

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this joint announcement.

This joint announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of KTL International Holdings Group Limited.



HNA Aviation Investment Holding Company Ltd
(Incorporated in the Cayman Islands with limited liability)

KTL International Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 442)

JOINT ANNOUNCEMENT

**(1) SALE AND PURCHASE OF SHARES OF
KTL INTERNATIONAL HOLDINGS GROUP LIMITED;
(2) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER
FOR SHARES BY CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
KTL INTERNATIONAL HOLDINGS GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY THE OFFEROR);
(3) RESUMPTION OF TRADING; AND
(4) CHANGE IN USE OF PROCEEDS**

**Co-financial adviser
to the Offeror**



**CCB INTERNATIONAL
CAPITAL LIMITED**

**Co-financial adviser
to the Offeror**



**HONG KONG INTERNATIONAL
CAPITAL MANAGEMENT LIMITED**

**Financial adviser to
KTL International
Holdings Group Limited**



**CHINA GALAXY
INTERNATIONAL SECURITIES
(HONG KONG)
CO., LIMITED**

THE SALE AND PURCHASE AGREEMENT

The Company was informed by the Vendor that on 13 December 2016 (after trading hours), the Offeror, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing approximately 61.44% of the entire issued share capital of the Company as at the date of this joint announcement.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER FOR SHARES

As at the date of this joint announcement, save for the Sale Shares, the Offeror and the parties acting in concert with it do not hold, control or have direction over any Shares in the share capital or voting rights of the Company.

Assuming no changes to the issued share capital of the Company from the date of this joint announcement to the Completion Date, upon Completion, the Offeror, will be interested in a total of 98,304,016 Shares, representing approximately 61.44% of the issued share capital of the Company immediately after the Completion. Pursuant to Rule 26.1 of the Takeovers Code, subject to and upon Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror).

Subject to and upon the Completion, CCB International Capital Limited will, on behalf of the Offeror and in compliance with the Takeovers Code, make a mandatory unconditional general cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) on the terms to be set out in the Composite Offer Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$6.05 in cash

The Offer Price of HK\$6.05 per Offer Share under the Offer is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The principal terms of the Offer are set out in the section headed “Possible mandatory unconditional cash offer” of this joint announcement.

GENERAL

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong, has been established by the Company to advise the Independent Shareholders in relation to the terms and conditions of the Offer.

An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Offer. Further announcement(s) will be made by the Company as soon as possible after the independent financial adviser to the Independent Board Committee is appointed.

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing, among other things, the terms of the Offers to the Shareholders within 21 days after the date of this joint announcement or such later date as the Executive may approve. Pursuant to Rule 8.4 of the Takeovers Code, the Company is required to send the offeree board circular in respect of the Offer to the Shareholders within 14 days of the posting of the offer document or such later date as the Executive may approve.

It is the intention of the Offeror and the Board that the offer document from the Offeror and the offeree board circular from the Company be combined into a Composite Offer Document. The Composite Offer Document containing, among other things, details of the Offer (including the expected timetable), the recommendation from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee in respect of the Offer, will be despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

Independent Shareholders are encouraged to read the Composite Offer Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer, before deciding whether or not to accept the Offer.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 14 December 2016 pending the publication of this joint announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 December 2016.

The Offer is a possible mandatory unconditional cash offer and will only be made if the Completion takes place. Completion is subject to satisfaction and/or waiver of the Conditions contained in the Sale and Purchase Agreement. The Offer therefore may or may not be made. Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders and potential investors of the Company of the Offer to be made. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement.

The Company has been informed by the Vendor that after trading hours on 13 December 2016, the Offeror, the Vendor and the Guarantors entered into the Sale and Purchase Agreement in relation to the sale and purchase of the Sale Shares.

Principal terms of the Sale and Purchase Agreement are set out as follows:

THE SALE AND PURCHASE AGREEMENT

Date: 13 December 2016

Parties: KTL International Holdings Limited, as the Vendor;
HNA Aviation Investment Holding Company Ltd, as the Purchaser;
Kei York Pang Victor, as one of the Guarantors; and
Li Man Chun, as one of the Guarantors.

Sale Shares

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, being 98,304,016 Shares and representing approximately 61.44% of the existing issued share capital of the Company as at the date of this joint announcement, for a total consideration of HK\$594,739,297, free from all Encumbrances and with all rights attached thereto as at the Completion Date (including all rights to any dividends or other distribution which may be paid, made or declared on or after the Completion Date).

Consideration for the Sale Shares

The Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$594,739,297, equivalent to approximately HK\$6.05 per Sale Share, which shall be payable by the Purchaser to the Vendor in the following manner:

- (i) as to HK\$63,000,000 (the “**First Hold-up Sum**”), which shall be withheld by the Purchaser upon Completion. In the event that the Company becomes liable to pay under the Corporate Guarantees, the First Hold-up Sum shall be reduced by the amount liable to be paid by the Company under the Corporate Guarantees and the balance of the First-Hold-up Sum after such reduction (if any) shall be released in immediately available funds to the Vendor (or such persons as it may direct) within fifteen (15) Business Days from the release and termination of all the Corporate Guarantees and settlement in full of the Existing Financial Indebtedness but in any event not earlier than 7 February 2017;
- (ii) as to HK\$120,000,000 (the “**Second Hold-up Sum**”), which shall be withheld by the Purchaser upon Completion. For a period of 90 days after the Completion Date, if it is shown to the satisfaction of the Purchaser that there is cash in the Designated Account which is immediately available of not less than HK\$120,000,000, the Second Hold-up Sum shall be released in immediately available funds to the Vendor within fifteen (15) Business Days from the date on which such evidence of such cash in the Designated Account is provided to the Purchaser but in any event not earlier than 7 February 2017; and
- (iii) as to the remaining balance, being the sum equal to the Consideration less the First Hold-up Sum and Second Hold-up Sum, shall be payable by the Purchaser to the Vendor upon Completion.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations, taking into consideration of (i) the net asset value of the Group as at 30 September 2016; (ii) the financial position of the Group; (iii) the prevailing market prices of the Shares as further described in the section headed "Comparison of Value" below; (iv) the fact that HNA Aviation Investment can obtain a controlling interest in the Company after Completion; and (v) the development potential and business prospect of the Group.

As the obligations to pay the First Hold-up Sum and the Second Hold-up Sum will only arise after Completion as set out above, the Vendor is presumed to be acting in concert with the Purchaser under Class (9) of the definition of "acting in concert" in the Takeovers Code. The Vendor and the Purchaser will cease to be presumed to be acting in concert when the obligations to pay the First Hold-up Sum and the Second Hold-up Sum are discharged.

Conditions

Completion is conditional upon:

- (i) the Warranties remaining true and correct and not misleading in all respect on the date of the Sale and Purchase Agreement and at all times up to and including the Completion Date;
- (ii) there shall have been no material adverse effect with respect of (i) the Company and (ii) the Group taken as a whole after signing of the Sale and Purchase Agreement and at all times up to and including the Completion Date;
- (iii) the current listing status of the Shares not having been withdrawn, and the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Sale and Purchase Agreement to the Completion Date, except for the suspension of the trading of the Shares for the purpose of clearing this joint announcement;
- (iv) this joint announcement having been published by the Company and the Purchaser as required under the Takeovers Code;
- (v) no notice, order, judgment, action or proceedings of any authority having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Sale and Purchase Agreement or which is reasonably likely to materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the Sale Shares free from Encumbrances; and
- (vi) each of the Vendor and the Guarantors having performed and complied with all agreements, obligations and conditions contained in or contemplated under the Sale and Purchase Agreement that are required to be performed or complied with by it or them on or before Completion.

The Purchaser may waive any of the Conditions in its absolute discretion at any time on or before the Long Stop Date by specific notice in writing to the Vendor. If any of the above Conditions has not been fulfilled or waived by the Purchaser (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall automatically terminate without liability to any Party.

Notwithstanding the above, if the Conditions are not fulfilled by the Long Stop Date and such failure to fulfil any of the Conditions was due to any wilful acts, gross negligence, omissions, fraud or misconduct of the Vendor or the Guarantors, the Vendor and the Guarantors shall on a joint and several basis compensate and indemnify the Purchaser against all losses, damages, costs and expenses (including legal costs and expenses) which the Purchaser may incur or suffer arising from, relating, as a result of or in connection with such termination.

Warranties and undertakings

Subject to the terms and conditions in the Sale and Purchase Agreement, each of the Vendor and the Guarantors represents and warrants to the Purchaser that, among others, the Warranties are true and accurate as at the date of the Sale and Purchase Agreement and at the time of Completion.

The Vendor covenants with and undertakes to indemnify to the Purchaser, forthwith upon a written demand being made by the Purchaser and received by the Vendor no later than the expiry of the period of seven years from the Completion Date, a sum equal to the amount of any tax liability of the Group resulting from or by reference to any income, profits or gains accrued or received on or before Completion.

Each of the Vendor and the Guarantors further unconditionally and jointly and severally undertakes to the Purchaser, among other things, that:

- (i) the consolidated net asset value (“NAV”) of the Remaining Group as determined by the auditors of the Company shall not be less than HK\$300,000,000 as at 31 March 2019. In the event that the NAV is less than HK\$300,000,000 as at 31 March 2019, the shortfall shall be paid by the Vendor and the Guarantors to the Purchaser on a dollar-for-dollar basis within fifteen (15) Business Days after the publication of the audited consolidated accounts of the Company for the financial year ended 31 March 2019;
- (ii) the Corporate Guarantees shall be discharged in full and the Existing Financial Indebtedness shall be settled in full on or before 30 June 2017. In the event that the amount liable to be paid by the Company under the Corporate Guarantees is in excess of the First Hold-up Sum, the shortfall shall be paid by the Vendor and the Guarantors to the Purchaser or its nominee on a dollar-for-dollar basis;
- (iii) save for the Corporate Guarantees and an amount of not more than HK\$1,000,000 due to the Remaining Group, the Company has no outstanding financial indebtedness as at the Completion Date;
- (iv) the Existing Financial Indebtedness as at Completion shall not exceed HK\$210,000,000;
- (v) the consolidated net asset value of the Company as at the Completion shall not be less than HK\$300,000,000;
- (vi) save as disclosed in the audited accounts and the management accounts of the Group, the Group has no outstanding financial indebtedness as at the Completion Date;

- (vii) the Existing Financial Indebtedness shall not at any time after Completion be increased and shall in any event not exceed HK\$210,000,000 at any time until the release in full of the Corporate Guarantees;
- (viii) the receivables in the amount of HK\$177,975,000 as at 30 September 2016 as shown in the unaudited consolidated balance sheet of the Group as at 30 September 2016 shall be fully recovered by the Group on or before 30 June 2017. The Vendor and the Guarantors jointly and severally agree to pay to the Purchaser the amount of such outstanding debts which have not been recovered on or before 30 June 2017 within fifteen (15) business days thereafter;
- (ix) to use its best effort to assist the Group in disposing of the Nansha Property to a third party independent of the Company, the Vendor and the Guarantors on or before the first anniversary of the Completion Date, and procure that the net proceeds from such disposal shall be used as may be determined by the Board;
- (x) all receivables of each member of the Remaining Group as at 31 March 2019 shall be fully recovered by the relevant member of the Remaining Group on or before 30 June 2019. The Vendor and the Guarantors also jointly and severally agree to pay to the Purchaser the amount of such outstanding debts (if any) which have not been recovered on or before 30 June 2019 within fifteen (15) business days thereafter;
- (xi) to cause such persons as the Purchaser may nominate to be validly appointed as Directors, with effect from the date falling one day after the date on which the Composite Offer Document is despatched or such later date as the Purchaser may determine, provided that such date shall not be earlier than such earliest date as may be permitted under the Takeovers Code or by the SFC;
- (xii) to cause such persons as the Purchaser may nominate to be validly appointed as the company secretary, compliance officer and authorized representative of the Company with effect from the date as the Purchaser may determine; and
- (xiii) if so required by the Purchaser, to cause such one person as the Purchaser may nominate to be validly appointed as a director of each Group Company with effect from the date falling one day after the date on which the Composite Offer Document is despatched or such later date as the Purchaser may determine, provided that such date shall not be earlier than such earliest date as may be permitted under the Takeovers Code or by the SFC.

Guarantee

Subject to the terms and conditions in the Sale and Purchase Agreement, each of the Guarantors jointly and severally, irrevocably and unconditionally guarantees to the Purchaser as primary obligor the due and punctual performance of the obligations by the Vendor under the Sale and Purchase Agreement. Such obligations shall be continuing obligations and shall not be satisfied, discharged or affected by any intermediate payment or settlement of account or any change in the constitution or control of, or the insolvency of or any bankruptcy, winding up or analogous proceedings relating to any of the Parties.

The Guarantors also agree to indemnify the Purchaser after the date of demand by the Purchaser against any losses and expenses properly incurred by it as a result of any failure on the part of the Vendor to perform its obligation under the Sale and Purchase Agreement.

Undertaking of the Vendor and the Guarantors

In connection with the Sale and Purchase Agreement, each of the Vendor, the Guarantors and Mr. Kei Yeuk Lun Calan entered into a deed of undertaking on 21 December 2016, pursuant to which each of them undertakes to the Purchaser that (i) save for the sale of the Sale Shares under the Sale and Purchase Agreement, none of them or the parties acting in concert with any of them had dealt in any Shares, for the six months immediately prior to the date of the Sale and Purchase Agreement; and (ii) none of them or parties acting in concert with any of them will make a second offer to or acquire any Shares from any Shareholder at a higher price than that made available under the Offer, or enter into any arrangements with the Shareholders which have favorable conditions not extended to all Shareholders, from the date of the Sale and Purchase Agreement to the date of this joint announcement and the offer period (as defined in the Takeovers Code) arising from the execution of the Sale and Purchase Agreement and for the six months after the end of the offer period.

Completion

Completion shall take place on the Completion Date, being the third Business Day after the satisfaction of the Condition in paragraph (iv) as detailed in the section headed “Conditions” of this joint announcement unless waived by the Purchaser (or such other date as may be agreed between the Parties in writing).

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this joint announcement, save for the Sale Shares, the Offeror and the parties acting in concert with it do not hold, control or have direction over any Shares in the share capital or voting rights of the Company.

Assuming no changes to the issued share capital of the Company from the date of this joint announcement to the Completion Date, immediately upon Completion, the Offeror will be interested in a total of 98,304,016 Shares, representing approximately 61.44% of the issued share capital of the Company immediately after the Completion. Pursuant to Rule 26.1 of the Takeovers Code, subject to and upon Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror).

Principal terms of the Offer

Subject to and upon the Completion, CCB International Capital Limited will, on behalf of the Offeror and in compliance with the Takeovers Code, make a mandatory unconditional general cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) on the terms to be set out in the Composite Offer Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$6.05 in cash

The Offer Price of HK\$6.05 per Offer Share under the Offer is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Offer is made, being the date of the posting of the Composite Offer Document.

Comparison of value

The Offer Price of HK\$6.05 per Offer Share represents:

- (i) a premium of approximately 27.1% to the closing price of HK\$4.760 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 38.3% to the average closing price of approximately HK\$4.374 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 42.0% to the average closing price of approximately HK\$4.261 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 45.3% to the average closing price of approximately HK\$4.163 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 55.6% to the average closing price of approximately HK\$3.887 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 81.8% to the average closing price of approximately HK\$3.328 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 174.5% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.204 per Share as at 31 March 2016; and
- (viii) a premium of approximately 191.9% to the unaudited consolidated net asset value of the Company of approximately HK\$2.073 per Share as at 30 September 2016 as set out in the interim results announcement.

Highest and lowest Share price

During the six-month period immediately prior to the date of this joint announcement and up to and including the Last Trading Day, the highest closing price per Share as quoted on the Stock Exchange was HK\$4.76 on 13 December 2016, and the lowest closing price per Share as quoted on the Stock Exchange was HK\$2.94 on 8 July 2016, 11 July 2016 and 12 July 2016.

Total value of the Offer

As at the date of this joint announcement, the Company has 160,000,000 issued Shares and has no issued and outstanding options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Assuming that there is no change in the issued share capital of the Company prior to the Offer, based on the Offer Price of HK\$6.05 per Offer Share, the entire issued share capital of the Company is valued at HK\$968,000,000. As the Offeror will hold 98,304,016 Shares upon Completion, 61,695,984 Shares will be subject to the Offer and are valued at approximately HK\$373,260,703 based on the Offer Price.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares free from all Encumbrances and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Offer is made, being the date of the posting of the Composite Offer Document).

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all Encumbrances and with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Offer is made. Acceptance of the Offer shall be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to the Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (within the meaning of the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance of the Offer complete and valid.

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and the parties acting in concert with it, the Company, and their respective directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Dealing and interests in the Company's securities

For six months immediately prior to the date of this joint announcement, save for the purchase of the Sale Shares under the Sale and Purchase Agreement, none of the Offeror and the parties acting in concert with it had 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).

For six months immediately prior to the date of this joint announcement, save for the sale of the Sale Shares under the Sale and Purchase Agreement, none of the Vendor, the Guarantors, Mr. Kei Yeuk Lun Calan or the parties acting in concert with any of them had 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).

Overseas Shareholders

The Offeror intends to make the Offer available to all Shareholders (other than the Offeror), including those who are residents outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer.

It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The overseas Shareholders should consult their professional advisers if in doubt.

Other arrangements

The Offeror confirms that, save as disclosed herein, as at the date of this joint announcement:

- (i) save for the Sale Shares, none of the Offeror nor parties acting in concert with it has 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 (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (ii) none of the Offeror nor parties acting in concert with it has received any irrevocable commitment to accept the Offer;
- (iii) there is 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 in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (iv) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror 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 Offer; and
- (v) none of the Offeror nor parties acting in concert with it has entered into any arrangement or contract in relation to any outstanding derivative in respect of securities in the Company nor has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Financial resources available to the Offeror

The Offeror intends to finance the consideration payable for the Sale Shares under the Sale and Purchase Agreement and the Offer by its internal resources. CCB International Capital Limited and HKICM have been appointed as the co-financial advisers to the Offeror in respect of the Offer. CCB International Capital Limited and HKICM, as co-financial advisers to the Offeror, are satisfied that sufficient resources are available to the Offeror to satisfy the consideration payable upon Completion in respect of the Sale Shares, and the acceptance of the Offer in full.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the date of this joint announcement and upon Completion but before the Offer is made:

	As at the date of this joint announcement		Immediately upon Completion but before the Offer is made	
	<i>Number of Approximate Shares %</i>		<i>Number of Approximate Shares %</i>	
Shareholders				
The Vendor	98,304,016	61.44	—	—
The Offeror	—	—	98,304,016	61.44
Other public Shareholders	<u>61,695,984</u>	<u>38.56</u>	<u>61,695,984</u>	<u>38.56</u>
Total	<u>160,000,000</u>	<u>100</u>	<u>160,000,000</u>	<u>100</u>

INFORMATION OF THE GROUP

The Company is a company incorporated in Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture and sale of jewellery and related products.

The following table sets out a summary of the audited consolidated results of the Group for each of the two financial years ended 31 March 2015 and 2016 and the unaudited consolidated results of the Group for the six months ended 30 September 2016, as extracted from the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual report for the year ended 31 March 2016 and the Company's interim results announcement for the six months ended 30 September 2016, respectively:

	For the six months ended 30 September 2016	For the year ended 31 March	
	(unaudited)	2016	2015
	<i>HK\$'000</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	245,965	683,687	1,036,824
Profit/(loss) before tax	(4,859)	(11,690)	26,597
Profit/(loss) attributable to the owners of the Company	(6,373)	(13,502)	20,342

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2015 HK\$'000
Consolidated net asset value attributable to the owners of the Company	331,671	352,613	382,710

INFORMATION OF THE OFFEROR

HNA Aviation Investment was incorporated in the Cayman Islands on 30 August 2016 as a company with limited liability and is an investment holding company established for the purpose of holding the Sale Shares and any Shares acquired under the Offer. It is deemed to be held as to 86.54% by HNA Group Co., Ltd. (“**HNA Group**”). The remaining interest in HNA Aviation Investment is held as to 4.81% by Shanghai AJ Trust Co., Ltd.* (上海愛建信託有限責任公司) and as to 8.65% by Shanghai Yihang Enterprises Management Partnership Limited, L.P.* (上海熠航企業管理合夥企業(有限合夥)), both of which are third parties independent to HNA Aviation Investment, or any of its associates. HNA Group is held as to 70% by Hainan Traffic Administration Holding Co., Ltd.* (海南交管控股有限公司), which is in turn held as to 50% by Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司). Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司) is held as to 65% by Hainan Province Cihang Foundation* (海南省慈航公益基金會). HNA Group is a PRC conglomerate encompassing core divisions of tourism, holding, capital, logistics and EcoTech. According to the Fortune Global 500 ranking released by the U.S. “Fortune” magazine in 2015, HNA Group ranked No. 464 among all companies in the world, with an annual revenue of over US\$25.6 billion. In July 2016, HNA Group was listed among Fortune Global 500 once again, ranking No. 353 with annual revenue of approximately US \$29.56 billion. The ranking rose by 111 positions compared with last year. Immediately prior to the entering into of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it did not hold any securities of the Company, and were therefore independent of the Company and its connected persons.

THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

Upon Completion, HNA Aviation Investment will become the controlling shareholder of the Company and expected to be interested in approximately 61.44% of the total issued share capital of the Company. Following Completion, HNA Aviation Investment intends that the Group will continue with its existing businesses. HNA Aviation Investment will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, HNA Aviation Investment may explore other business opportunities for the Company such as acquisitions or investments in assets and/or business divestment and fund raising, with a view to enhance its growth and future development. Save as disclosed in paragraph (ix) under the section headed “Warranties and undertakings”, as at the date of this joint announcement, HNA Aviation Investment has no intention to redeploy the fixed assets of the Company other than those in the ordinary and usual course of business. HNA Aviation Investment has no intention to terminate any

employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the section headed “Proposed change of Board composition” in this joint announcement).

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors and three independent non-executive Directors.

It is currently expected that the Offeror will require all the executive Directors to resign from the Board, and the Offeror will nominate new Directors to be appointed to the Board at the earliest time as allowed under the Takeovers Code. Any such resignation and appointment will be made in compliance with the Takeovers Code and the Listing Rules.

As at the date of this joint announcement, such proposed nomination of new Directors has not yet been finalised. Further announcement(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange upon completion of the Offer. In the event that the public float of the Company falls below 25% upon completion of the Offer, each of the Company and the Offeror will undertake to the Stock Exchange that they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible upon the completion of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange had stated that if, upon completion of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Therefore, upon the completion of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

Shareholders and potential investors are advised to exercise caution when dealing in Shares.

GENERAL

Independent Board Committee

Pursuant to Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is fair and reasonable and (ii) as to the acceptance of the offer. Therefore, an Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong, has been established by the Company to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Independent financial adviser

An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Further announcement(s) will be made by the Company as soon as possible after the independent financial adviser to the Independent Board Committee is appointed.

Despatch of the Composite Offer Document

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the offer document containing, among others, the terms of the Offers to the Shareholders within 21 days after the date of this joint announcement or such later date as the Executive may approve. Pursuant to Rule 8.4 of the Takeovers Code, the Company is required to send the offeree board circular in respect of the Offer to the Shareholders within 14 days of the posting of the offer document or such later date as the Executive may approve.

It is the intention of the Offeror and the Board that the offer document from the Offeror and the offeree board circular from the Company be combined into a Composite Offer Document. The Composite Offer Document containing, among other things, details of the Offer (including the expected timetable), the recommendation from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee in respect of the Offer, will be despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

Independent Shareholders are encouraged to read the Composite Offer Document carefully, including the advice of the independent financial adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer, before deciding whether or not to accept the Offer.

Dealings disclosure

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror, including persons who own or control 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), are hereby reminded to disclose their dealings in the relevant securities of the Company pursuant to the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates 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.”

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 14 December 2016 on 9:00 a.m. pending the publication of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 22 December 2016.

The Offer is a possible mandatory unconditional cash offer and will only be made if the Completion takes place. Completion is subject to satisfaction and/or waiver of the Conditions contained in the Sale and Purchase Agreement. The Offer therefore may or may not be made. Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders and potential investors of the Company of the Offer which may be made. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement.

CHANGE IN USE OF PROCEEDS

References are made to the prospectus of the Company dated 27 February 2015 and the section headed “Future plans and use of proceeds” set out therein. Details of the original planned allocation of Proceeds, the actual utilised amount and the utilised amount of Proceeds as of 30 November 2016 are summarised as follows:

	Original planned		As at 30 November 2016	
	allocation of Proceeds %	HK\$'000	Actual utilised amount of Proceeds HK\$'000	Unutilised amount of Proceeds HK\$'000
(1) Fitting out and decoration of Nansha Property	32.4	13,084	6,248	6,836
(2) Purchasing raw materials, in particular diamonds	27.4	11,065	11,065	—
(3) Upgrading our Enterprise Resource Planning Systems (“ERP system”) together with Information Technology (“IT”) infrastructure upgrade	16.5	6,663	6,442	221
(4) Development and enhancement of design capability	13.7	5,532	5,532	—
(5) Additional working capital and other general corporate purposes	<u>10.0</u>	<u>4,038</u>	<u>4,038</u>	<u>—</u>
TOTAL	<u>100</u>	<u>40,382</u>	<u>33,325</u>	<u>7,057</u>

The unutilised net proceeds have been deposited with licensed bank in Hong Kong.

Reasons for and expected change in use of Proceeds

In view of the recent slowdown of sales in Russian and American markets, the Group has relentlessly applied stringent cost controls by streamlining business operations and optimising utilisation. Having considered the challenging market conditions and uncertainties expected to be subsisting in the foreseeable near term and taking into account the scale and capacity of the Group’s existing operational production facilities, the Board considers it appropriate and prudent to suspend the development of the Nansha Property and to apply the remaining Proceeds of HK\$6,836,000 originally allocated for fitting out and decoration of the Nansha Property towards working capital and general corporate purposes of the Group to better support its financial resources and liquidity management.

In addition, having reviewed the Group’s current ERP system and IT infrastructure, the Board considers that the upgrades made to date are relatively sufficient for the time being and therefore considers it appropriate to redeploy the insignificant balance Proceeds of HK\$221,000 towards working capital and general corporate purposes of the Group for more efficient use of financial resources.

In view of the above, the Board has resolved to change the aggregate unutilised Proceeds of approximately HK\$7,057,000 to working capital and general corporate purposes. The Board considers that the reallocation of unutilised Proceeds to the general working capital and general corporate purposes would be more in line with the current business needs of the Company, and would enable the Group to deploy its financial resources in a more efficient and effective manner, and thus enhancing operational efficiency of the Group and allowing the Group to seize potential business opportunity in the future. The Board therefore considers such change in the use of Proceeds is fair and reasonable and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	KTL International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 442)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement

“Completion Date”	the third Business Day after satisfaction of the condition set out in paragraph (iv) as detailed in the section headed “Conditions” in accordance with the Sale and Purchase Agreement or such other date as may be agreed between the Parties in writing
“Composite Offer Document”	the composite offer and response document to be jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offer (including the expected timetable), the recommendation from the Independent Board Committee to the Independent Shareholders and the advice from the independent financial adviser to the Independent Board Committee in respect of the Offer
“Conditions”	the conditions precedent to Completion, as more particularly set out in the section headed “Conditions” in this joint announcement
“Consideration”	the total consideration for the sale and purchase of the Sale Shares payable by the Purchaser to the Vendor
“Corporate Guarantees”	all the corporate guarantees given by the Company in favour of any third parties, including but not limited to any financial institutions, landlords of all the premises leased by the Group and other third parties to guarantee the repayment of the Existing Financial Indebtedness by the relevant subsidiaries of the Company
“Designated Account”	a new bank account in the name of the Company to be opened or the mandate of an existing bank account in the name of the Company be amended in which the relevant signatories and bank mandates are in the name of such person(s) nominated by the Purchaser, on or before the Completion Date
“Directors”	directors of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the executive director of the Corporate Finance Division of the SFC or any of his delegates

“Existing Financial Indebtedness”	the amount of financial indebtedness guaranteed by the Corporate Guarantees and due by the members of the Remaining Group as at the Completion Date
“Group”	the Company together with the subsidiaries and the expressions “member of the Group” and “Group Company” shall be construed accordingly
“Guarantors”	Kei York Pang Victor and Li Man Chun
“HKICM”	Hong Kong International Capital Management Limited, a licensed corporation to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, a co-financial adviser to HNA Aviation Investment
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong, which has been established by the Company to advise the Independent Shareholders in relation to the terms and conditions of the Offer
“Independent Shareholders”	in respect of the Offer, the holders of Shares, other than the Offeror and parties acting in concert with it
“Last Trading Day”	13 December 2016, being the last trading day for the Shares immediately prior to the suspension in the trading of the Shares on the Stock Exchange pending the publication of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2017 or such later date as may be agreed in writing by the Vendor and the Purchaser
“Nansha Property”	the property located in Nansha District, Guangzhou, Guangdong Province, the PRC
“Offer”	the possible mandatory unconditional cash offer to be made by CCB International Capital Limited for and on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) in compliance with the Takeovers Code
“Offer Price”	the price at which the Offer will be made, being HK\$6.05 per Offer Share

“Offer Share(s)”	all the issued Shares other than those already owned or agreed to be acquired by the Offeror when the Offer is made
“Offeror” or “Purchaser” or “HNA Aviation Investment”	HNA Aviation Investment Holding Company Ltd, a company incorporated in the Cayman Islands with limited liability, and an indirect non-wholly owned subsidiary of HNA Group Co., Ltd.
“Overseas Shareholders”	Independent Shareholders whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“Parties”	Vendor, Offeror and Guarantors
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proceeds”	the net proceeds received from the Hong Kong public offering and the international placing of Shares by the Company
“Remaining Group”	the Group Companies as at the date of the Sale and Purchase Agreement other than the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 13 December 2016 entered into among the Vendor, the Purchaser and the Guarantors in respect of the sale and purchase of the Sale Shares
“Sale Shares”	98,304,016 Shares, representing approximately 61.44% of the issued share capital of the Company as at the date of this joint announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	KTL International Holdings Limited

“Warranties”	the representations, warranties and indemnities given by the Vendor, and any other representations, warranties and undertakings made by or on behalf of the Company in the Sale and Purchase Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar, the lawful currency for the time being of the United States of America
“%”	per cent

By order of the board of directors
**HNA Aviation Investment Holding
Company Ltd**
Wu Hao
Director

By order of the Board
KTL International Holdings Group Limited
Kei York Pang Victor
Co-Chairman and Executive Director

Hong Kong, 21 December 2016

As at the date of this joint announcement, the executive Directors are Mr. Kei York Pang Victor, Mr. Li Man Chun, and Mr. Kei Yeuk Lun Calan; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.

The Directors jointly and severally accept full responsibility for the accuracy of the information relating to the Group, the Vendor and the Guarantors contained in this joint announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by the Group, the Vendor and the Guarantors in this joint announcement 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 of this joint announcement, the directors of HNA Aviation Investment are Mr. Li Rui and Mr. Wu Hao.

The directors of HNA Aviation Investment jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Vendor and the Guarantors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Group, the Vendor and the Guarantors) 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 statements in this joint announcement misleading.

As at the date of this joint announcement, the directors of HNA Group are Mr. Chen Feng, Mr. Wang Jian, Mr. Li Xianhua, Mr. Tan Xiangdong, Mr. Chen Wenli, Mr. Lu Ying, Mr. Huang Gan, Mr. Zhang Ling and Mr. Huang Qijun.

The directors of HNA Group jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Vendor and the Guarantors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Group, the Vendor and the Guarantors) 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 statements in this joint announcement misleading.