joint Offerors and the Group)
“Joint Offerors”	Brightex and AACL
“Last Trading Day”	2 May 2019, being the last trading day of Shares prior to the suspension of trading in the Shares on the Stock Exchange pending the publication of the Initial Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 October 2019 or such later date as may be agreed by the Joint Offerors and the Company, or to the extent applicable, as the Grand Court may direct and, in all cases, as permitted by the Executive
“Mr. Xuan”	Xuan Rui Guo, the chairman of the Board and an executive Director
“PRC”	the People’s Republic of China (for the purpose of this Announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
“Pre-Delisting Shareholders’ Agreement”	the shareholders’ agreement entered into among AACL, Araco and Brightex dated 24 April 2019 with effect from the date of such agreement to the Delisting Date
“Proposal”	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Announcement
“Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into among AACL, Mr. Xuan, Araco and Brightex dated 14 June 2019 as described in the section headed “3. The Scheme Consortium Agreement, the Pre-Delisting Shareholders’ Agreement, the Shareholders’ and Bondholders’ Agreement and the Sale and Purchase Agreement – The Sale and Purchase Agreement”
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving, among other matters, the cancellation of all of the Scheme Shares and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Consortium Agreement”	the scheme consortium agreement entered into among AACL, Araco, Mr. Xuan and Brightex dated 14 June 2019

“Scheme Document”	the composite scheme document of the Joint Offerors and the Company containing, among other things, further details of the Proposal together with the additional information specified in the section of this Announcement headed “15. Despatch of the Scheme Document” above
“Scheme Facility Agreement”	the facility agreement in the amount of Hong Kong dollars equivalent of US\$51 million entered into between AACL, Araco, Brightex and Mr. Xuan on 14 June 2019 which is intended to provide the funds necessary for the Scheme in accordance with its terms
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Joint Offerors and the Joint Offeror Concert Parties (excluding those held by the Ascendent Employee)
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Effective Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ and Bondholders’ Agreement”	the shareholders’ and bondholders’ agreement entered into among AACL, Araco, AHCL, Mr. Xuan, Brightex and the Company dated 14 June 2019 with effect from and after the Delisting Date
“Sommerley”	Sommerley Capital Limited, a licensed corporation permitted under SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Joint Offerors in respect of the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC

“US\$”

United States dollar, the lawful currency of the United States of America

For the purpose of this Announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of 1.13785. No representation is made at any amounts in RMB has been or could be converted at the above rate or at any other rates.

By Order of the sole director of
Brightex Enterprises Limited
Xuan Rui Guo
Sole Director

By Order of the sole director of
Ascendent Automation (Cayman) Limited
Meng Liang
Sole Director

By Order of the Board of
China Automation Group Limited
Xuan Rui Guo
Chairman

Hong Kong, 14 June 2019

As of the date of this Announcement, the sole director of Brightex is Mr. Xuan. The sole director of Brightex accepts full responsibility for the accuracy of the information contained in this Announcement (other than those relating to AACL and the Group), 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 (other than those relating to AACL and the Group) the omission of which would make any statement in this Announcement misleading.

As of the date of this Announcement, the sole director of AACL is Meng Liang, who is also the sole director of Ascendent Capital Partners II GP Limited (which is the general partner of the general partner of the limited partnership which wholly-owns AACL). Mr. Meng Liang accepts full responsibility for the accuracy of the information contained in this Announcement (other than those relating to Brightex, Mr. Xuan and the Group), 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 (other than those relating to Brightex, Mr. Xuan and the Group) the omission of which would make any statement in this Announcement misleading.

As of the date of this Announcement, the board of directors of the Company comprises Mr. Xuan and Mr. Wang Chuensheng as executive Directors; and Mr. Wang Tai Wen, Mr. Zhang Xin Zhi and Mr. Ng Wing Fai as independent non-executive Directors. The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than those relating to Brightex, AACL and their respective concert parties (excluding the Group)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than those expressed by the Joint

Offerors and their concert parties (excluding the Group)) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement (other than those relating to Brightex, ACL and their respective concert parties (excluding the Group)) the omission of which would make any statement in this Announcement misleading.