

27 January 2017

To the Independent Shareholders

Dear Sir or Madam,

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
THE MANDATORY UNCONDITIONAL CASH OFFER 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 SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
HNA AVIATION INVESTMENT HOLDING COMPANY LTD)**

INTRODUCTION

On 21 December 2016, the Offeror and the Company jointly announced that, on 13 December 2016, the Offeror, the Vendor and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to purchase the Sales Shares (representing approximately 61.44% of the entire issued share capital of the Company as at the Latest Practicable Date) for an aggregate consideration of HK\$594,739,297 (equivalent to approximately HK\$6.05 per Sale Share) payable in accordance with the Sale and Purchase Agreement.

As part of the consideration under the Sale and Purchase Agreement will be settled after Completion as disclosed in the Joint Announcement, the Vendor is presumed to be acting in concert with the Offeror under class (9) of the definition of “acting in concert” in the Takeovers Code.

Immediately after the Completion which took place on 29 December 2016 and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it were interested in 98,304,016 Shares (representing approximately 61.44% of the entire issued share capital of the Company). Accordingly, the Offeror was required under Rule 26.1 of the Takeovers Code 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).

This letter forms part of this Composite Offer Document and sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and its intentions in relation to the Group. Further details of the Offer are also set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” and the appendices as set out in this Composite Offer Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

THE OFFER

CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, hereby unconditionally make the offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror), on the terms set out in this Composite Offer Document in accordance with the Takeovers Code and on the following basis:

For each Offer Share accepted under the Offer HK\$6.05 in cash

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

On the basis that 160,000,000 Shares are in issue as at the Latest Practicable Date, the entire issued Shares of the Company would be valued at HK\$968,000,000. As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities carrying conversion or subscription rights that would affect the issued share capital of the Company. As the Offeror owns 98,304,016 Shares, the remaining 61,695,984 Shares will be subject to the Offer and assuming that there is no change in the number of issued share capital of the Company prior to the Closing Date, the maximum amount of cash payable by the Offeror in respect of the Offer would be approximately HK\$373,260,703 based on the Offer Price.

The Offer is unconditional in all respects. 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 this Composite Offer Document.

Save for the Sale Shares, the Company has no outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

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;
- (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 report of the Company for the six months ended 30 September 2016; and
- (ix) a premium of approximately 0.2% to the closing price of HK\$6.040 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$6.04 per Share on 30 December 2016, 6 January 2017, 9 January 2017 and 24 January 2017 and HK\$2.94 per Share on 8 July 2016, 11 July 2016 and 12 July 2016 respectively.

Financial resources available for the Offer

The total cash consideration will be funded by the Offeror's internal resources. There is no arrangement in relation to any facilities under which the payment of interest on, repayment of or security for any liability, contingent or otherwise, will depend, to any significant extent, on the business of the Company.

CCBI and HKICM have been appointed as the co-financial advisers to the Offeror in respect of the Offer. CCBI and HKICM, as co-financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

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.

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 this 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. From the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by the Company.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Offer Document until 4:00 p.m. (Hong Kong time) on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Acceptance of the Offer tendered by the Independent Shareholders shall be unconditional and irrevocable once given and cannot be 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).

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.

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).

INFORMATION OF THE COMPANY

Details of the information on the Company are set out in the “Letter from the Board” in this Composite Offer Document.

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 of 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.

OFFEROR'S INTENTION ON THE COMPANY

Reasons for the Offer

Upon Completion, HNA Aviation Investment became the controlling shareholder of the Company and is interested in approximately 61.44% of the total issued share capital of the Company.

HNA Group is a PRC conglomerate which invests and operates in many industries. HNA Aviation Investment intends to leverage on the Hong Kong presence of the Company to develop the businesses of HNA Group and to formulate business strategies for the Group following a review of the operations of the Company as further described in the section headed "Business" below. HNA Aviation Investment considers the Offer to be in its and the Company's long term commercial interests.

Business

Following close of the Offer, HNA Aviation Investment intends that the Group will continue with its existing businesses. Following close of the Offer, 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 for the proposed disposal of the Nansha Property to a third party independent of the Company as contemplated under the Sale and Purchase Agreement (such disposal is on a best effort basis as set out in the Joint Announcement and therefore may or may not proceed), as at the Latest Practicable Date, 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. Further details and status of the Nansha Property are contained in the "LETTER FROM THE BOARD" contained in this Composite Offer Document.

Employment

HNA Aviation Investment has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment, save for the proposed change of Board composition as detailed in the section headed "Proposed Change to the Board Composition" below.

PROPOSED CHANGE TO THE BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Kei York Pang Victor, Mr. Li Man Chun and Mr. Kei Yeuk Lun Calan, and three independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong. Pursuant to the Sale and Purchase Agreement and in compliance with Rule 7 of the Takeovers Code, all the current executive Directors have tendered their resignations to the Board with effect from 17 February 2017, the earliest date permitted under the Takeovers Code.

The Offeror intends to nominate three executive Directors, namely Mr. Nang Qi, Mr. Xue Qiang and Mr. Chen Peiliang to the Board after despatch of this Composite Offer Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any appointment of new Directors of the Company.

As at the Latest Practicable Date, none of the New Directors holds any Shares.

The biographical details of Mr. Nang Qi, Mr. Xue Qiang and Mr. Chen Peiliang (together, the “**New Directors**”) are set out below:

Mr. Nang Qi (囊麒) (“**Mr. Nang**”), aged 33, is the director, president and chief executive officer of HNA Catering Holdings Co., Ltd (海航食品控股有限公司), the executive director of Micro- Bonus Points Internet Technology Company Limited* (微積分互聯科技有限責任公司). Mr. Nang is also the director of Gategroup Holding AG, a company listed on SWX Swiss Exchange (stock code: GATE), and the director of Virgin Australia Holdings Limited, a company listed on the Australian Securities Exchange (stock code: VAH). Mr. Nang obtained a bachelor’s degree in Electrical Engineering and Automation Engineering in 2006 from the Civil Aviation University of China (中國民航大學) in the PRC. Mr. Nang has held various other positions previously within the HNA Group’s companies including deputy general manager of the finance department and deputy general manager of the procurement management department at HNA Group Co., Ltd. (海航集團有限公司), the executive deputy director of the aircraft introduction centre (飛機引進中心) and the chief innovation officer at HNA Aviation Group Co., Ltd. (海航航空集團有限公司), and the chief innovation officer at HNA Tourism Group Co., Ltd. (海航旅業集團有限公司).

Mr. Xue Qiang (薛強) (“**Mr. Xue**”), aged 38, is the director and chief financial officer of HNA Catering Holdings Co., Ltd (海航食品控股有限公司), director of E-Food Co., Ltd.* (易食控股有限公司), director of Wuhan E-Food Railway Catering Services Co., Ltd* (武漢易食鐵路餐飲服務有限公司), director of Tianjin Easylife Credit Co., Ltd (天津易生小額貸款有限公司), director of Hainan E-Food Science and Technology Industry Co., Ltd (海南易食食品科技產業有限公司), and director of Beijing Tongzhou CDB Village Bank Co., Ltd. (北京通州國開村鎮銀行股份有限公司). Mr. Xue obtained a bachelor’s degree in Certified Public Accountants Specialized* (註冊會計師專門化) in 2002 from the Jiangxi University of Finance and Economics (江西財經大學) in the PRC. Mr. Xue has held various other positions previously within the HNA Group’s companies including assistant to the president of HNA Yisheng Holdings Limited (海航易生控股有限公司), chief financial officer of HNA-Caissa

Travel Group Co., Ltd (海航凱撒旅遊集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000796), and vice president and chief financial officer of E-Food Co., Ltd.* (易食控股有限公司).

Mr. Chen Peiliang (陳佩良) (“**Mr. Chen**”), aged 35, is the chief investment officer of HNA Catering Holdings Co., Ltd (海航食品控股有限公司). Mr. Chen obtained a master’s degree in business administration in 2007 from the De La Salle University in the Philippines. Mr. Chen was previously an assistant to the president of West Air Co., Ltd. (西部航空有限責任公司).

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

Further, as the Offeror holds approximately 61.44% of the entire issued share capital of the Company upon Completion and as at the Latest Practicable Date, it expects to hold more than 50% of the total number of issued Shares after the close of the Offer. The Offeror will therefore not incur an obligation to make a general offer pursuant to the Takeovers Code if it makes further purchase(s) of Shares after the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange had stated that if, upon the close 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.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

In the event that the public float of the Company falls below 25% upon close of the Offer, the directors of the Offeror and the new Directors to be nominated by the Offeror and appointed by the Board have jointly and severally 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 close of the Offer to ensure that sufficient public float exists for the Shares.

Therefore, upon the close 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.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Independent Shareholder whose name appears first in the said register of members. None of the Offeror, the Company and their respective ultimate beneficial owners and parties acting in concert with any of them, CCBI, HKICM, the Registrar, the company secretary of the Company or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Offer Document and the accompanying Form of Acceptance, which form part of this Composite Offer Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" and other information about the Group, which are set out in this Composite Offer Document.

Yours faithfully,
For and on behalf of
CCB International Capital Limited



Gilman Siu

Managing Director, Head of Mergers & Acquisition