PRE-CONDITIONAL 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

PRE-CONDITIONAL VOLUNTARY CONDITIONAL CASH OFFER ANNOUNCEMENT

1. INTRODUCTION

1.1 **Pre-Conditional Voluntary Cash Offer**. United Overseas Bank Limited ("**UOB**") wishes to announce, 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 paragraph 2.2 below), 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.

The formal Offer will only be made if the Pre-Condition has been satisfied on or before 26 December 2019, or such other later date as the Securities Industry Council of Singapore (the "SIC") may agree (the "Long-Stop Date").

Accordingly, all references to the Offer in this Announcement refer to the possible Offer, which will only be made if and when the Pre-Condition is satisfied.

1.2 **No Holding**. As at the date of this Announcement (the "**Announcement Date**"), the Offeror does not own or control, directly or indirectly, any Shares.

2. MAJOR TERMS OF THE TRANSACTION

2.1 **Implementation Agreement.** As at the Announcement Date, the Offeror and the Company's controlling shareholder, AVIC International Holdings Limited ("**AIHL**") have entered into a conditional implementation agreement ("**IA**") pursuant to which they have agreed certain steps to be taken to implement the Offer. Pursuant to the IA, it was agreed, *inter alia*, that subject to the satisfaction of the Pre-Condition, the Offeror shall make the Offer in accordance with the provisions of the Singapore Code on Take-overs and Mergers (the "**Code**").

2.2 **Pre-Condition.** The making of the Offer will be subject to and contingent upon the shareholders of AIHL having passed all necessary resolutions to approve the sale by AIHL of the Relevant Shares (as defined below) under the Offer at a general meeting (or any adjournment thereof) in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Pre-Condition**"). The Offer is not subject to any other pre-condition.

2.3 **SIC Confirmation.** The SIC has confirmed that it has no objections to the Pre-Condition.

2.4 **Formal Offer Announcement.** If and when the Pre-Condition is satisfied, UOB, for and on behalf of the Offeror, will announce the firm intention on the part of the Offeror to make the Offer (the "**Formal Offer Announcement**"). **However, in the event that the Pre-Condition is not satisfied, on or before the Long-Stop Date, the Offer will not be made and UOB will issue an announcement, for and on behalf of the Offeror, confirming that fact as soon as reasonably practicable.**

Shareholders of the Company ("AIMHL Shareholders") should note that there is no certainty that the Pre-Condition will be fulfilled and that the Offer will be made. AIMHL Shareholders are advised to exercise caution when dealing in Shares or other securities of the Company.

3. THE OFFER

3.1 **Terms of the Offer.** Subject to and contingent upon the satisfaction of the Pre-Condition, and 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 Announcement Date and hereafter 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 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 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 Announcement Date, the Offer Price payable to an AIMHL 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 AIMHL 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 AIMHL 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 AIMHL 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.

3.2 **Minimum Acceptance Condition.** The Offer (if and when made) 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% of the voting rights attributable to the issued Shares (excluding treasury shares). The Offer will become unconditional in all respects upon the Pre-condition being fulfilled and AIHL having tendered its acceptance for the Offer in respect of all the Relevant Shares.

4. INFORMATION ON THE OFFEROR AND THE COMPANY

4.1 **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 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.

4.2 **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 Announcement Date, the directors of CMIH (the "**CMIH Directors**") are Wang Cuijun, Su Jian, Liu Zhimin and 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.

4.3 **The Company.** 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.

As at the Announcement Date, based on the latest information publicly available:

(a) the Company has an issued and paid-up share capital of RMB 101,237,000, comprising 285,576,000 Shares and the Company does not have any treasury Shares;

(b) the Company has no outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares; and

(c) the directors of the Company are:

(i) Dr Diao Weicheng;

(ii) Mr Sun Yan;

(iii) Mr Li Meijin;

(iv) Mr Teng Cheong Kwee;

(v) Professor Wang Puqu; and

(vi) Ms Alice Lai Kuen Kan.

5. IRREVOCABLE UNDERTAKING

5.1 **AIHL Irrevocable Undertaking.** As at the Announcement Date, AIHL has, in accordance with and subject to the terms and conditions of the IA, provided an irrevocable undertaking to the Offeror (the "**AIHL Irrevocable Undertaking**"), pursuant to which AIHL has 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 AIMHL 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 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 (the "**Existing AIHL 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 earlier of:

(a) this Announcement not being released by the Offeror by 29 August 2019, or such other date as may be extended by the mutual agreement of the Offeror and AIHL, subject to the requirements of the Code;

(b) the Pre-Condition not being fulfilled by the Long-Stop Date;

(c) the Formal Offer Announcement not being released within two (2) business days of the satisfaction of the Pre-Condition; or

(d) the Offer, if and when made, being withdrawn (after SIC consent has been obtained for the withdrawal) or lapsing for whatever reason.

6. FINANCIAL EVALUATION

The Offer Price represents the following premium 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**")	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 4.2, 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 AIMHL Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, making the Offer gives AIMHL 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

8.1 **Compulsory Acquisition.** Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), if the Offeror receives valid acceptances of the Offer and/or acquires or agrees to acquire such number of Offer Shares from the date of the Offer otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares in issue (excluding treasury Shares) as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the despatch date of the Offer Document), the Offeror would be entitled to exercise the right to compulsorily acquire all the Offer Shares of the AIMHL Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.

8.2 **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 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 as at the final closing date of the Offer. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.**

8.3 **Offeror's Intentions.** In the event that the Offeror receives acceptances for the Offer such that less than 10 per cent. of the Shares are held in public hands, the Offeror presently has no intention to support any action or take any steps to maintain the listing status of the Company on the SGX-ST, and (if and when entitled) intends to exercise its rights of compulsory acquisition.

9. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS

9.1 **Holdings in AIMHL Securities.** As at the Announcement Date, none of (i) the Offeror and the Offeror Directors; (ii) CMIH and the CMIH Directors and (iii) UOB (collectively, the "**Relevant Persons**" and each, a "**Relevant Person**") owns, controls or has agreed to acquire any (a) Shares, (b) securities which carry voting rights in the Company, or (c) convertible securities, warrants, options or derivatives in respect of the Shares or other securities which carry voting rights in the Company (collectively, the "**AIMHL Securities**").

9.2 **Dealings in AIMHL Securities.** As at the Announcement Date, none of the Relevant Persons has dealt for value in any AIMHL Securities in the three (3) months preceding the Announcement Date.

9.3 **Other Arrangements.** As at the Announcement Date, save as set out in this Announcement, none of the Relevant Persons has:

(a) received any irrevocable commitment to accept the Offer (other than the AIHL Irrevocable Undertaking);

(b) entered into any arrangements (whether by way of option, indemnity or otherwise) in relation to AIMHL Securities which might be material to the Offer (other than the AIHL Irrevocable Undertaking);

(c) granted a security interest in respect of any AIMHL Securities in favour of any other person, whether through a charge, pledge or otherwise;

(d) borrowed any AIMHL Securities from any other person (excluding borrowed AIMHL Securities which have been on-lent or sold); or

(e) lent any AIMHL Securities to another person.

9.4 **Confidentiality.** In the interests of confidentiality, save in respect of the Relevant Persons, the Offeror has not made enquiries in respect of certain other parties who are or may be presumed to be acting in concert with the Offeror in connection with the Offer. Similarly, UOB has not made enquiries in respect of certain other parties who are or may be presumed to be acting in concert with UOB in connection with the Offer. Further enquiries will be made of such persons after the Announcement Date and the relevant disclosures will be promptly announced by the Offeror to the public and (if and when the Offer is made) made in the Offer Document.

10. FINANCIAL ADVISER

UOB is the sole financial adviser to the Offeror in relation to the Offer.

11. DESPATCH OF THE OFFER DOCUMENT

If and when the Offer is made, further information on the Offer will be set out in the Offer Document. The Offer Document, which will contain the terms and conditions of the Offer, and enclose the appropriate form(s) of acceptance, will, unless prior permission is obtained from the SIC, be despatched to AIMHL Shareholders not earlier than 14 days and not later than 21 days from the date of the Formal Offer Announcement. The Offer will remain open for acceptances by AIMHL Shareholders for a period of at least 28 days from the date of posting of the Offer Document.

12. OVERSEAS PERSONS

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 (if and when made) will be open to all AIMHL Shareholders, as the case may be, including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.

The availability of the Offer to AIMHL Shareholders whose addresses are outside Singapore as shown in the register of members of the Company (the "**Overseas Shareholders**") 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. Further details in relation to Overseas Shareholders will be contained in the Offer Document.

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

27 August 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.