

VOLUNTARY CONDITIONAL CASH OFFER

by



UNITED OVERSEAS BANK LIMITED

(Company Registration No. 193500026Z)
(Incorporated in Singapore)

for and on behalf of

CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED

(Company Registration No. 2200879)
(Incorporated in Hong Kong SAR)

a wholly-owned subsidiary of



CHINA MERCHANTS INDUSTRY HOLDINGS CO., LTD.

(Company Registration No. 630843)
(Incorporated in Hong Kong SAR)

to acquire all of the issued and paid-up ordinary shares in the capital of

AVIC INTERNATIONAL MARITIME HOLDINGS LIMITED

(Company Registration No.: 201024137N)
(Incorporated in Singapore)

other than those already owned, controlled or agreed to be acquired by
the Offeror

VOLUNTARY CONDITIONAL CASH OFFER ANNOUNCEMENT

1. INTRODUCTION

- 1.1 The Pre-Conditional Offer.** United Overseas Bank Limited (“**UOB**”) refers to the announcement dated 27 August 2019 (the “**Pre-Conditional Offer Announcement**”) pursuant to which it was announced for and on behalf of China Merchants Industry Investment Limited (the “**Offeror**”), a wholly-owned subsidiary of China Merchants Industry Holdings Co., Ltd. (“**CMIH**”), that subject to and contingent upon the satisfaction of the Pre-Condition (as defined in the Pre-Conditional

Offer Announcement), the Offeror intends to make a voluntary conditional cash offer (the “**Offer**”) for all the issued and paid-up ordinary shares (the “**Shares**”) in the capital of AVIC International Maritime Holdings Limited (the “**Company**”), other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer.

A copy of the Pre-Conditional Offer Announcement is available on the website of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) at www.sgx.com.

Capitalised terms that are not defined in this Announcement shall have the meanings set out in the Pre-Conditional Offer Announcement.

1.2 Update on Pre-Condition. As at the date of this Announcement (the “**Offer Announcement Date**”), the Pre-Condition has been satisfied.

Accordingly, UOB wishes to announce, on behalf of the Offeror, the Offeror’s firm intention to make the Offer.

2. THE OFFER

2.1 Terms of the Offer. Subject to the terms and conditions of the Offer to be set out in the formal offer document (the “**Offer Document**”) to be issued by UOB for and on behalf of the Offeror, the Offeror will make the Offer on the following basis:

- (a) **Offer Shares.** The Offeror will make the Offer for all Shares other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of the Offer (the “**Offer Shares**”), in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore, and the Code.
- (b) **Offer Price.** The consideration for each Offer Share (the “**Offer Price**”) will be as follows:

For each Offer Share: S\$0.15 in cash.

- (c) **No Encumbrances.** The Offer Shares will be acquired:
 - (i) fully paid-up;
 - (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing; and
 - (iii) together with all rights, benefits and entitlements attached thereto as at the date of the Pre-Conditional Offer Announcement (“**Pre-Conditional Offer Announcement Date**”) and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, “**Distributions**”) on or after the Pre-Conditional Announcement Date.

- (d) **Adjustment for Distributions.** Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Pre-Conditional Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Pre-Conditional Announcement Date, the Offer Price payable to a shareholder of the Company (“**Shareholder**”) who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such accepting Shareholder falls, as follows:

- (i) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the relevant accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (ii) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the relevant accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.2 Minimum Acceptance Condition. The Offer will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued Shares (excluding treasury shares). The Offer will become unconditional in all respects upon AVIC International Holdings Limited (“**AIHL**”) having tendered its acceptance for the Offer in respect of all the Relevant Shares (as defined in paragraph 5.1(a) below).

Further information on the Offer and the terms and conditions upon which the Offer will be made will be set out in the Offer Document.

3. INFORMATION ON THE OFFEROR AND CMIH

3.1 The Offeror. The Offeror is a company incorporated in Hong Kong SAR on 5 February 2015 and is a wholly-owned subsidiary of CMIH. It is principally engaged in investment holding.

As at the Offer Announcement Date:

- (a) the Offeror has an issued and paid-up share capital of HKD10,000 comprising 10,000 issued ordinary shares; and

- (b) the directors of the Offeror (the “**Offeror Directors**”) are Mr. Zha Delong and Ms. Li Jinsong.

3.2 CMIH. CMIH is a company incorporated in Hong Kong SAR on 26 November 1997. Its principal activities are the manufacturing and supply of marine engineering equipment. As at the Offer Announcement Date, the directors of CMIH (the “**CMIH Directors**”) are Mr. Wang Cuijun, Mr. Su Jian, Mr. Liu Zhimin and Mr. Zhang Jianhua.

CMIH is a leading offshore engineering equipment provider and service provider headquartered in Hong Kong SAR. It also has subsidiaries and institutions in the United States, the Netherlands, Italy, Singapore and other countries, as well as several production and manufacturing bases in East China, South China and Southwest China. The business of CMIH is concentrated in four main areas, namely manufacturing of offshore engineering equipment, repairing and conversion of ship and offshore equipment, new building of luxury cruises, as well as manufacturing of new materials and special equipment. CMIH is an indirect wholly-owned subsidiary of China Merchants Group Limited (“**CMG**”), a leading central state-owned enterprise based in Hong Kong, under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council. CMG is a conglomerate with three business platforms of non-financial industries, financial services, investment and capital operation. Its non-financial industries cover ports, toll roads, shipping, logistics, real estate, zone development, offshore engineering and trade.

4. INFORMATION ON THE COMPANY

4.1 Introduction. The Company is a company incorporated in Singapore on 11 November 2010 and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 September 2011 and subsequently transferred to the Catalist on 20 May 2016. The Company is an active player in the marine and offshore industry and strives to provide innovative and integrated solutions along the entire marine business value chain. The Company and its subsidiaries (collectively the “**Target Group**”) provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.

4.2 Share Capital. As at the Offer Announcement Date, based on the latest information publicly available to the Offeror:

- (a) the Company has an issued and paid-up share capital of RMB101,237,000, comprising 285,576,000 Shares and the Company does not have any treasury Shares; and
- (b) the Company has no outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares.

4.3 As at the Offer Announcement Date, the directors of the Company are as follows:

- (a) Dr. Diao Weicheng;
- (b) Mr. Sun Yan;
- (c) Mr. Li Meijin;
- (d) Mr. Teng Cheong Kwee;

- (e) Professor Wang Puqu; and
- (f) Ms. Alice Lai Kuen Kan.

5. IRREVOCABLE UNDERTAKING

5.1 AIHL Irrevocable Undertaking. As at the Offer Announcement Date, the Offeror has received an irrevocable undertaking (the “**AIHL Irrevocable Undertaking**”) from AIHL, pursuant to which AIHL has, amongst other things, unconditionally and irrevocably undertaken to, and to procure that each of its nominees (if any) to, *inter alia*:

- (a) accept the Offer in respect of all of the Shares held legally and/or beneficially by AIHL, and any other Shares (the “**Further Shares**”) which AIHL or its nominees may subsequently acquire after the date of the AIHL Irrevocable Undertaking (collectively, the “**Relevant Shares**”) by no later than three (3) business days after the date of despatch to Shareholders of the Offer Document, or, in the case of the Further Shares, by no later than three business (3) days after the date of acquisition thereof in accordance with the procedures prescribed in the Offer Document and the relevant form(s) of acceptance accompanying it;
- (b) except pursuant to the Offer, not sell, charge, encumber, grant any option over or otherwise dispose of any Relevant Share or any interest therein which would or might restrict or impede its acceptance of the Offer;
- (c) except pursuant to the Offer, not enter into any agreement or arrangement, incur any obligation, grant or dispose of any right or interest or give any indication of intent in relation to the Relevant Shares which would or might restrict or impede its acceptance of the Offer; and
- (d) notwithstanding the provisions of the Code or any terms of the Offer regarding withdrawal, not withdraw its acceptance(s) of the Offer for any reason.

As at the Offer Announcement Date, AIHL, through its nominees, holds 210,947,369 Shares, representing approximately 73.87 per cent. of the total Shares and approximately 73.87 per cent. of the Offer Shares.

5.2 Termination of AIHL Irrevocable Undertaking. The AIHL Irrevocable Undertaking will lapse, other than as a result of a breach by AIHL of any of its obligations set forth in the AIHL Irrevocable Undertaking, upon the Offer being withdrawn (after SIC consent has been obtained for the withdrawal) or lapsing for whatever reason.

5.3 No Other Undertakings. Save for the AIHL Irrevocable Undertaking, as at the Offer Announcement Date, neither the Offeror nor any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer.

5.4 Available for Inspection. A copy of the AIHL Irrevocable Undertaking is available for inspection at the offices of the share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the Offer Announcement Date until the date on which the Offer closes, lapses or is withdrawn.

6. FINANCIAL EVALUATION

The Offer Price represents the following premia over the historical transacted prices of the Shares on the SGX-ST:

Period	Benchmark Price⁽¹⁾ (S\$)	Premium over Benchmark Price⁽²⁾ (%)
Last traded price of the Shares on the SGX-ST on 27 August 2019 (the " Last Trading Day "), being the last full day of trading of the Shares prior to the Pre-Conditional Offer Announcement Date	0.1090	37.6
VWAP per Share for the one-month period up to and including the Last Trading Day	0.0900	66.7
VWAP per Share for the three-month period up to and including the Last Trading Day	0.0906	65.6
VWAP per Share for the six-month period up to and including the Last Trading Day	0.0904	65.9
VWAP per Share for the 12-month period up to and including the Last Trading Day	0.0913	64.3

Notes:

- (1) Based on data extracted from Bloomberg L.P. on 27 August 2019, being the Last Trading Day, figures rounded to the nearest four (4) decimal places.
(2) Premia rounded to the nearest one (1) decimal place.

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

7.1 Rationale. The Offeror's rationale for the Offer is as follows:

- (a) **Combination of complementary business and expertise to realise potential synergies**

As mentioned in paragraph 3.2, CMIH, the sole shareholder of the Offeror, is a leading offshore engineering equipment and service provider. The main areas of business of CMIH include manufacturing of offshore engineering equipment, modification of ship equipment and manufacturing of luxury cruises. In this connection, CMIH provides offshore equipment building and repair services in China, and owns a shipyard for offshore equipment and large specialized vessel building, as well as offshore equipment and all kinds of vessels repair and conversion activities. The Target Group provides a wide range of services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.

CMIH is of the view that the Target Group's businesses are complementary and there are potential synergies that can be created, including cross-selling to an enlarged customer base, economies of scale, improvement of productivity and cost efficiency, as

well as the sharing of domain knowledge such as know-how and best practices.

(b) **Opportunity for minority shareholders to realise their investment in the Shares at a premium**

The Offer Price is at a premium above the historical market prices of the Shares of over the last 12-month period prior to the Announcement Date. The Offer Price represents an approximately 66.7%, 65.6%, 65.9% and 64.3% premium above the VWAP per Share for the one month, three-months, six-months and 12-months period prior to and including the Last Trading Day, respectively.

(c) **Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity**

The historical trading liquidity of the Shares on the SGX-ST has been low and do not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, making the Offer gives Shareholders a unique cash exit opportunity to liquidate and realise their entire investment at a premium to prevailing market prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

The average daily trading volume of the Shares over the last one month, three-months, six-months and 12-months periods up to and including the Last Trading Day are detailed in the table below:

	Average Daily Trading Volume ("ADTV") (No. of Shares)	ADTV as a percentage of total number of issued Shares (%)
One-month period up to and including the Last Trading Day	37,320	0.01
Three-months period up to and including the Last Trading Day	157,817	0.06
Six-months period up to and including the Last Trading Day	89,550	0.03
12-months period up to and including the Last Trading Day	50,357	0.02

7.2 Offeror's Intentions in relation to the Company. The Offeror currently has no intention to introduce any major changes to the existing business of the Company, the employment of the employees of the Target Group, or to re-deploy any of the fixed assets of the Company, other than in the ordinary course of business.

Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror.

Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses and fixed assets of the Target Group, which will help the Offeror determine the optimal business strategy for the Company.

8. COMPULSORY ACQUISITION AND LISTING STATUS

- 8.1 Compulsory Acquisition.** The Offeror's intention is to gain majority control of the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the despatch of the Offer Document other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of despatch of the Offer Document), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.
- 8.2** In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.
- 8.3 Section 215(3) of the Companies Act.** In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares.
- 8.4 Listing Status and Trading Suspension.** Under Rule 1104 of the Catalist Rules of the SGX-ST (the "**Catalist Rules**"), upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public (the "**Free Float Requirement**"). Rule 1303(1) of the Catalist Rules provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares at the close of the Offer.

In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of Shares (excluding treasury shares) held in public hands falls below 10 per cent., the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the listed securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Rules further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of Shares (excluding treasury shares) held by members of the public to be raised to at least 10 per cent., failing which

the Company may be removed from the Official List of the SGX-ST. Under the Catalist Rules, “public” refers to persons other than: (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and (b) associates of the persons in (a) above.

8.5 Offeror’s Intentions. The Offeror’s intention is to gain majority control of the Company. In the event that the Free Float Requirement is not met and/or trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted.

9. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS

9.1 Holdings in and Dealings in Relevant Securities. As at the Offer Announcement Date, based on the latest information available to the Offeror, none of (i) the Offeror and the Offeror Directors; (ii) CMIH and the CMIH Directors; (iii) UOB; and (iv) any other person presumed to be acting in concert with the Offeror (collectively, the “**Relevant Parties**”):

- (a) owns, controls or has agreed to acquire any Shares, securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of the Shares or other securities which carry voting rights in the Company (collectively, the “**Relevant Securities**”); or
- (b) has dealt for value in any of the Relevant Securities in the period commencing three (3) months preceding the Pre-Conditional Offer Announcement Date and ending on the Offer Announcement Date.

9.2 Other Arrangements. As at the Offer Announcement Date, based on the latest information available to the Offeror, and save as disclosed in paragraph 5, none of the Relevant Parties has:

- (a) received any irrevocable commitment to accept the Offer in respect of any Relevant Securities;
- (b) entered into any arrangement (whether by way of option, indemnity or otherwise) in relation to Relevant Securities or the securities of the Offeror which might be material to the Offer;
- (c) granted a security interest in respect of any Relevant Securities in favour of any other person, whether through a charge, pledge or otherwise;
- (d) borrowed any Relevant Securities from any other person (excluding borrowed Relevant Securities which have been on-lent or sold); or
- (e) lent any Relevant Securities to another person.

10. CONFIRMATION OF FINANCIAL RESOURCES

UOB, as the sole financial adviser to the Offeror in relation to the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Offer by the Shareholders on the basis of the Offer Price.

11. DESPATCH OF THE OFFER DOCUMENT

The Offer Document setting out the terms and conditions of the Offer, and enclosing the relevant form(s) of acceptance of the Offer, will be despatched to Shareholders not earlier than 14 days and not later than 21 days from the Offer Announcement Date, or such other date permitted by the SIC, provided that there may be restrictions on sending the Offer Document to any overseas jurisdictions as disclosed in paragraph 12 of this Announcement.

12. OVERSEAS PERSONS

This Announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Announcement in any jurisdiction in contravention of applicable law.

The Offer will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted.

For the avoidance of doubt, the Offer will be open to all Shareholders including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the register of shareholders of the Company, or, as the case may be, in the records of The Central Depository (Pte) Limited (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves about, and observe, any and all applicable legal requirements in their respective overseas jurisdictions.

Where there are potential restrictions on sending the Offer Document to any overseas jurisdictions, the Offeror and UOB each reserves the right not to send the Offer Document to such overseas jurisdictions. Alternatively, an affected Overseas Shareholder may write to the Company’s share registrar to request the Offer Document to be sent to an address in Singapore by ordinary post at his own risk.

13. RESPONSIBILITY STATEMENT

The Offeror Directors and the CMIH Directors (including any director who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, the omission of which would make any statement herein misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to the Company and its subsidiaries), the sole responsibility of the Offeror Directors and the CMIH Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

Issued by

UNITED OVERSEAS BANK LIMITED

For and on behalf of

CHINA MERCHANTS INDUSTRY INVESTMENT LIMITED

11 November 2019

Any inquiries relating to this Announcement or the Offer should be directed during office hours to the UOB hotline at (65) 6539 7066.

Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future and conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors of the Company should not place undue reliance on such forward-looking statements. None of the Offeror, CMIH nor UOB guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.