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中國航空技術國際控股有限公司
(AVIC International Holding Corporation)

(a limited liability company incorporated in the People's Republic of China)

中航國際控股股份有限公司
AVIC International Holdings Limited

*(formerly known as CATIC Shenzhen Holdings Limited
(深圳中航集團股份有限公司)
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)*

JOINT ANNOUNCEMENT

(1) VOLUNTARY CONDITIONAL OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF AVIC INTERNATIONAL TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE COMPANY;

(2) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF THE COMPANY;

(3) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL;

AND

(4) RESUMPTION OF TRADING IN THE H SHARES OF THE COMPANY

EXCLUSIVE FINANCIAL ADVISER TO AVIC INTERNATIONAL



1. INTRODUCTION

AVIC International Board and the Company's Board jointly announced that on 2 October 2019, the Exclusive Financial Adviser, on behalf of AVIC International, informed the Company's Board of AVIC International's firm intention to make a voluntary conditional cash offer to acquire all of the issued H Shares.

The H Share Offer is subject to the fulfilment of a number of the Conditions as set out in this joint announcement, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and the approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting.

AVIC International Board and the Company's Board further jointly announced that on 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement. If the Merger is implemented and completed, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger is subject to the fulfilment or waiver, as applicable, of a number of the Merger Conditions as set out in the Merger Agreement, including the completion of the H Share Offer and the Delisting.

AVIC International considers that the H Share Offer and the Merger will be beneficial for AVIC International and its subsidiaries to optimize their corporate structure, enhance management effectiveness and promote business integration and future development of AVIC International and its subsidiaries.

2. CONSIDERATION FOR THE H SHARE OFFER

The H Share Offer will be made by the Exclusive Financial Adviser on behalf of AVIC International on the following basis:

For each H ShareHK\$9.00 in cash

No increase in the H Share Offer Price

AVIC International will not increase the H Share Offer Price for the H Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, AVIC International does not reserve the right to increase the H Share Offer Price.

3. INTENTION IN RELATION TO THE COMPANY

3.1 Voluntary withdrawal of listing of the H Shares

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules.

3.2 Merger by absorption of the Company

Subject to the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, the Merger will be implemented and completed, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed into AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions; and each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International.

4. MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL

On 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Merger will be implemented and completed by going through the following major processes after the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, namely (i) AVIC International will pay a Merger Price of HK\$9.00 per delisted H Shares (other than those may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the then existing H Shareholders within seven Business Days after the Merger Effective Date; and (ii) the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

Consequently, each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation.

Pursuant to the Merger Agreement, the payment to the then existing H Shareholders will be made as soon as possible but in any event within seven Business Days after the Merger Effective Date. After payment had been made to such H Shareholders, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled. No consideration will be paid by AVIC International to AVIC Shenzhen for the Domestic Shares held by AVIC Shenzhen as AVIC Shenzhen will be merged into AVIC International when the Company is merged into AVIC International.

The effectiveness of the Merger is conditional upon the fulfilment or waiver (if applicable) of a number of Merger Conditions, which shall be fulfilled or waived (if applicable) on or before 1 September 2020, otherwise the Merger Agreement will lapse unless agreed to be remained in force by AVIC International, the Company and AVIC Shenzhen. Pursuant to the PRC Laws, the Merger Agreement will become effective upon its execution by the parties and be legally binding on AVIC International, the Company and AVIC Shenzhen.

The H Shareholders are reminded that, according to Article 188 of the Articles, any Dissenting H Shareholder, who has opposed the Merger Agreement and the Merger contemplated thereunder, will have the right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire his H Shares at a “fair price”. Under such circumstance, the Merger Agreement provides that AVIC International shall, at the request of the Company or such H Shareholders, assume the relevant obligations which the Company or such H Shareholders who have received such a request may have towards the Dissenting H Shareholder(s) according to applicable PRC Laws.

If a Dissenting H Shareholder decides to exercise his right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire his H Shares at a “fair price”, the Company/AVIC International will explain to such Dissenting H Shareholder that the Merger Price, which was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019, is fair. If the matter cannot be resolved, the Dissenting H Shareholder may bring such dispute or claim arising from the determination of the “fair price” to the relevant arbitration body.

Pursuant to Article 208 of the Articles, the “fair price” will be determined through arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre.

5. SHAREHOLDING IN THE COMPANY

As at the date of this joint announcement, the Company had 1,166,161,996 Shares in issue, comprising 832,973,997 Domestic Shares and 333,187,999 H Shares.

As at the date of this joint announcement, there were PSCS in the outstanding amount of RMB2,781,672,739 issued by the Company which may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS). As at the date of this joint announcement, save for the PSCS, there were no other outstanding options, warrants, derivatives or convertible securities issued by the Company.

All the issued Domestic Shares and the outstanding PSCS were owned by AVIC International, directly and indirectly (through AVIC Shenzhen). Save for the 6,876,000 H Shares held by Best Pine Investment Ltd., a wholly-owned subsidiary of AVIC International, none of AVIC International or parties acting in concert with it legally or beneficially owns any H Shares.

6. CLOSING DATE OF THE H SHARE OFFER

The H Share Offer will initially be open for acceptances for at least 21 days from the date of the Composite Document. Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will be extended for a subsequent longer period than 14 calendar days normally required by Rule 15.3 of the Takeovers Code pursuant to Note (i) to Rule 2.2 of the Takeovers Code before the H Share Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

7. DESPATCH OF THE COMPOSITE DOCUMENT

The Composite Document for the H Share Offer containing, inter alia, further details of (a) the H Share Offer; (b) the expected timetable relating to the H Share Offer; (c) the Delisting; (d) the Merger Agreement; (e) the advice from the Independent Board Committee with respect to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; (f) the advice from the independent financial adviser of the Company to the Independent Board Committee; (g) a notice of the H Share Class Meeting to approve the Delisting, the Merger Agreement and the Merger contemplated thereunder; and (h) a notice of the Extraordinary General Meeting to approve the Merger Agreement and the Merger contemplated thereunder will be despatched to the H Shareholders within 21 days from the date of this joint announcement or such later date to which the Executive may consent.

8. VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules. The H Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei (each being an independent non-executive director of the Company) have been appointed as members of the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.

An independent financial adviser will be appointed, subject to the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder and, in particular, as to whether the H Share Offer is fair and reasonable and as to its acceptance, whether the Delisting and the Merger are fair and reasonable and as to voting. A separate announcement will be made by the Company in compliance with the requirements under the Takeovers Code after the appointment of the independent financial adviser.

10. RESUMPTION OF TRADING OF H SHARES

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 11:06 a.m. on 27 September 2019 pending the issue of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 3 October 2019.

WARNING

The H Share Offer is conditional upon the satisfaction of the Conditions and the Merger is conditional upon the satisfaction or (where applicable) waiver of the Merger Conditions as described in this joint announcement in all aspects. Accordingly, the H Share Offer may or may not become unconditional and the issue of this joint announcement does not imply that the H Share Offer or the Delisting will be completed. As the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), Shareholders and potential investors of the Company should be aware that even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the H Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

1. INTRODUCTION

AVIC International Board and the Company's Board jointly announced that on 2 October 2019, the Exclusive Financial Adviser, on behalf of AVIC International, informed the Company's Board of AVIC International's firm intention to make a voluntary conditional cash offer to acquire all of the issued H Shares.

The H Share Offer is subject to the fulfilment of a number of the Conditions as set out in this joint announcement, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and the approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting.

AVIC International Board and the Company's Board further jointly announced that on 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement. If the Merger is implemented and completed, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with Article 172 of the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger is subject to the fulfilment or waiver, as applicable, of a number of the Merger Conditions as set out in the Merger Agreement, including the completion of the H Share Offer and the Delisting.

AVIC International considers that the H Share Offer and the Merger will be beneficial for AVIC International and its subsidiaries to optimize their corporate structure, enhance management effectiveness and promote business integration and future development of AVIC International and its subsidiaries.

2. THE H SHARE OFFER

2.1 Consideration for the H Share Offer

The H Share Offer will be made by the Exclusive Financial Adviser on behalf of AVIC International on the following basis:

For each H ShareHK\$9.00 in cash

The H Share Offer Price was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019 (being the Last Trading Date).

AVIC International will not increase the H Share Offer Price for the H Share Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, AVIC International does not reserve the right to increase the H Share Offer Price.

2.2 Comparisons of value

The H Share Offer Price offered under the H Share Offer represents:

- (a) a premium of approximately 29.12% over the closing price of HK\$6.97 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 43.82% over HK\$6.26 which is the average closing price per H Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date;
- (c) a premium of approximately 58.09% over HK\$5.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;
- (d) a premium of approximately 81.31% over HK\$4.96 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;

- (e) a premium of approximately 88.63% over HK\$4.77 which is the average closing price per H Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Date;
- (f) a premium of approximately 92.08% over HK\$4.69 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Date; and
- (g) a premium of approximately 18.35% over the unaudited diluted net asset value of the Company of approximately RMB6.86 (equivalent to approximately HK\$7.60) per Share as of 30 June 2019 on the assumption that all the PSCS are fully converted into Domestic Shares at the initial conversion price of RMB3.47.

For the purpose of this joint announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1:RMB0.90212 which is the central parity rate of RMB to Hong Kong dollar as at 27 September 2019 announced by the People's Bank of China.

2.3 Highest and lowest closing prices of H Shares

During the 180 calendar days up to and including the Last Trading Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$6.97 on 27 September 2019, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$3.77 on 6 June 2019.

2.4 Consideration

Based on the H Share Offer Price of HK\$9.00 per H Share and 333,187,999 H Shares in issue as at the date of this joint announcement, the maximum value of the H Share Offer (assuming the H Share Offer is accepted in full and there is no change in the share capital of the Company) is approximately HK\$2,998.69 million. The consideration will be paid in cash.

2.5 Settlement of consideration

Settlement of the consideration payable in respect of acceptances received under the H Share Offer will be made as soon as possible but in any event within seven Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or on the Unconditional Date, whichever is later.

2.6 Confirmation of financial resources in respect of the H Share Offer

AVIC International intends to satisfy the consideration payable in respect of acceptances received under the H Share Offer by a loan facility in the amount of HK\$3,100,000,000 obtained by Lucky Splendid Limited, a wholly-owned subsidiary of AVIC International, from Industrial and Commercial Bank of China (Asia) Limited, or onshore funds made available from its internal resources provided that the filing with SAFE with respect to the payment of consideration of the H Share Offer using onshore funds has been duly completed by AVIC International before the Unconditional Date. The H Share Offer is not conditional upon completion of the filing with SAFE and the aforesaid loan facility granted by Industrial and Commercial Bank of China (Asia) Limited alone is sufficient to satisfy full acceptance of the H Share Offer. CICC, as the Exclusive Financial Adviser to AVIC International in respect of the H Share Offer and the Merger, is satisfied that sufficient financial resources are available to AVIC International to satisfy full acceptance of the H Share Offer.

2.7 Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment of the following Conditions:

- (a) the passing of resolutions by way of poll approving the Delisting at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolutions is not more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders;
- (b) minimum valid acceptances of the H 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 AVIC International may, subject to the Takeovers Code, decide) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders;
- (c) the filing procedures with the PRC government and/or regulatory bodies such as NDRC in relation to the H Share Offer having been obtained or completed and remaining in full force and effect pursuant to the provisions of relevant laws and regulations in the PRC;
- (d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the H Share Offer void, unenforceable or illegal, or restrict or prohibit the implementation of the H Share Offer (other than such orders or decisions that would not have a material adverse effect on the legal ability of AVIC International to proceed with or consummate the H Share Offer); and

- (e) the obtaining of approval of the Merger Agreement and the Merger contemplated thereunder by the requisite votes of the Shareholders at the H Share Class Meeting and the Extraordinary General Meeting as described under the sub-section headed “4. MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL – 4.5 Merger Conditions”.

None of the Conditions to the H Share Offer can be waived.

As at the date of this joint announcement, AVIC International has completed the filling procedures with NDRC in relation to the H Share Offer under Condition (c) above. Save as disclosed above, none of the other Conditions have been fulfilled as at the date of this joint announcement.

In addition, the Company’s Board confirms that as at the date of this joint announcement, no third party consent in relation to the H Share Offer is required pursuant to any agreement to which any member of the Group is a party.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, AVIC International may only invoke any or all of the Conditions set out in the sub-section headed “2. THE H SHARE OFFER – 2.7 Conditions of the H Share Offer” as a basis for not proceeding with the H Share Offer only if the circumstances which give rise to the right to invoke such Condition are of material significance to AVIC International in the context of the H Share Offer.

In addition to the Conditions set out above, the H Share Offer is made on the basis that acceptance of the H Share Offer by any person will constitute a warranty by such person or persons to AVIC International that the H Shares acquired under the H Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of this joint announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of this joint announcement.

There are no dividends attaching to the H Shares which are outstanding or in contemplation to be declared as at the date of this joint announcement. The Company expects that no dividends attaching to the H Shares will be outstanding or in contemplation to be declared before close of the H Share Offer and, subject to the Merger becoming effective, the completion of the Merger.

Pursuant to Rule 35.3 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International shall not be assented to the H Share Offer until the H Share Offer becomes or is declared unconditional as to acceptances. In addition, pursuant to Rule 35.4 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International or the Company shall not be voted at the Extraordinary General Meeting and the H Share Class Meeting.

The H Share Offer will be made in compliance with the Takeovers Code, which is administered by the Executive.

2.8 Further terms and general matters relating to the H Share Offer

(a) *H Shares*

Under the terms of the H Share Offer, the H Shares will be acquired with all rights attached thereto as at the date of this joint announcement or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of this joint announcement, and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

There are no dividends attaching to the H Shares which are outstanding or in contemplation to be declared as at the date of this joint announcement. The Company expects that no dividends attaching to the H Shares will be outstanding or in contemplation to be declared before close of the H Share Offer and, subject to the Merger becoming effective, the completion of the Merger.

(b) *Hong Kong stamp duty*

Seller's ad valorem stamp duty for the H Shares which are registered with the H Shares registrar arising in connection with acceptance of the H Share Offer will be payable by each H Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by AVIC International for such person's H Shares and will be deducted from the cash amount due to such H Shareholder under the H Share Offer. AVIC International will pay the buyer's ad valorem stamp duty on its own behalf.

(c) *Closing Date of the H Share Offer*

The H Share Offer will initially be open for acceptances for at least 21 days from the date of the Composite Document. Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will be extended for a subsequent longer period than 14 calendar days normally required by Rule 15.3 of the Takeovers Code pursuant to Note (i) to Rule 2.2 of the Takeovers Code before the H Share Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

(d) *Completion of the H Share Offer*

If the Conditions are not satisfied on or before the Unconditional Date, the H Share Offer will lapse.

AVIC International and the Company will issue a joint announcement in relation to the extension or lapse of the H Share Offer or the fulfilment of the Conditions in accordance with the Takeovers Code and the Listing Rules. The latest time at which AVIC International can declare the H Share Offer unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

3. INTENTION IN RELATION TO THE COMPANY

3.1 Voluntary withdrawal of listing of the H Shares

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules.

Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects and the H Shares are delisted from the Stock Exchange, this will result in the Independent H Shareholders holding securities that are not listed on the Stock Exchange. In addition, the Company may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

Once all of the Conditions have been satisfied, the H Share Offer will be declared unconditional and the H Share Offer will be extended for a subsequent longer period than 14 calendar days normally required by Rule 15.3 of the Takeovers Code pursuant to Note (i) to Rule 2.2 of the Takeovers Code in order to allow sufficient time for those H Shareholders who have not initially accepted the H Share Offer to accept the H Share Offer to process the transfer of their H Shares.

3.2 Merger by absorption of the Company

Subject to the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, the Merger will be implemented and completed, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed into AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions; and each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation. Further details of the Merger Agreement can be referred to in the section headed “4. MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL” below.

4. MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL

4.1 Merger Agreement

On 2 October 2019, AVIC International, the Company and AVIC Shenzhen entered into the Merger Agreement, pursuant to which, each of the Company and AVIC Shenzhen will be merged and absorbed by AVIC International in accordance with the PRC Company Law and other applicable PRC Laws. The Merger will be implemented and completed by going through the following major processes after the completion of the H Share Offer and the Delisting and the fulfilment or waiver (if applicable) of other Merger Conditions, namely (i) AVIC International will pay a Merger Price of HK\$9.00 per delisted H Share (other than those that may be acquired by AVIC International under the H Share Offer and those held by the Dissenting H Shareholders) in cash to the then existing H Shareholders within seven Business Days after the Merger Effective Date; and (ii) the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

Consequently, each of the Company and AVIC Shenzhen will cease to exist as a separate legal entity, which will be merged and absorbed into AVIC International. As a result of the Merger, the assets and liabilities, business, qualifications, contracts of the Company and AVIC Shenzhen will be assumed by AVIC International as the surviving corporation.

4.2 Deregistration of the Company

Pursuant to the Merger Agreement, the payment to the then existing H Shareholders will be made as soon as possible but in any event within seven Business Days after the Merger Effective Date. After payment had been made to such H Shareholders, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled. No consideration will be paid by AVIC International to AVIC Shenzhen for the Domestic Shares held by AVIC Shenzhen as AVIC Shenzhen will be merged into AVIC International when the Company is merged into AVIC International.

The effectiveness of the Merger is conditional upon the fulfilment or waiver (if applicable) of a number of Merger Conditions, which shall be fulfilled or waived (if applicable) on or before 1 September 2020, otherwise the Merger Agreement will lapse unless agreed to be remained in force by AVIC International, the Company and AVIC Shenzhen. Pursuant to the PRC Laws, the Merger Agreement will become effective upon its execution by the parties and be legally binding on AVIC International, the Company and AVIC Shenzhen. The transactions under the Merger Agreement will be completed upon the completion of deregistration of the Company and AVIC Shenzhen. Each of the Company and AVIC Shenzhen will be de-registered in accordance with the PRC Company Law, the Administrative Regulations of the PRC Governing the Company Registration and relevant legal provisions.

4.3 Right of the Dissenting H Shareholders

According to Article 188 of the Articles, any Dissenting H Shareholder, who has opposed the Merger Agreement and the Merger contemplated thereunder, will have the right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire their H Shares at a “fair price”. Under such circumstance, the Merger Agreement provides that AVIC International shall, at the request of the Company or such H Shareholders, assume the relevant obligations which the Company or such H Shareholders who have received such a request may have towards the Dissenting H Shareholder(s) according to applicable PRC Laws.

The request to acquire its H Shares at a “fair price” shall be made by a Dissenting H Shareholder to the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder within the earlier of (a) the expiration of two months from the date of approval of the Merger at the H Share Class Meeting and the Extraordinary General Meeting and (b) the date of completion of the Merger. If any Dissenting H Shareholder fails to make such request by the aforesaid deadline or any Dissenting H Shareholder who has made such request subsequently revokes or loses his right, the consideration of the H Shares held by such Dissenting H Shareholders on the date of completion of the Merger will be the Merger Price.

The provisions regarding the right of Dissenting H Shareholder to demand the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire his H Shares at a “fair price” are contained only in the Articles which are required under the Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing and are not otherwise stipulated in any other PRC Laws.

There is no administrative guidance on the substantive as well as procedural rules as to how the “fair price” will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take; (ii) any favourable results to be granted to the Dissenting H Shareholders; and (iii) the cost may be incurred by the Dissenting H Shareholders in such process for determining the “fair price”.

If a Dissenting H Shareholder decides to exercise his right to request the Company or other H Shareholders who have voted for the Merger Agreement and the Merger contemplated thereunder to acquire his H Shares at a “fair price”, the Company/ AVIC International will explain to such Dissenting H Shareholder that the Merger Price, which was determined after taking into account the most recently published financial information of the Company and the closing price of the H Shares for the last three years immediately prior to and including 27 September 2019, is fair. If the matter cannot be resolved, the Dissenting H Shareholder may bring such dispute or claim arising from the determination of the “fair price” to the relevant arbitration body.

Pursuant to Article 208 of the Articles, disputes or claims (including the determination of the “fair price”) arise from the rights and obligations set forth in the Articles, PRC Company Law and other PRC Laws among Shareholders, directors, supervisors, general manager, or senior officers of the Company should be resolved through arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Except otherwise required by the applicable laws or regulations, the applicable laws to such disputes or claims should be the laws of the PRC.

For the avoidance of doubt, if the Merger does not proceed as a result of the Merger Conditions not being fulfilled in full or waived (if applicable) or the Merger Agreement being terminated, the Dissenting H Shareholders (if any) shall not be entitled to exercise their right as described above.

4.4 Notification to creditors

Under the Merger Agreement, each of AVIC International, the Company and AVIC Shenzhen agreed that once the H Share Offer is becoming or being declared unconditional in all respects, it will notify its creditors of the Merger by way of notifications and announcements pursuant to its articles of association and the PRC Company Law. If any creditor requests repayment of the indebtedness or requests for any guarantee in relation to such indebtedness, such request will have to be made within a statutory period. AVIC International, the Company or AVIC Shenzhen (as the case may be) shall, upon request of its creditors, pay off its indebtedness or provide a satisfactory guarantee to its creditors for such indebtedness. Upon the expiry of the relevant period specified in the aforesaid announcements, such creditor’s right to claim against AVIC International, the Company or AVIC Shenzhen (as the case may be) with respect to such transactions contemplated under the Merger Agreement shall lapse under the PRC Laws.

4.5 Merger Conditions

The Merger will become effective upon the fulfilment (or waiver, as applicable) of the following Merger Conditions:

- (a) the approval of the Merger Agreement and the Merger contemplated thereunder by more than two-thirds of the votes attaching to the Shares held by the Shareholders that are cast either in person or by proxy at the Extraordinary General Meeting having been obtained pursuant to the Articles;
- (b) the passing of resolutions by way of poll approving the Merger Agreement and the Merger contemplated thereunder at the H Share Class Meeting to be convened for this purpose by the Independent H Shareholders, provided that:
 - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and

- (ii) the number of votes cast against the resolutions is no more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders;
- (c) a waiver application having been submitted to CSRC for the exemption of making any mandatory offer in relation to change of controlling shareholder of the A-Share Listed Subsidiaries as a result of the Merger within three days after the execution of the Merger Agreement, and such waiver having been granted by CSRC;
- (d) valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) amounting to at least 90% of the H Shares in issue held by the Independent H Shareholders under the H Share Offer;
- (e) the H Share Offer becoming or being declared unconditional in all respects pursuant to the fulfilment of the Conditions and subsequently being closed;
- (f) the Company having submitted the Delisting application to the Stock Exchange and such Delisting having become effective pursuant to the Listing Rules;
- (g) the approval from Aviation Industry Corporation in relation to the Merger having been obtained and remaining in full force and effect; and
- (h) the approvals from or filings with the PRC authorities or other government and regulatory agencies, as applicable, in relation to the Merger having been obtained and remaining in full force and effect, including but not limited to the filings with NDRC.

AVIC International reserves the right to waive the Merger Condition (c) above. Apart from Merger Condition (c) above, the other Merger Conditions to the Merger cannot be waived. Each of the Company and AVIC Shenzhen does not have the right to waive any of the Merger Conditions to the Merger.

As at the date of this joint announcement, AVIC International has completed the filling procedures with NDRC under the Merger Condition (h) above and obtained the approval from Aviation Industry Corporation under the Merger Condition (g). Save as disclosed above, none of the other Merger Conditions have been fulfilled or waived (as applicable) as at the date of this joint announcement. The other Merger Conditions shall be fulfilled or waived (as applicable) on or before 1 September 2020.

The Merger Agreement will become effective upon its execution by the parties, and the parties thereof will be bound by the Merger Agreement and are obligated to perform their obligations under the Merger Agreement.

AVIC International intends to satisfy the consideration required for the Merger by cash from the loan facility obtained by Lucky Splendid Limited from Industrial and Commercial Bank of China (Asia) Limited, or onshore funds made available from its internal resources provided that the filing with SAFE with respect to the payment of the Merger Price to implement the Merger using onshore funds have been duly completed by AVIC International before the Unconditional Date. AVIC International undertakes that such loan facility and internal resources shall be used for the purposes of the Merger, and guarantees that such amount shall not be subject to any third party claim. CICC, as the Exclusive Financial Adviser to AVIC International in respect of the H Share Offer and the Merger, is satisfied that sufficient financial resources are available to AVIC International to satisfy full payment of the Merger Price to implement the Merger.

5. INFORMATION AND PRINCIPAL BUSINESS OF THE COMPANY

The Company is a joint stock company with limited liability whose H Shares are listed on the Main Board of the Stock Exchange established in accordance with the PRC Company Law. The Group is principally engaged in the manufacturing and sales of flat panel displays, printed circuit boards and watches, international engineering and trading and logistic business, shopping business and engineering, procurement and construction projects.

Shareholding structure of the Company

As at the date of this joint announcement, the Company had 1,166,161,996 Shares in issue, comprising 832,973,997 Domestic Shares and 333,187,999 H Shares.

As at the date of this joint announcement, there were PSCS in the outstanding amount of RMB2,781,672,739 issued by the Company which may be converted into 801,634,795 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS). As at the date of this joint announcement, save for the PSCS, there were no other outstanding options, warrants, derivatives or convertible securities issued by the Company.

All the issued Domestic Shares and the outstanding PSCS were owned by AVIC International, directly and indirectly (through AVIC Shenzhen). Save for the 6,876,000 H Shares held by Best Pine Investment Ltd., a wholly-owned subsidiary of AVIC International, none of AVIC International or the parties acting in concert with it legally or beneficially owns any H Shares.

The table below sets out the shareholding structure of the Company (i) as at the date of this joint announcement, (ii) immediately after the completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and there is no change in the issued share capital of the Company); and (iii) immediately after the completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and the PSCS are exercised in full at the initial conversion price of RMB3.47):

Shareholder	As at the date of this joint announcement		Immediately after completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and there is no change in the issued share capital of the Company)		Immediately after completion of the H Share Offer (assuming that the H Share Offer is fully accepted by all H Shareholders (including all parties acting in concert with AVIC International and all Independent H Shareholders) and the PSCS are exercised in full)	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
AVIC International ⁽¹⁾	437,264,906	37.50%	437,264,906	37.50%	1,204,834,218	61.23%
	Domestic Shares		Domestic Shares		Domestic Shares	
			333,187,999	28.57%	333,187,999	16.93%
			H Shares		H Shares	
Parties acting in concert with AVIC International						
AVIC Shenzhen ⁽²⁾	395,709,091	33.93%	395,709,091	33.93%	429,774,574	21.84%
	Domestic Shares		Domestic Shares		Domestic Shares	
Best Pine Investment Ltd. ⁽³⁾	6,876,000	0.59%	–	–	–	–
	H Shares					
Independent H Shareholders	326,311,999	27.98%	–	–	–	–
	H Shares					
Total	1,166,161,996	100%	1,166,161,996	100%	1,967,796,791	100%
	Shares		Shares		Shares	

Notes:

- 1) AVIC International directly held 437,264,906 Domestic Shares and the PSCS in the outstanding amount of RMB2,663,465,514 which may be converted into 767,569,312 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS).
- 2) AVIC Shenzhen is a wholly-owned subsidiary of AVIC International. It directly held 395,709,091 Domestic Shares and the PSCS in the outstanding amount of RMB118,207,225 which may be converted into 34,065,483 Domestic Shares at the initial conversion price of RMB3.47 (subject to adjustment pursuant to the terms of the PSCS).
- 3) Best Pine Investment Ltd. is a wholly-owned subsidiary of AVIC International and directly held 6,876,000 H Shares.
- 4) The figures included in the above table have been subject to rounding adjustments.

As at the date of this joint announcement, AVIC International and parties acting in concert with it held all of the issued Domestic Shares (being 832,973,997 Domestic Shares), 6,876,000 H Shares, and all of the PSCS in the outstanding amount of RMB2,781,672,739.

Other arrangement

AVIC International confirms that, as at the date of this joint announcement:

- (i) save for the existing direct and indirect shareholding of AVIC International in the Company as set out in the above paragraph “Shareholding structure of the Company”, none of AVIC International or parties acting in concert with it (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) owned or had control or direction over any voting rights or rights over the shares, options, derivatives, warrants, other securities convertible into shares, or other relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (ii) none of AVIC International or parties acting in concert with it had received any irrevocable voting commitment in respect of the H Share Class Meeting and the Extraordinary General Meeting and/or any irrevocable commitment to tender into the H Share Offer from any Independent H Shareholder;
- (iii) save for the PSCS held by AVIC International directly and indirectly as set out in the above paragraph “Shareholding structure of the Company”, there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by AVIC International or parties acting in concert with it;
- (iv) save for the proposal made by the Exclusive Financial Adviser on behalf of AVIC International in relation to the H Share Offer and the Merger, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and AVIC International or any person acting in concert with it in relation to the shares of AVIC International or the Shares which might be material to the H Share Offer and the Merger;

- (v) none of AVIC International or parties acting in concert with it had entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in the Company;
- (vi) there was no agreement or arrangement to which AVIC International 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 H Share Offer and the Merger and the consequences of its doing so; and
- (vii) none of AVIC International or parties acting in concert with it (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

CICC is the Exclusive Financial Adviser to AVIC International in respect of the H Share Offer and the Merger. Accordingly, CICC and relevant members of the CICC group which hold Shares are presumed to be acting in concert with AVIC International under class (5) of the definition of “acting in concert” in the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code, and also excluding Shares held on behalf of non-discretionary investment clients of the CICC group). Details of holdings, borrowings or lendings of, and dealings in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) held by or entered into by the CICC group will be obtained as soon as possible after the date of this joint announcement. A further announcement will be made by AVIC International and the Company if the holdings, borrowings, lendings, or dealings of the CICC group are significant and in any event, such information will be disclosed in the Composite Document. The statements in this joint announcement as to holdings, borrowings or lendings of, or their dealings in, or voting of Shares (or rights, rights over Shares, warrants or derivatives in respect of them) by parties acting in concert with AVIC International are subject to the holdings, borrowings, lendings, or dealings (if any) of such members of the CICC group.

As at the date of this joint announcement, there is no understanding, arrangement or agreement or special deal with favourable conditions (as defined under Rule 25 of the Takeovers Code) between any Shareholder on the one hand, and AVIC International and parties acting in concert with it on the other hand. The Company confirms that, as at the date of this joint announcement, there is no understanding, arrangement or agreement or special deal with favourable conditions (as defined under Rule 25 of the Takeover Code) between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

Subject to any dealings in Shares during the six months prior to the date of this joint announcement by the CICC group (excluding dealings in Shares by CICC group members who are exempt principal traders or exempt fund managers or dealings in Shares by CICC group members for the account of non-discretionary investment clients of the CICC group) to be disclosed in the Composite Document, AVIC International and parties acting in concert with it (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the CICC group) have not dealt in any Shares, options, derivatives, warrants, other securities convertible into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing six months prior to the date of this joint announcement.

6. INFORMATION AND PRINCIPAL BUSINESS OF AVIC INTERNATIONAL AND AVIC SHENZHEN

AVIC International is a limited liability company established on 12 April 1983 in accordance with the PRC Company Law. As at the date of this joint announcement, AVIC International was owned as to 91.14% by Aviation Industry Corporation, a wholly state-owned company, and 8.86% by AVIC CCB Aviation Industry Equity Investment (Tianjin) Co., Ltd. (中航建銀航空產業股權投資(天津)有限公司) (which was owned as to 30% by AVIC Investment Holding Ltd. (中航投資控股有限公司) and 70% by Gongqingchengxinhang Investment Ltd. (共青城信航投資有限公司)). AVIC Investment Holding is ultimately controlled by Aviation Industry Corporation through AVIC Capital Co., Ltd. (中航資本控股股份有限公司), an A-share listed company. Based on the information available to AVIC International, Gongqing Investment Ltd. is ultimately controlled by each of Prudential plc (a listed company on the stock exchanges of London, Hong Kong, Singapore and New York) and CITIC Group Corporation, a wholly state-owned company, through CITIC Limited (a listed company on the Stock Exchange).

AVIC International (and through AVIC Shenzhen, a wholly-owned subsidiary of AVIC International) is the controlling shareholder of the Company. AVIC International's core businesses consist of international aviation, electronics information and international business.

AVIC Shenzhen's core businesses consist of commercial retail, hotel management and property business.

7. REASONS FOR AND BENEFITS OF THE H SHARE OFFER, THE DELISTING AND THE MERGER

The H Share Offer, the Delisting and the Merger will be beneficial for the Company to simplify corporate structure, shorten the management chain, improve the operational efficiency and dispend of costs associated with compliance and maintaining the listing status of the Company. Meanwhile, the H Share Offer, the Delisting and the Merger can fully integrate the underlying assets and liabilities of AVIC International, AVIC Shenzhen and the Company, so as to achieve synergies in business.

AVIC International believes that the H Share Offer, the Delisting and the Merger provide a compelling opportunity for the Independent H Shareholders to dispose of their H Shares for the following reasons:

- **The H Share Offer Price represents a high premium over the closing prices of the past trading days:** the H Share Offer Price of HK\$9.00 per H Share represents a premium of approximately 29.12% over the closing price on 27 September 2019, being the Last Trading Date. The H Share Offer Price also represents a premium of approximately 81.31% and 88.63% over the average closing price of approximately HK\$4.96 and HK\$4.77 per H Share as quoted on the Stock Exchange for the 30 and 60 consecutive trading days up to and including the Last Trading Date. For more details, please refer to the sub-section headed “2. THE H SHARE OFFER – 2.2 Comparisons of value”.
- **Provide an opportunity for disposal of the H Shares with limited liquidity at a premium:** the H Share Offer provides an opportunity for the H Shareholders to receive cash at a price significantly above the prevailing market price, particularly in light of the low liquidity and underperformance of the share price for a relatively long period. The monthly total trading volume of the H Shares (as a percentage to the total issued H Shares) has not been consistently active during the period from 1 January 2019 to 31 August 2019 (the “**Period**”). The percentages of monthly average trading volumes of the H Shares to the total issued H Shares were within the range of approximately 0.12% to 0.61% during the Period. The monthly total trading amounts of the H Shares were within the range of approximately HK\$28.59 million to HK\$179.04 million during the Period. The historical price-to-book ratios of the Company ranged from approximately 0.29 times to approximately 0.47 times during the Period, which is calculated based on the closing price per H Share, the total issued share capital of the Company and the unaudited consolidated net asset value attributable as at 30 June 2019. Given the limited liquidity of the H Shares, it is challenging for the H Shareholders to monetize their H Shares in the stock market at a satisfactory price. The H Share Offer in turn offers the H Shareholders an opportunity to realize their investments in the Company and invest the monies received in alternative investments with higher liquidity.
- **Avoid holding unlisted shares:** assuming the H Share Offer becomes unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.12 and Rule 6.15 of the Listing Rules. In the event that the H Shares are delisted from the Stock Exchange, the H Shares will become securities that are not listed or quoted on any stock exchange and the liquidity of the H Shares may be severely reduced.

8. MEETINGS AND DESPATCH OF THE COMPOSITE DOCUMENT

The H Share Class Meeting will be convened for the purpose of passing resolutions by way of poll to approve the voluntary withdrawal of the listing of the H Shares from the Stock Exchange by the Independent H Shareholders, and pursuant to Rule 2.2 of the Takeovers Code, such approval must be given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting; and the number of votes cast (by way of poll) against the resolutions should not be more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders.

In addition, pursuant to the Articles, the Extraordinary General Meeting will be convened for the purpose of passing resolutions by way of poll to approve the Merger Agreement and the Merger contemplated thereunder, and such approval must be given by more than two-thirds of the votes attaching to the Shares held by the Shareholders that are cast either in person or by proxy at the Extraordinary General Meeting.

Furthermore, Rule 2.10 of the Takeovers Code is applicable to the Merger. Pursuant to Rule 2.10 of the Takeovers Code, approval of the Merger Agreement and the Merger contemplated thereunder must be given by at least 75% of the votes attaching to H Shares held by Independent H Shareholders that are cast either in person or by proxy at the H Share Class Meeting, and the number of votes cast against the resolutions in relation to the Merger Agreement and the Merger contemplated thereunder should be no more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders at the H Share Class Meeting.

In addition, pursuant to Rule 35.4 of the Takeovers Code, securities owned by an exempt principal trader connected with AVIC International or the Company shall not be voted at the Extraordinary General Meeting and the H Share Class Meeting.

Notices of the H Share Class Meeting and the Extraordinary General Meeting will be sent to the H Shareholders together with the Composite Document.

The Composite Document for the H Share Offer containing, inter alia, further details of (a) the H Share Offer; (b) the expected timetable relating to the H Share Offer; (c) the Delisting; (d) the Merger Agreement; (e) the advice from the Independent Board Committee with respect to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder; (f) the advice from the independent financial adviser of the Company to the Independent Board Committee; (g) a notice of the H Share Class Meeting to approve the Delisting, the Merger Agreement and the Merger contemplated thereunder; and (h) a notice of the Extraordinary General Meeting to approve the Merger Agreement and the Merger contemplated thereunder will be despatched to the H Shareholders within 21 days from the date of this joint announcement or such later date to which the Executive may consent.

9. OVERSEAS H SHAREHOLDERS

The making of the H Share Offer to the Overseas H Shareholders may be subject to the laws of the relevant jurisdictions. The Overseas H Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas H Shareholders wishing to accept the H Share Offer 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 other necessary formalities and the payment of any issue, transfer or other taxes due from such Shareholders in such jurisdiction. The

Company will make necessary enquiries to determine whether or not it would be unduly burdensome to send the Composite Documents to any of the Overseas H Shareholders. The Company/AVIC International will apply for a waiver from the Executive (if applicable) pursuant to Note 3 to Rule 8 of the Takeovers Code from the requirement to send the Composite Document to such Overseas H Shareholders. The Executive may or may not grant such a waiver.

10. NOTICE TO H SHAREHOLDERS IN THE UNITED STATES

The H Share Offer is subject to Hong Kong disclosure and procedural requirements, including with respect to offer timetable, settlement procedures, timing of payments and withdrawal rights, which are different from those applicable to tender offers carried out in the United States. Persons in the United States are urged, before accepting the H Share Offer, to consult their own professional advisers regarding the tax consequences of acceptance of the H Share Offer, whether in relation to United States federal income tax or taxes under applicable state and local tax laws, or foreign tax laws.

The Company is incorporated under the laws of the PRC. It may be difficult for the H Shareholders in the United States (if any) to enforce their rights and claims arising out of United States federal securities laws, since the Company is located in a country other than the United States, some or all of its officers and directors may be residents of a country other than the United States and the assets of the Company may be located outside the United States. The H Shareholders in the United States (if any) may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. It may be difficult for such H Shareholders to effect service of process within the United States upon the Company or its officers or directors or to enforce against them any judgment of a United States court predicated upon the federal or state securities laws of the United States. In particular, the H Shareholders in the United States (if any) should note that AVIC International reserves the right or through affiliates or nominees or its brokers acting as agents from time to time making purchases of, or arrangements to purchase H Shares outside of the United States whether in open market or by private transaction during the offer period of the H Share Offer other than pursuant to the H Share Offer to the extent permitted by and in accordance with the requirements of the Takeovers Code. Information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and will be available on the website of the SFC at <http://www.sfc.hk>.

11. VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES

Upon the H Share Offer becoming unconditional, the Company will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15 of the Listing Rules. The H Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective.

12. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei (each being an independent non-executive director of the Company) have been appointed as members of the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder.

An independent financial adviser will be appointed, subject to the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement, the Merger contemplated thereunder and, in particular, as to whether the H Share Offer is fair and reasonable and as to its acceptance, whether the Delisting and the Merger are fair and reasonable and as to voting. A separate announcement will be made by the Company in compliance with the requirements under the Takeovers Code after the appointment of the independent financial adviser.

13. RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, associates (having the meaning given to it under the Takeovers Code, including persons holding 5% or more of a class of relevant securities of the Company) of AVIC International and the Company are hereby reminded to disclose their dealings in any Shares in the Company pursuant to the requirements of the Takeovers Code.

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 obligation 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.”

14. RESUMPTION OF TRADING OF H SHARES

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 11:06 a.m. on 27 September 2019 pending the issue of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 3 October 2019.

WARNING

The H Share Offer is conditional upon the satisfaction of the Conditions and the Merger is conditional upon the satisfaction or (where applicable) waiver of the Merger Conditions as described in this joint announcement in all aspects. Accordingly, the H Share Offer may or may not become unconditional and the issue of this joint announcement does not imply that the H Share Offer or the Delisting will be completed. As the Merger Conditions (in respect of the Merger) are different from the Conditions (in respect of the H Share Offer), Shareholders and potential investors of the Company should be aware that even following the successful completion of the H Share Offer and the Delisting, there is no certainty that the Merger will proceed. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the H Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

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

“A-Share Listed Subsidiaries”	Fiyta Holdings Limited (飛亞達(集團)股份有限公司), Tianma Microelectronics Co., Ltd. (天馬微電子股份有限公司), Shennan Circuits Co., Ltd. (深南電路股份有限公司) and Rainbow Department Store Co., Ltd. (天虹商場股份有限公司), each being a listed subsidiary of the Company and/or AVIC Shenzhen in the PRC
“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” shall be construed accordingly
“Articles”	the articles of association of the Company for the time being
“associates”	has the meaning given to it in the Takeovers Code
“Aviation Industry Corporation”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a wholly state-owned company and the controlling shareholder of AVIC International

“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company
“AVIC International Board”	the board of directors of AVIC International
“AVIC Shenzhen”	AVIC International Shenzhen Company Limited (中國航空技術深圳有限公司), a wholly-owned subsidiary of AVIC International and the controlling shareholder of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the H Share Offer or any subsequent closing date as may be announced by AVIC International and in compliance with the Takeovers Code
“Company”	AVIC International Holdings Limited (中航國際控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Company’s Board”	the board of directors of the Company
“Composite Document”	the composite document to be issued jointly by AVIC International and the Company to the H Shareholders in accordance with the Takeovers Code and the Listing Rules
“Conditions”	the conditions of the H Share Offer, as set out under the subsection headed “2. THE H SHARE OFFER – 2.7 Conditions of the H Share Offer” of this joint announcement and “Condition” means any of them
“CSRC”	China Securities Regulatory Commission
“Delisting”	the voluntary withdrawal of the listing of the H Shares on the Stock Exchange
“Dissenting H Shareholder(s)”	any H Shareholder, who has opposed the Merger Agreement and the Merger as contemplated thereunder and requested the Company and/or other H Shareholders who have voted for the Merger Agreement and the Merger as contemplated thereunder to purchase his H Shares pursuant to Article 188 of the Articles

“Domestic Share(s)”	ordinary unlisted domestic share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company
“Exclusive Financial Adviser” or “CICC”	China International Capital Corporation Hong Kong Securities Limited, the exclusive financial adviser to AVIC International in respect of the H Share Offer and the Merger. CICC is a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Extraordinary General Meeting”	the extraordinary general meeting of the Shareholders proposed to be convened and held in respect of the approval of the Merger Agreement and the Merger as contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company which are listed on the Main Board of the Stock Exchange
“H Share Class Meeting”	the extraordinary general meeting of the H Shareholders to be convened, and any adjournment thereof for the purpose of approving the Delisting and the Merger Agreement and the Merger contemplated thereunder
“H Share Offer”	the voluntary conditional offer to be made by the Exclusive Financial Adviser on behalf of AVIC International to acquire all of the issued H Shares
“H Share Offer Price”	the cash offer price of the H Share Offer, being HK\$9.00 per H Share
“H Shareholder(s)”	registered holder(s) of H Shares, and, after Delisting, the registered holder(s) of the then H Shares after the Delisting (as the case may be)

“Independent Board Committee”	the independent committee of the Company’s Board comprising all of the independent non-executive directors of the Company, being Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei, which is formed to advise Independent H Shareholders in relation to the H Share Offer, the Delisting, the Merger Agreement and the Merger contemplated thereunder
“Independent H Shareholders”	all H Shareholders other than AVIC International and parties acting in concert with it
“Last Trading Date”	27 September 2019, being the last trading day in the H Shares immediately before trading in the H Shares was halted pending issue of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Merger”	the proposed merger by absorption of the Company and AVIC Shenzhen by AVIC International pursuant to the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement
“Merger Agreement”	the agreement entered into among AVIC International, the Company and AVIC Shenzhen on 2 October 2019 in relation to the Merger
“Merger Conditions”	the conditions in the Merger Agreement as set out in the subsection headed “4. MERGER BY ABSORPTION OF THE COMPANY BY AVIC INTERNATIONAL – 4.5. Merger Conditions” in this joint announcement, subject to which the Merger will become effective
“Merger Effective Date”	the date on which all the Merger Conditions are fulfilled or waived (if applicable)
“Merger Price”	the Merger Price of HK\$9.00 per H Share (which is equivalent to the H Share Offer Price) payable in cash by AVIC International to the then existing H Shareholders (other than AVIC International) as at the Merger Effective Date
“NDRC”	National Development and Reform Commission of the PRC
“Overseas H Shareholders”	H Shareholders who are not residents in Hong Kong
“Period”	the period from 1 January 2019 to 31 August 2019

“PRC”	the People’s Republic of China, excluding for the purposes of this joint announcement, Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the PRC as amended, supplemented or otherwise modified from time to time
“PRC Laws”	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time
“PSCS”	perpetual subordinated convertible securities
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	Domestic Share(s), H Share(s) and such H Share(s) after the Delisting becomes effective (as the case may be) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Merger published by the SFC
“Unconditional Date”	the date on which the H Share Offer becomes or is declared unconditional in all respects

On behalf of the board of directors of
AVIC International Holding Corporation
(中國航空技術國際控股有限公司)

Liu Hong De
Chairman

On behalf of the board of directors of
AVIC International Holdings Limited
(中航國際控股股份有限公司)

Liu Hong De
Chairman

Shenzhen, the PRC, 2 October 2019

As at the date of this joint announcement, AVIC International Board comprises: Mr. Liu Hong De, Mr. Li Zong Shun, Mr. Li Shang Fu, Mr. Yan Dong, Mr. Lai Wei Xuan, Mr. Li Qi Feng, Mr. Fu Fang Xing, Ms. Kong Ling Fen and Mr. You Lei.

The directors of AVIC International jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the Company's Board) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date hereof, the Company's Board comprises: Mr. Liu Hong De, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Liu Jun, Mr. Fu Fang Xing and Mr. Chen Hong Liang as executive directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei 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 joint announcement (other than that relating to AVIC International and parties acting in concert with it (except for the Group)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by AVIC International Board and parties acting in concert with AVIC International (except for the Group)) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.