THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **AVIC International Holding (HK) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

AVIC

AVIC International Holding (HK) Limited
中國航空工業國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

MAJOR TRANSACTION

A notice convening a special general meeting of AVIC International Holding (HK) Limited to be held at Park Lane Room VII, 28th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong, on Wednesday, 22 May 2013 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 10:00 a.m. shall have been concluded or adjourned) is set out on pages 49 to 51 of this circular. Whether or not you propose to attend the meeting, you are requested to read the notice and to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

6 May 2013

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2012 Disposal Agreement"	the disposal agreement dated 26 May 2012 (as amended and supplemented by an agreement dated 1 June 2012) entered into between the Vendors, the Management Shareholders, the Purchaser and MIG in relation to the Disposal at a total consideration of HK$1,500,000,000 (of which, the aggregate consideration for Kingspot's interest is HK$339,900,000)
"Alliance"	Alliance Elegant Limited, a company incorporated in the BVI with limited liability
"Announcement"	announcement of the Company dated 10 April 2013
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Peace Map Information"	北京天下圖信息技術有限公司 (Beijing Peace Map Information and Technology Limited*), a wholly foreign owned enterprise incorporated in the PRC, which is indirectly wholly-owned by the Target Company through Peace Map Information
"Bidfast"	Bidfast Investment Limited, a company incorporated in the BVI with limited liability
"Board"	the board of Directors
"Broadlink"	Broadlink Enterprises Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Management Shareholders
"Business Day"	a day (excluding a Saturday, Sunday and 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 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business during their normal business hours
"BVI"	the British Virgin Islands

"CATIC Siwei"	四維航空遙感有限公司 (CATIC Siwei Co., Ltd.*), a company incorporated in the PRC
"CEIH"	China Environmental Investment Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 260)
"Company"	AVIC International Holding (HK) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 232)
"Completion"	completion of the Disposal
"Completion Date"	the third Business Day after the fulfillment (or waiver, as the case may be) of the conditions precedent to the Sale and Purchase Agreement or such other date as may be agreed by the Vendors and the Purchaser in writing
"connected persons"	has the meaning as ascribed to it under the Listing Rules
"Convertible Notes"	a zero coupon convertible note in the aggregate principal amount of up to HK$900,000,000 (comprising the Tranche A Convertible Notes, the Tranche B Convertible Notes and the Deferred Convertible Notes, initially repayable in 5 years from the date of issue, with the Conversion Price being HK$0.25 per Conversion Share (subject to adjustment), to be issued by MIG to the Vendors as part payment of the consideration of the Disposal in accordance with the Sale and Purchase Agreement
"Conversion Price"	the initial conversion price of HK$0.25 per Conversion Share (subject to adjustment) upon the exercise of the conversion rights attaching to the Convertible Notes
"Conversion Shares"	a total of up to 3,600,000,000 new MIG Shares with a par value of HK$0.25 each in the capital of MIG, credited as fully paid, to be allotted and issued by MIG free from all encumbrances upon exercise of the conversion rights attaching to the Convertible Notes in full

"Deferred Convertible Notes"	the Tranche A Convertible Notes in the aggregate principal amount of up to HK$80,000,000 (subject to adjustment) to be issued to the relevant Vendor after the PAT Certificate has been delivered to the Purchaser
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreement
"Grandest"	Grandest International Limited, a company incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Kingspot"	Kingspot Investment Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"Last Trading Day"	8 April 2013, being the last trading day on which the MIG Shares were traded on the Stock Exchange prior to date of the Announcement
"Latest Practicable Date"	2 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2013 or such other date as the Vendors and the Purchaser may agree in writing
"Management Shareholders"	the existing shareholders of Broadlink
"Maturity Date"	the 5th anniversary of the date of issue of the Convertible Notes, if such date is not a Business Day, the Business Day next following such date

"MIG"	Mongolia Investment Group Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 402)
"MIG Placing"	the proposed placement of not less than 2,400,000,000 new MIG Shares by MIG at an offer price of not less than HK$0.25 per each new MIG Share
"MIG Share(s)"	ordinary share(s) of HK$0.25 each in the share capital of MIG
"Noteholder(s)"	holder(s) of the Convertible Notes
"PAT"	the audited consolidated net profit after taxation of the Target Group attributable to the owners of the Target Company (net of minority interests) for the financial year ending 31 December 2013
"PAT Certificate"	the relevant certificate of the amount of PAT and adjustment (if any) to the consideration of the Disposal to be issued by auditors, as engaged by the Purchaser, to the Vendors and the Purchaser
"Peace Map"	北京天下圖數據技術有限公司 (Peace Map Co. Ltd.*), a company incorporated in the PRC
"Peace Map Group"	Peace Map and its subsidiaries
"Peace Map Information"	Peace Map Information Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Target Company
"Possible Conversion"	the exercise by Kingspot of part or all of the conversion right attached to the Convertible Notes held by it from time to time to the extent that such conversion, when aggregated with any MIG Share acquired by the Group within a 12 month period prior to such conversion, will constitute a major transaction or a lower category of notifiable transaction of the Company
"PRC"	The People's Republic of China

"Purchaser"	Jichang Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of MIG
"Remaining Group"	the Group immediately after the Disposal
"Sale and Purchase Agreement"	the sale and purchase agreement dated 8 April 2013 entered into between the Vendors, the Management Shareholders, the Purchaser and MIG in relation to the Disposal
"Sale Shares"	all the issued shares of the Target Company at Completion
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting(s) of the Company to be convened and held on Wednesday, 22 May 2013 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and the same place at 10:00 a.m. shall have been concluded or adjourned) at Park Lane Room VII, 28th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong to consider and approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Possible Conversion
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Structural Agreements"	a series of contracts dated 22 October 2012 entered into between, inter alia, Beijing Peace Map Information and Peace Map and/or its shareholders to provide Beijing Peace Map Information with effective control over the business and affairs of the Peace Map Group and from which substantial economic benefits and risks arising from the principal activities of the Peace Map Group have been transferred to Beijing Peace Map Information
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong
"Target Company"	Sinbo Investment Limited, a company incorporated in the BVI with limited liability which is held as to approximately 63.39%, 22.66%, 7.59%, 4.51% and 1.85% by Broadlink, Kingspot, Alliance, Bidfast and Grandest respectively
"Target Group"	the Target Company and its subsidiaries
"Tranche A Convertible Notes"	the Convertible Notes in the aggregate principal amount of HK$600,000,000 (including the Deferred Convertible Notes in the aggregate principal amount of HK$80,000,000, subject to adjustment) to be issued to the Vendors as part payment of the consideration of the Disposal
"Tranche B Convertible Notes"	the Convertible Notes in the aggregate principal amount of HK$300,000,000 to be issued to the Vendors as part payment of the consideration of the Disposal whose terms and conditions are identical to those of the Tranche A Convertible Notes in all material aspects except that, subject to the consent from MIG, the holders of the Tranche B Convertible Notes may request MIG to redeem all or any part of the Tranche B Convertible Notes on one or more occasions at any time prior to the Maturity Date
"Vendors"	collectively, Broadlink, Kingspot, Alliance, Bidfast and Grandest
"%"	per cent.

* *For identification purpose only*

AVIC International Holding (HK) Limited
中國航空工業國際控股(香港)有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 232)

Executive Directors:
Mr. Wu Guangquan *(Chairman)*
Mr. Ji Guirong *(Deputy Chairman and Chief Executive Officer)*
Mr. Pan Linwu (*Deputy Chairman*)
Mr. You Lei
Mr. Zhang Chuanjun

Non-executive director:
Mr. Ip Tak Chuen, Edmond

Independent non-executive Directors:
Mr. Chu Yu Lin, David
Mr. Li Ka Fai, David
Mr. Li Zhaoxi

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business:
Unit B, 15th Floor
United Centre
95 Queensway
Hong Kong

6 May 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the Announcement. On 8 April 2013, the Vendors and the Management Shareholders entered into the Sale and Purchase Agreement with the Purchaser and MIG, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares for a total consideration of HK$1,500,000,000 (subject to adjustment), which shall be satisfied as to (i) HK$600,000,000 by way of cash; (ii) HK$520,000,000 by the issue of the Tranche A Convertible Notes; (iii) HK$300,000,000 by the issue of the Tranche B Convertible Notes; and (iv) HK$80,000,000 (subject to adjustment) by the issue of the Deferred Convertible Notes.

Kingspot, a direct wholly-owned subsidiary of the Company, being one of the Vendors, will receive an aggregate consideration of HK$339,900,000 from the Disposal (subject to adjustment), which shall be satisfied as to (i) HK$135,960,000 by way of cash; (ii) HK$117,832,000 by the issue of the Tranche A Convertible Notes; (iii) HK$67,980,000 by the issue of the Tranche B Convertible Notes; and (iv) HK$18,128,000 (subject to adjustment) by the issue of the Deferred Convertible Notes. It is the current intention of Kingspot that it may exercise part or all of the conversion right attached to the Convertible Notes held by it from time to time, to the extent that such conversion will constitute a major transaction or a lower category of notifiable transaction of the Company.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Possible Conversion; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Remaining Group; and (iv) notice of the SGM.

THE SALE AND PURCHASE AGREEMENT

DATE: 8 April 2013

Parties

(i) the Vendors;

(ii) the Management Shareholders;

(iii) the Purchaser; and

(iv) MIG.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors (save and except for Kingspot which is a direct wholly-owned subsidiary of the Company), the Management Shareholders, the Purchaser, MIG and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons as at the Latest Practicable Date.

Assets to be disposed of

The Sale Shares (whereas Kingspot, being one of the Vendors, will dispose of its entire interests in the Sale Shares, representing approximately 22.66% of the issued share capital of the Target Company).

Consideration

The total consideration for the Sale Shares is HK$1,500,000,000 (subject to adjustment), which shall be satisfied as to (i) HK$600,000,000 by way of cash (of which HK$150,000,000 shall be paid to Broadlink as deposit (the "**Deposit**") on the first Business Day following the MIG Shares resume trading on the Main Board of the Stock Exchange and the balance of HK$450,000,000 will be settled at Completion); (ii) HK$520,000,000 by the issue of the Tranche A Convertible Notes at Completion; (iii) HK$300,000,000 by the issue of the Tranche B Convertible Notes at Completion; and (iv) HK$80,000,000 (subject to adjustment) by the issue of the Deferred Convertible Notes in the manner as set out in the paragraphs headed "Adjustment to consideration" below.

The consideration shall be payable by the Purchaser and MIG to the Vendors as follows:

(1) in respect of Kingspot, as to (i) HK$135,960,000 by way of cash; (ii) HK$117,832,000 by the issue of the Tranche A Convertible Notes; (iii) HK$67,980,000 by the issue of the Tranche B Convertible Notes; and (iv) HK$18,128,000 (subject to adjustment) by the issue of the Deferred Convertible Notes; and

(2) in respect of other Vendors, as to (i) HK$464,040,000 in aggregate by way of cash; (ii) HK$402,168,000 in aggregate by the issue of the Tranche A Convertible Notes; (iii) HK$232,020,000 in aggregate by the issue of the Tranche B Convertible Notes; and (iv) HK$61,872,000 in aggregate (subject to adjustment) by the issue of the Deferred Convertible Notes.

In the event that the MIG Placing is not completed in full and upon waiver of such condition precedent given by the Vendors, the Purchaser and MIG may elect (but are not obliged) to (i) request Broadlink to fully or partially return the Deposit; and/or (ii) irrespective of whether the request in (i) above has been made, settle all or any part of the cash consideration by the issue by MIG of additional Tranche A Convertible Notes in the corresponding aggregate principal amount to the relevant Vendors (the principal amount of the additional Tranche A Convertible Notes to be issued to each relevant Vendor would be pro rata to the respective numbers of the Sale Shares legally and beneficially owned by them bear to each other).

The consideration under the Sale and Purchase Agreement is subject to adjustment, details of which are set out in the paragraphs headed "Profit guarantee" and "Adjustment to consideration" below.

Application will be made by MIG for the listing of and permission to deal in the Conversion Shares. The Conversion Shares shall be issued on terms that they will rank pari passu in all respects with the ordinary shares of MIG in issue as at the date of issue and allotment save as regards any right to (a) dividend which may be declared or paid by MIG; or (b) any other form of shareholder's rights or benefits against MIG by reference to a record date which is prior to the actual date of issue and allotment of the relevant Conversion Shares.

Kingspot, being one of the Vendors, will receive an aggregate consideration of HK$339,900,000 from the Disposal (subject to adjustment), which was determined after arm's length negotiations between the Company and MIG and with reference to the price to earnings multiple of about 19 times as represented by the Disposal (the "**Disposal PE"**), and the PAT as guaranteed by the Vendors. In determining the Disposal PE, Kingspot has made reference to the price to earnings multiple of other listed companies which were engaged in business similar with that of the Target Group which were considered to be fair and representative samples by the Company. The Directors consider that it is fair and reasonable and in the interest of the Company and Shareholders as a whole to receive the consideration partly in Convertible Notes, being 60% of the consideration as determined after arm's length negotiation between the Vendors and MIG, as an investment of the Group.

As at the Latest Practicable Date, the Deposit has been received by Broadlink.

Profit guarantee

The Purchaser and the Vendors agreed that where the PAT is less than HK$80,000,000, the consideration of the Disposal shall be adjusted by deducting the sum equivalent to the shortfall between HK$80,000,000 and the amount representing the PAT (the "**Reduced Amount**") subject to a maximum deduction of the sum of HK$80,000,000.

Peace Map Group is principally engaged in aerial photography, aviation and aerospace remote sensing image data processing, provision of GIS software and solutions. It is expected that substantial amount will be made by the PRC government in procuring these kind of products and services. In 2012, the Peace Map Group has focused its resources in the research and development of software and equipments and expansion of its operation scale with an aim to enlarge its market share.

The PAT was determined after arm's length negotiation among the Vendors and MIG and principally with reference to the view of the Management Shareholders on the business prospects of the Peace Map Group taking into consideration of the historical track record of the Peace Map Group. The consideration is subject to a maximum deduction of HK$80,000,000 in case the PAT would be lower than the profit guarantee and thus Kingspot will receive its portion of the total consideration after adjustment of HK$1,420,000,000 at minimum from the Disposal. Taking into account of the above, the Directors consider that it is a good opportunity for the Group to realize its investment in the Target Company and the profit guarantee is fair and reasonable.

Adjustment to consideration

In the event the PAT is less than HK$80,000,000, the Vendors shall be severally responsible to settle the Reduced Amount pro rata to the respective principal amount of the Convertible Notes legally and beneficially owned by them bear to each other. MIG shall, within 5 Business Days after the relevant PAT Certificate has been delivered to the Purchaser, issue the Deferred Convertible Notes to each relevant Vendor for the principal amount less the respective pro rata portions of the Reduced Amount attributable to each relevant Vendor.

Kingspot shall be responsible to settle the Reduced Amount by reducing the principal amount of the Deferred Convertible Notes in the sum equal to the Reduced Amount multiplied by its 22.66% interests in the Target Company.

In the event the PAT is equal to or more than HK$80,000,000, there shall be no adjustment to the consideration of the Disposal. The Deferred Convertible Notes in the aggregate principal amount of HK$80,000,000 shall be issued to each relevant Vendor within 5 Business Days after the relevant PAT Certificate has been delivered to the Purchaser and shall become freely transferable and convertible for Conversion Shares by each relevant Vendor.

Conditions Precedent

Completion is conditional upon:

(a) (if required) the passing of the necessary resolutions by the Shareholders (other than those who are required to abstain from voting by law, the Listing Rules, the Takeovers Code, the Stock Exchange, the SFC and/or the constitutional documents of the Company) at a special general meeting of the Company approving the execution, delivery and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(b) all Vendors' warranties under the Sale and Purchase Agreement being true and correct in all material respects and remaining so from the date thereof up to the Completion;

(c) the Vendors having delivered to the Purchaser an opinion issued by Tian Yuan Law Firm or such other lawyer qualified in the PRC and approved by the Purchaser, dated as of the Completion Date, in respect of each member of the Peace Map Group;

(d) the transactions contemplated under the Sale and Purchase Agreement will not trigger any requirements under the Takeovers Code requiring the making of a mandatory general offer for the acquisition of the entire share capital of MIG pursuant to the Takeovers Code;

(e) the certificate of incumbency and certificate of good standing in respect of the Target Company, in each case dated not more than 5 Business Days before the Completion Date, in form and substance satisfactory to the Purchaser, having been delivered to the Purchaser;

(f) all necessary consents as defined in the Sale and Purchase Agreement in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Vendors, including but not limited to such consents (if appropriate or required) of the Stock Exchange and the SFC and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made and/or obtained;

(g) the Purchaser having confirmed in writing that it is satisfied at its sole and absolute discretion with the results of the due diligence review of the Target Group and the Peace Map Group to be conducted under the Sale and Purchase Agreement or otherwise;

(h) the shareholders of MIG (other than those who are required to abstain from voting under the Listing Rules and the Takeovers Code) passing at an extraordinary general meeting of MIG resolutions approving the execution, delivery and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the purchase of the Sale Shares, the creation and issue of the Convertible Notes and the allotment and issue of the Conversion Shares;

(i) (if required) MIG having obtained the approval of the authority under all applicable laws in respect of the increase in the authorised share capital of MIG, the creation and issue of the Convertible Notes and the allotment and issue of the Conversion Shares to each of the relevant Vendors;

(j) MIG having obtained an approval at its own cost from the Stock Exchange for the listing of and permission to deal in the Conversion Shares and such listing and permission not being subsequently revoked prior to the allotment and issue of the Conversion Shares;

(k) all MIG warranties under the Sale and Purchase Agreement being true and correct in all material respects and remaining so from the date thereof up to Completion;

(l) the Stock Exchange not having indicated that it will treat (I) the transactions contemplated under the Sale and Purchase Agreement as a "reverse takeover" under Rule 14.06(6) of the Listing Rules and/or (II) MIG as a new listing applicant under Rule 14.54 of the Listing Rules;

(m) the MIG Shares remaining listed and traded on the Stock Exchange at all times from the date thereof up to Completion, save for (i) any temporary suspension not exceeding 15 (fifteen) consecutive trading days or (ii) suspension resulting from compliance with the Listing Rules for the purposes of consummation of the transactions contemplated under the Sale and Purchase Agreement, or such longer period as the Vendors may accept in writing, and no indication being received by MIG on or before Completion from the Stock Exchange to the effect that the listing of the MIG Shares on the Stock Exchange will or may be withdrawn or objected to as a result of Completion or in connection with the terms of the Sale and Purchase Agreement or any documents contemplated thereunder;

(n) all necessary consents as defined in the Sale and Purchase Agreement in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Purchaser and MIG, including but not limited to such consents (if appropriate or required) of the Stock Exchange and the SFC and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made and/or obtained; and

(o) MIG having completed the MIG Placing.

Each of the Vendors and the Management Shareholders shall (insofar as it is within its power to do so) use its best endeavours to procure the fulfilment of all the conditions set out in (a) to (f) above as soon as practicable after the signing of the Sale and Purchase Agreement and in any event before the Long Stop Date. The Purchaser may waive in writing the conditions set out in (b) and (e) above at its own discretion.

Each of the Purchaser and MIG shall (insofar as it is within its power to do so) use its best endeavours to procure the fulfilment of all the conditions set out in (g) to (o) above as soon as practicable after the signing of the Sale and Purchase Agreement and in any event before the Long Stop Date. The Vendors may waive in writing the conditions set out in (k) to (o) above at their own discretion.

If any of the above conditions shall not have been fulfilled (or waived, as the case may be) on or before the Long Stop Date, Broadlink shall refund the Deposit (without any accrued interests whatsoever) in full to the Purchaser and the Sale and Purchase Agreement shall cease and determine. No party to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

Completion

Subject to the terms and provisions of the Sale and Purchase Agreement, the Completion shall take place on the Completion Date. Unless the sale and purchase of all Sale Shares is completed simultaneously, the Vendors and/or the Purchaser and/or MIG (as the case may be) are not obliged to complete the sale and purchase of any of the Sale Shares. Upon Completion, the Group will cease to have any equity interest in the Target Company.

Undertaking

Each of the Vendors irrevocably and unconditionally undertakes to the Purchaser and MIG that, during the period of 12 months after the Completion Date, if any of the Vendors exercise any conversion rights under the Convertible Notes, the relevant Vendor shall not sell or dispose of any Conversion Shares convertible thereunder or otherwise enter into any agreement or commitment to give or create any of the foregoing.

THE CONVERTIBLE NOTES

Pursuant to the Sale and Purchase Agreement, MIG will issue the Convertible Notes in an aggregate principal amount of HK$900,000,000 (subject to adjustment), comprising (a) the Tranche A Convertible Notes and the Tranche B Convertible Notes in an aggregate principal amount of HK$520,000,000 and HK$300,000,000, respectively, to be issued at Completion; and (b) the Deferred Convertible Notes in an aggregate principal amount of HK$80,000,000 (subject to adjustment) to be issued in the manner as set out in the paragraphs headed "Adjustment to consideration" above to the relevant Vendors as part payment of the consideration of the Disposal.

The terms and conditions of the Tranche A Convertible Notes and the Tranche B Convertible Notes are identical to each other in all material aspects except that the holder of the Tranche B Convertible Notes could, subject to the consent of MIG, request MIG to redeem all or any part of the Tranche B Convertible Notes on one or more occasions at any time prior to the Maturity Date and they have been negotiated on an arm's length basis. The principal terms of the Convertible Notes are summarised as follows:

Issuer	:	MIG
Aggregate principal amount	:	HK$900,000,000
Maturity date	:	the 5th anniversary of the date of issue of the Convertible Notes or, if such date is not a Business Day, the Business Day next following such date.
Interest	:	The Convertible Notes will not bear any interest.
Conversion price	:	HK$0.25 per Conversion Share (subject to adjustment), representing: (i) a discount of approximately 1.96% over the closing price of HK$0.255 per MIG Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 0.64% over the average closing price of HK$0.2516 per MIG Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; (iii) a premium of approximately 99.84% to the unaudited net asset value of HK$0.1251 per MIG Share on the basis of 1,839,596,000 MIG Shares in issue as at 31 March 2013 and taking into account the unaudited consolidated net asset value attributable to owners of MIG of HK$230,225,000 as at 30 September 2012.

Adjustment to conversion price : The adjustments for the conversion price, among others, include the following:

(i) an alteration of the nominal amount of the MIG Shares by reason of any consolidation or subdivision or reclassification;

(ii) an issue (other than in lieu of a cash dividend) by MIG credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution being made by MIG, save and except any normal cash dividend paid out of the aggregate net profits of MIG distributable to holders (in their capacity as such) of the MIG Shares (whether on a reduction of capital or otherwise), or a grant to such holders rights to acquire for cash assets of MIG or any of its subsidiaries;

(iv) an offer to holders of the MIG Shares for subscription by way of rights, or a grant to holders of the MIG Shares any options or warrants to subscribe for new MIG Shares, at a price which is less than 90 per cent of the market price at the date of the announcement of the terms of the offer or grant;

(v) an issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new MIG Shares, and the total effective consideration per MIG Share initially receivable for such securities is less than 90 per cent of the market price at the date of the announcement of the terms of issue of such securities;

(vi) a modification of the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above so that the total effective consideration per MIG Share initially receivable for such securities shall be less than 90 per cent of the market price at the date of the announcement of the proposal for such modification;

(vii) any issue wholly for cash any MIG Shares at a price per MIG Share which is less than 90 per cent of the market price at the date of the announcement of the terms of such issue;

(viii) any issue of MIG Shares for the acquisition of asset at a total effective consideration per MIG Share which is less than 90 per cent of the market price at the date of the announcement of the terms of such issue; or

(ix) where MIG or the Noteholder determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in (i) to (viii) above) or that an adjustment should not be made or should be made on a different basis (even if the relevant event or circumstance is specifically provided for in (i) to (viii) above), or that the effective date for the relevant adjustment should be a date other than that mentioned in (i) to (viii) above.

The Directors believe that the adjustments to conversion price are customary.

Transferability : The Convertible Notes shall be freely transferable provided that the principal amount to be assigned or transferred is at least HK$1,000,000 unless the amount of the outstanding Convertible Notes is less than HK$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred. The Convertible Notes may be assigned or transferred with the prior consent (if required) of the Stock Exchange to any party other than any connected person of MIG.

Conversion : Subject to the undertaking stated in the paragraphs headed "Undertaking" above and the conversion restrictions stated below, the Noteholders can convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares at any time from time to time, from the date of issue, over the period during which the Convertible Notes remain outstanding in amounts of not less than HK$1,000,000 on each conversion. If the whole principal outstanding amount is less than HK$1,000,000, the whole (but not part only) amount of the Convertible Notes may be converted.

No fraction of a Conversion Share will be issued on conversion but an equivalent payment in Hong Kong dollars will be made to the Noteholders in respect of such fraction in such manner as MIG shall in its absolute discretion thinks fit (except in cases where any such cash payment would amount to less than HK$1).

Conversion restrictions : The Noteholders shall not have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares:

(a) to the extent that immediately after such conversion the Noteholder, whether alone or together with parties acting in concert (as defined in the Takeovers Code) with it, will control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of MIG; or

(b) to the extent that immediately after such conversion there will not be sufficient public float of the MIG Shares as required under the Listing Rules.

Voting : The Noteholders will not be entitled to attend or vote at any general meetings of MIG.

Listing	:	The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The conversion price of the Convertible Notes was determined based on the recent closing price of MIG Share and after arm's length negotiation between the Vendors and MIG. Taking into account that (i) the Convertible Notes are regarded as investment of the Group and, subject to the undertaking and conversion restrictions mentioned above, the Group may transfer its portion of the Convertible Notes, or exercise its conversion right under the Convertible Notes at or prior to the Maturity Date and dispose of the relevant Conversion Shares, when the transfer price of the Convertible Notes or the stock price of MIG reaches the target level of the Group; (ii) despite the conversion price represented a slight discount of the closing price of MIG Share as quoted on the Stock Exchange on the Last Trading Day and a premium over the unaudited net asset value per MIG Share as at 30 September 2012, it is expected that the diversification of business of MIG through acquisition of the equity interests in the Target Group will impose positive impact on the operating performance and/or stock price performance of MIG in the future; (iii) the adjustments to conversion price are customary; and (iv) the basis of consideration of the Disposal, including the basis of the Conversion Price, is the same as that of the other Vendors which are independent from both the Company and the Purchaser, the Directors consider that the terms of the Conversion Notes, in particular, the Conversion Price and the zero coupon rate, are fair and reasonable and in the interest of the Company and Shareholders as a whole.

POSSIBLE CONVERSION

It is the current intention of Kingspot that it may exercise part of or all of the conversion right attached to the Convertible Notes held by it from time to time, to the extent that such conversion will constitute a major transaction or a lower category of notifiable transaction of the Company.

According to the latest published information on the website of the Stock Exchange, MIG had 1,839,596,000 MIG Shares as at 31 March 2013. Assuming (a) there were and will be no further issue or repurchase of MIG Shares and no exercise of any outstanding option or conversion rights attaching to any convertible note of MIG after 31 March 2013; (b) the MIG Placing has been completed in full; and (c) the conversion rights attaching to the Convertible Notes have been exercised in full by the Vendors, Kingspot will be allotted and issued 815,760,000 Conversion Shares, representing approximately 10.41% of the issued share capital of MIG as enlarged by the MIG Shares issued under the MIG Placing and the Conversion Shares.

The Group currently has no plan on the conversion of the Convertible Notes but will consider factors including but not limited to (i) the stock price performance of MIG Share; (ii) the operating performance of MIG; (iii) the conversion restrictions; and (iv) the Vendors' undertaking not to sell or dispose of the Conversion Shares during the period of 12 months after the Completion Date as mentioned above in determining the exercise of the conversion rights with an aim to maximize Shareholders' return by way of the Possible Conversion. Save as mentioned above, there is no mutual agreement or understanding between the Company and other Vendors regarding the conversion of the Convertible Notes.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the aero-technology related business including the share of profit from the development, manufacture and distribution of helicopters, as well as the knitting and textile business.

INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company incorporated in the BVI with limited liability on 15 August 2011 and is held as to approximately 63.39%, 22.66%, 7.59%, 4.51% and 1.85% by Broadlink, Kingspot, Alliance, Bidfast and Grandest, respectively.

Beijing Peace Map Information, Peace Map and/or certain shareholders of Peace Map have entered into the Structural Agreements in October 2012 to provide Beijing Peace Map Information with effective control over the business and affairs of the Peace Map Group and from which substantial economic benefits and risks arising from the principal activities of the Peace Map Group have been transferred to Beijing Peace Map Information and thus the financial results of the Peace Map Group have been consolidated into the results of the Target Group.

A substantial amount of the revenue of the Target Group were generated from the Structural Agreements for the year ended 31 December 2012. As at 31 December 2012, the unaudited consolidated net asset value of the Target Group amounted to approximately HK$287.88 million.

INFORMATION ON PEACE MAP

Peace Map is a company duly incorporated in the PRC which (together with its subsidiaries) is principally engaged in aerial photography, aviation and aerospace remote sensing image data processing, provision of software and solutions relating to geographic information system (the "**GIS**"). The Board understands that the GIS is widely used in various sectors including business, healthcare, security, government, trade, media, transportation and tourism industries in the PRC.

Set out below is the consolidated financial information of the Peace Map Group as extracted from the PRC audited financial statements for the year ended 31 December 2011, and the updated management accounts for the year ended 31 December 2012 of the Peace Map Group:

	For the year ended 31 December 2011 (Audited) *RMB'000*	For the year ended 31 December 2012 (Unaudited) *RMB'000*
Turnover	156,536	200,913
Profit before taxation and extraordinary items	37,875	38,248
Profit after taxation and extraordinary items	32,781	35,223

As at 31 December 2012, the unaudited consolidated net asset value of the Peace Map Group amounted to approximately RMB162.65 million.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of MIG. MIG is a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 402). MIG is an investment holding company and its subsidiaries are principally engaged in the provision of maintenance and construction works on civil engineering contract in respect of waterwork engineering, road work and drainage and slope upgrading in Hong Kong, the provision of water supply services in the PRC as well as mining and exploration of mineral resources in Mongolia.

According to the annual report of MIG for the year ended 31 March 2012, revenue of the group of MIG was approximately HK$935.57 million (2011: HK$874.96 million), loss before income tax was approximately HK$1,799.09 million (2011: loss before income tax of approximately HK$458.39 million) and loss for the year was approximately HK$1,388.05 million (2011: loss of approximately HK$370.59 million). According to the interim report of MIG for the six months ended 30 September 2012, the unaudited net asset value of the group of MIG was approximately HK$229.60 million as at 30 September 2012.

FINANCIAL EFFECTS OF DISPOSAL

Upon Completion, the Group shall cease to have any equity interest in the Target Company, and shall receive, subject to adjustment, an aggregate consideration of HK$339.90 million from the Disposal, which shall be satisfied as to (i) HK$135.96 million by way of cash; and (ii) HK$203.94 million by the issue of the Convertible Notes.

According to the unaudited pro forma financial information of the Remaining Group, as set out in Appendix II to this circular, which illustrates the financial impact of the Disposal on the assets and liabilities of the Remaining Group as if the Disposal had been completed on 31 December 2012, if the PAT is not less than the profit guarantee of HK$80 million, the

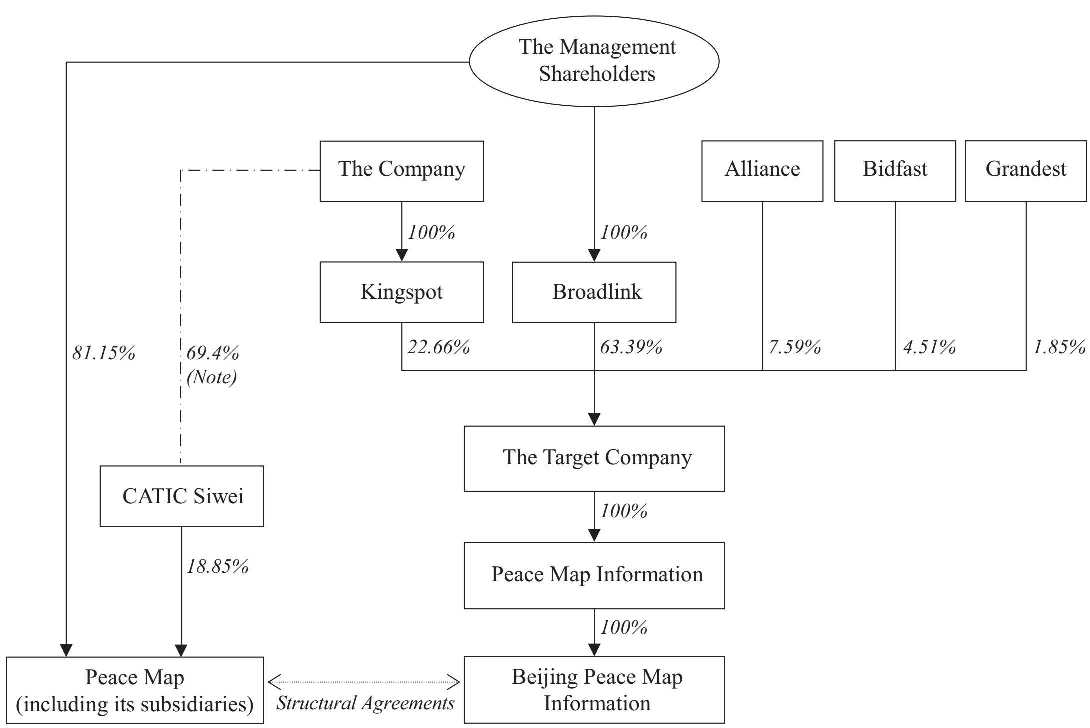
Remaining Group's (i) total assets would be increased by approximately HK$279.30 million; (ii) total liabilities would be increased by approximately HK$27.93 million; and (iii) gain after tax from the Disposal, before transaction costs, would be approximately HK$251.37 million. If the PAT is zero or less, the Remaining Group's (i) total assets would be increased by approximately HK$261.34 million; (ii) total liabilities would be increased by approximately HK$26.14 million; and (iii) gain after tax from the Disposal, before transaction costs, would be approximately HK$235.21 million.

The Group intends to apply the proceeds from the Disposal for the Group's future investment should there be any opportunity in the future and/or for the general working capital of the Group. As at the Latest Practicable Date, while the Group has not identified any investment target or nature of investment, it currently intends to reserve 20% of the proceeds for ad hoc projects with an aim to maximize Shareholders' return in long or short run and apply the balance of the proceeds as general working capital such as daily operation and administrative expenses.

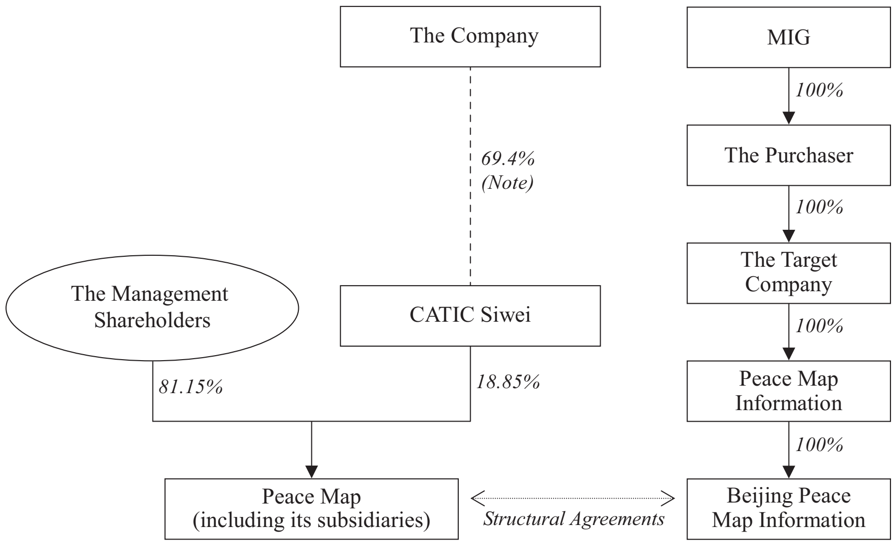
The abovementioned financial effects are shown for illustrative purpose only and the actual gain eventually to be recognised in the consolidated financial statements of the Company depends on the fair value of the Tranche A Convertible Notes, the Tranche B Convertible Notes and the Deferred Convertible Notes as at the Completion Date.

CORPORATE STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the shareholding structure of the Target Group upon Completion:



Note:

This investment in a jointly-controlled entity represents the Group's right to enjoy certain economic benefits derived from 69.4% equity interest in CATIC Siwei held by third parties. CATIC Siwei is registered as a co-operative joint venture under the PRC law. The Group is not a shareholder of CATIC Siwei. This relationship will remain unchanged upon Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal gives the Group an opportunity to realise investment gain, and it will be in the interest of the Target Group to have a separate listing platform for its future business development. The Conversion Notes are regarded as investment of the Group. MIG and its subsidiaries are principally engaged in the provision of maintenance and construction work on civil engineering contract in respect of waterwork engineering, road work, drainage and slope upgrading in Hong Kong, water supply service in the PRC, mining and exploration of mineral resource in Mongolia. As advised by the management of MIG, MIG has been actively seeking for investment opportunities to maximise its shareholders' value. In addition to the existing waterworks and mining business of MIG, the acquisition of the entire equity interests in the Target Company represents another milestone for the business diversification strategy of MIG.

Hence, the Directors are of the view that the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

COMPARISON TO THE 2012 DISPOSAL AGREEMENT

Reference is made to the Company's announcements dated 1 June 2012 and 21 August 2012. The Vendors and the Management Shareholders had entered into the 2012 Disposal Agreement with the Purchaser and MIG pursuant to which the Vendors had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Sale Shares for a total consideration of HK$1,500,000,000. However, the 2012 Disposal Agreement lapsed on 21 August 2012 as the conditions precedent were not all fulfilled on or before the long stop date, in particular,

(a) the Management Shareholders having completed the necessary filings and registration with the State Administration of Foreign Exchange of the PRC ("**SAFE**") under Article No. 75 issued by SAFE in relation to the transactions referred to and contemplated under such disposal agreement, save and except those in connection with the shareholding changes arising from the completion of the Disposal;

(b) the Structural Agreements having been entered into and taken effect and the equity pledge agreements, being part of the Structural Agreements, having been duly filed and registered with the relevant Administration for Industry and Commerce.

The above conditions precedent have now been fulfilled.

The main difference between the terms of the Sale and Purchase Agreement and the 2012 Disposal Agreement are as follows:

Under the 2012 Disposal Agreement, the total consideration of HK$1,500,000,000 for the Sale Shares was to be satisfied as to (i) approximately HK$88,350,000 in cash; (ii) approximately HK$204,637,000 by the allotment and issue of 818,548,000 MIG Shares; and (iii) approximately HK$1,207,013,000 by way of issue of the convertible notes at completion of the disposal.

Under the Sale and Purchase Agreement, the total consideration of HK$1,500,000,000 (subject to adjustment) for the Sale Shares shall be satisfied as to (i) HK$600,000,000 by way of cash (ii) HK$520,000,000 by the issue of the Tranche A Convertible Notes at Completion; (iii) HK$300,000,000 by the issue of the Tranche B Convertible Notes at Completion; and (iv) HK$80,000,000 (subject to adjustment) by the issue of the Deferred Convertible Notes.

The convertible notes to be issued under the 2012 Disposal Agreement would be subject to lock-up undertaking of 1 to 6 months after the completion of the disposal. Under the Sale and Purchase Agreement, the Tranche A Convertible Notes and Tranche B Convertible Notes are subject to lock-up undertaking of 12 months after the Completion Date.

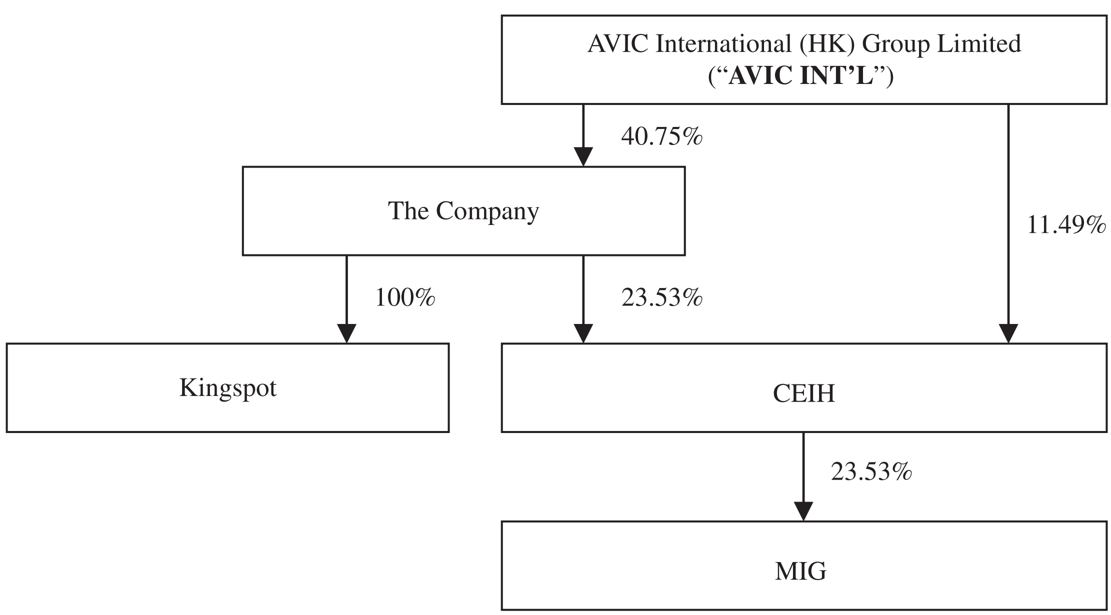
The Directors consider that the difference between the terms of the Sale and Purchase Agreement and the 2012 Disposal Agreement are primarily due to the difference in general market conditions at the relevant times, and are of the view that the terms under the Sale and Purchase Agreement, including the terms of the Convertible Notes and the settlement method, are fair and reasonable and in the interest of the Company and the Shareholders as a whole taking into account the terms under the 2012 Disposal Agreement.

GENERAL

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of (a) the disposal by Kingspot of its entire interests in the Sale Shares (representing approximately 22.66% of the issued share capital of the Target Company) exceed 25% but less than 75%, and (b) the Possible Conversion exceed 25% but less than 100%, the transactions contemplated under the Sale and Purchase Agreement (including the Possible Conversion) constitute a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Should Kingspot decide to exercise conversion rights attached to its portion of the Convertible Notes in the future which, when aggregated with any MIG Shares acquired by the Group within a 12 month period prior to such conversion, would constitute a higher category of notifiable transaction of the Company, the Company would comply with relevant reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules accordingly.

Set out below is a simplified corporate structure chart of the Group as at the Latest Practicable Date:



The Disposal involves the disposal of the Sale Shares to MIG by the Vendors, where Kingspot, being a wholly-owned subsidiary of the Company, is also one of the Vendors. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shares are held by the Purchaser and its associates as at the Latest Practicable Date. Further, the Directors have also considered the following factors in determining that AVIC INT'L, being one of the Shareholders, has no material interest in the Disposal or in the Possible Conversion under Rule 2.16 of the Listing Rules:

(1) AVIC INT'L is not a holding company of the Company and is therefore also not an associate of Kingspot. It is also not an associate of MIG as it does not control 30%

or more of the voting power at general meetings of MIG. Further, only two directors of AVIC INT'L are also directors of CEIH, which only represent two out of nine directors of the board of directors of CEIH. Therefore, AVIC INT'L does not have control over the composition of a majority of the board of directors of CEIH. Based on the above, the Directors consider that AVIC INT'L is not a party to, nor is an associate of any party to, the Sale and Purchase Agreement or the transaction or arrangement thereunder; and

(2) the only benefit (whether economic or otherwise) that is not available to the other Shareholders and that may be conferred to AVIC INT'L under the Disposal, in the Possible Conversion or the transaction or arrangement thereunder would be derived from AVIC INT'L's indirect interest in MIG through its approximately 11.49% shareholding interest in CEIH (the "**Relevant Interest**"). The Directors consider that the Relevant Interest is not material given that CEIH only holds approximately 23.53% shareholding interest in MIG, which is further diluted given that AVIC INT'L only holds an additional of approximately 11.49% shareholding interest in CEIH.

Based on the above, no Shareholders are required to abstain from voting on the resolutions approving the Disposal and the Possible Conversion at the SGM.

RECOMMENDATION

The Directors consider that the terms of the Sales and Purchase Agreement and the transactions contemplated thereunder, including the Possible Conversion, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions in relation to the Sales and Purchase Agreement and the transactions contemplated thereunder, including the Possible Conversion, as set out in the notice of the SGM.

GENERAL INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2012 have been published in the annual reports per below:

(i) the financial information of the Group for the year ended 31 December 2012 is disclosed in the annual report of the Company for the year ended 31 December 2012 published on 27 March 2013, from pages 44 to 185;

(ii) the financial information of the Group for the year ended 31 December 2011 is disclosed in the annual report of the Company for the year ended 31 December 2011 published on 28 March 2012, from pages 40 to 185; and

(iii) the financial information of the Group for the year ended 31 December 2010 is disclosed in the annual report of the Company for the year ended 31 December 2010 published on 29 March 2011, from pages 38 to 177.

All of the documents above have been published on the website of the Stock Exchange *(www.hkex.com.hk)* and the website of the Company *(www.avic.com.hk)*.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Remaining Group had outstanding secured bank borrowings of approximately HK$14,625,000 which were secured by:

(i) pledges of certain of the Remaining Group's land and buildings;

(ii) pledges of the Remaining Group's leasehold land; and

(iii) pledges of certain of the Remaining Group's short term time deposits.

At the close of business on 31 March 2013, the Remaining Group had given guarantees of approximately HK$25,000,000 for banking facilities granted to the companies controlled by acquaintances of a director of a subsidiary.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payables in the ordinary course of business, the Remaining Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance of acceptance credits or any guarantees of other material contingent liabilities as at the close of business on 31 March 2013.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the completion of the Disposal, the Group's internal resources, the presently available banking and other facilities, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group, as an investment holding company, is committed to making investments in the aero-technology related business and other fields, and aims to enhance its value and create long-term return for its shareholders with returns on investments and operating profits. Given that China is encouraging the development of its aviation industry, particularly the reform of low-altitude airspace management, the aero-technology related business will have a golden opportunity for development in future. Meanwhile, with the extensive industry experience and established customer base of 浙江東陽金牛針織製衣有限公司 (Zhejiang Dongyang Jinniu Knitting and Garment Company Limited*), a subsidiary which is engaged in the production and distribution of knitting and textile products, knitted fabrics and clothing in Zhejiang Province, the PRC, the Group is optimistic about the prospect of its knitting and textile business. The Group will identify the projects with a bright development prospect, and will continue to review and optimise its business portfolios.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

* *For identification purpose only*

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma statements of assets and liabilities of the Remaining Group (the "**Statements**") set out below have been prepared by the Directors in accordance with Rule 14.67 of the Listing Rules, for illustrative purpose only, to provide information about how the Disposal might have affected the financial position of the Group as if the Disposal had been completed on 31 December 2012, on the precedent condition that MIG Placing had been completed in full by MIG such that MIG is able to settle to the Group the cash consideration included in the sales consideration related to the Disposal; and on the basis and assumptions that the PAT i) would not be less than the profit guarantee of HK$80,000,000 ("**Profit Guarantee**"); or ii) would be zero or less. Pursuant to the Sale and Purchase Agreement, in consideration for the Disposal, the Group will receive a cash consideration of HK$135,960,000, Tranche A Convertible Notes with a principal amount of HK$117,832,000 and Tranche B Convertible Notes with a principal amount of HK$67,980,000 issued by MIG (collectively referred to as the "**MIG Convertible Notes**") and Deferred Convertible Notes issued by MIG in the maximum principal amount of HK$18,128,000 as reduced by the Group's pro rata share of any shortfall between the PAT and the Profit Guarantee, calculated based on the Group's shareholding in the Target Company.

The Statements have been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2012 included in the published annual report of the Group for the year then ended, after giving effect to the pro forma adjustments as described in the accompanying notes, including the adjustments relating to the Disposal. The Statements have been properly compiled by the Directors on the basis consistent with the accounting policies of the Group.

The Statements are prepared based on a number of assumptions, estimates, uncertainties and currently available information, and are provided for illustrative purposes only. Accordingly, as a result of the hypothetical nature of the Statements, they may not give a true picture of the actual financial positions of the Remaining Group that would have been attained had the Disposal been completed on 31 December 2012. Furthermore, the Statements do not purport to predict the Remaining Group's future financial position.

The Statements should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

(i) Unaudited pro forma statement of assets and liabilities of the Remaining Group as at 31 December 2012, assuming that the PAT would not be less than the Profit Guarantee

	The Group	Pro forma adjustments	*Notes*	Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*		*HK$'000*
	(Note 1)			
NON-CURRENT ASSETS				
Property, plant and equipment	46,087			46,087
Prepaid land lease payments	3,105			3,105
Goodwill	4,194			4,194
Intangible asset	951			951
Investment in a jointly-controlled entity	314,707			314,707
Interests in associates	302,952			302,952
Deposit paid for acquisition of a property	40,000			40,000
Available-for-sale investments	193,975	96,315	*2*	290,290
Derivative financial instruments	–	107,023	*3*	107,023
Total non-current assets	905,971			1,109,309
CURRENT ASSETS				
Inventories	2,776			2,776
Trade and bills receivables	13,815			13,815
Prepayments, deposits and other receivables	32,461			32,461
Loans to associates	12,250			12,250
Loan to a related company	18,750			18,750
Derivative financial instrument	9,015			9,015
Pledged time deposits	6,625			6,625
Cash and cash equivalents	1,024,790	135,960	*4*	1,160,750
	1,120,482			1,256,442

	The Group	Pro forma adjustments	*Notes*	Unaudited pro forma Remaining Group
	HK$'000	*HK$'000*		*HK$'000*
	(Note 1)			
Assets classified as held for sale	60,000	(60,000)	*5*	–
Total current assets	1,180,482			1,256,442
CURRENT LIABILITIES				
Due to non-controlling shareholder of a subsidiary	320			320
Trade and bills payables	43,824			43,824
Other payables and accruals	17,666			17,666
Tax payable	16,536	27,930	*6*	44,466
Interest-bearing bank borrowings	14,625			14,625
Total current liabilities	92,971			120,901
NET CURRENT ASSETS	1,087,511			1,135,541
TOTAL ASSETS LESS CURRENT LIABILITIES	1,993,482			2,244,850
NON-CURRENT LIABILITY				
Deferred tax liabilities	35,283			35,283
Net assets	1,958,199			2,209,567

Notes:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2012 included in the published annual report of the Group for the year then ended.

2. The MIG Convertible Notes are hybrid instruments that include non-derivative host contracts and embedded derivatives. The non-derivative host contracts, representing the bond component (the "**MIG Bonds**"), are designated as available-for-sale investments. The embedded derivatives (the "**MIG Embedded Derivative Assets**") represent the conversion options which allow the Group to convert the MIG Convertible Notes into MIG Shares on or before the maturity date of the MIG Convertible Notes and are designated as derivative financial instruments.

The pro forma adjustment represents the fair values of the MIG Bonds based on the valuation performed by an independent professionally qualified valuer as at 31 December 2012. The fair values of the MIG Embedded Derivative Assets are included in the pro forma adjustment set out in note 3(i) below.

The valuation approaches adopted by the valuer in assessing the fair values of the MIG Bonds and the MIG Embedded Derivative Assets, together with details of the inputs and key assumptions made, are disclosed in note 3 below.

3. The pro forma adjustment of HK$107,023,000 comprises:

	Notes	*HK$'000*
MIG Embedded Derivative Assets at fair values	*(i)*	89,069
Right to receive the Deferred Convertible Notes at fair value	*(ii)*	17,954
		107,023

Notes:

(i) The pro forma adjustment represents the fair values of the MIG Embedded Derivative Assets based on the valuation performed by an independent professionally qualified valuer as at 31 December 2012.

(ii) Pursuant to the Sale and Purchase Agreement, the Purchaser and Vendors agreed that where the PAT is less than the Profit Guarantee, the Deferred Convertible Notes with aggregate principal amount of up to HK$80,000,000 shall be adjusted by deducting the Reduced Amount, calculated as the lower of the Profit Guarantee and the shortfall between the PAT and the Profit Guarantee. All the Vendors shall be severally responsible to bear the Reduced Amount on a pro rata basis. Within 5 Business Days after the PAT Certificate which sets out the amount of the PAT for the year ending 31 December 2013 has been delivered to the Purchaser, MIG will issue Deferred Convertible Notes to each relevant Vendor with the respective principal amount after adjusting for the respective pro rata portion of the Reduced Amount.

For the purpose of the preparation of this Statement, the Directors of the Company have assumed that the PAT would not be less than the Profit Guarantee. As such, the Reduced Amount would be zero.

The pro forma adjustment represents the fair value of the Group's right to receive the Deferred Convertible Notes based on the valuation performed by an independent professionally qualified valuer as at 31 December 2012.

The MIG Bonds are stated at fair values which are the present values of the contractually determined stream of future cash flows from the MIG Bonds discounted at the risk-free rate plus the credit spread rate.

On the other hand, the MIG Embedded Derivative Assets and the right to receive the Deferred Convertible Notes are stated at fair values calculated using binomial tree pricing model, which is a common business valuation model adopted for such instruments. Based on the assumption that the PAT would not be less than the Profit Guarantee and the Reduced Amount would be zero, the right to receive the Deferred Convertible Notes is treated as a derivative financial instrument.

The following risk-free rate, volatility and credit spread rate are used for the valuations:

Parameters	**MIG Bonds**	**MIG Embedded Derivative Assets**	**Right to receive the Deferred Convertible Notes**
Risk-free rate	0.321%	0.321%	0.401%
Volatility	N/A	73.709%	78.106%
Credit spread	13.72%	13.72%	13.72%

4. The pro forma adjustment represents the cash to be received in consideration for the Disposal.

5. The pro forma adjustment represents the carrying amount of the Group's interest in the Target Company as at 31 December 2012 disposed pursuant to the Sale and Purchase Agreement.

6. The pro forma adjustment represents the corporate income tax of The People's Republic of China, calculated at the applicable rate of 10%, on the estimated gain of the Disposal of HK$279,298,000, before transaction costs, calculated based on the fair value of the total consideration of HK$339,298,000 as at 31 December 2012 less the carrying amount of the Group's interest in the Target Company of HK$60,000,000 as at 31 December 2012.

(ii) Unaudited pro forma statement of assets and liabilities of the Remaining Group as at 31 December 2012, assumed that the PAT would be zero or less

	The Group	**Pro forma adjustments**	*Notes*	**Unaudited pro forma Remaining Group**
	HK$'000	*HK$'000*		*HK$'000*
	(Note 1)			
NON-CURRENT ASSETS				
Property, plant and equipment	46,087			46,087
Prepaid land lease payments	3,105			3,105
Goodwill	4,194			4,194
Intangible asset	951			951
Investment in a jointly-controlled entity	314,707			314,707
Interests in associates	302,952			302,952
Deposit paid for acquisition of a property	40,000			40,000
Available-for-sale investments	193,975	96,315	*2*	290,290
Derivative financial instruments	–	89,069	*3*	89,069
Total non-current assets	905,971			1,091,355
CURRENT ASSETS				
Inventories	2,776			2,776
Trade and bills receivables	13,815			13,815
Prepayments, deposits and other receivables	32,461			32,461
Loans to associates	12,250			12,250
Loan to a related company	18,750			18,750
Derivative financial instrument	9,015			9,015
Pledged time deposits	6,625			6,625
Cash and cash equivalents	1,024,790	135,960	*4*	1,160,750
	1,120,482			1,256,442

	The Group *HK$'000* *(Note 1)*	Pro forma adjustments *HK$'000*	*Notes*	Unaudited pro forma Remaining Group *HK$'000*
Assets classified as held for sale	60,000	(60,000)	*5*	–
Total current assets	1,180,482			1,256,442
CURRENT LIABILITIES				
Due to non-controlling shareholder of a subsidiary	320			320
Trade and bills payables	43,824			43,824
Other payables and accruals	17,666			17,666
Tax payable	16,536	26,135	*6*	42,671
Interest-bearing bank borrowings	14,625			14,625
Total current liabilities	92,971			119,106
NET CURRENT ASSETS	1,087,511			1,137,336
TOTAL ASSETS LESS CURRENT LIABILITIES	1,993,482			2,228,691
NON-CURRENT LIABILITY				
Deferred tax liabilities	35,283			35,283
Net assets	1,958,199			2,193,408

Notes:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2012 included in the published annual report of the Group for the year then ended.

2. The MIG Convertible Notes are hybrid instruments that include non-derivative host contracts and embedded derivatives. The non-derivative host contracts, representing the bond component (the "**MIG Bonds**"), are designated as available-for-sale investments. The embedded derivatives (the "**MIG Embedded Derivative Assets**") represent the conversion options which allow the Group to convert the MIG Convertible Notes into MIG Shares on or before the maturity date of the MIG Convertible Notes and are designated as derivative financial instruments.

   The pro forma adjustment represents the fair values of the MIG Bonds based on the valuation performed by an independent professionally qualified valuer as at 31 December 2012. The fair values of the MIG Embedded Derivative Assets are included in the pro forma adjustment set out in note 3(i) below.

   The valuation approaches adopted by the valuer in assessing the fair values of the MIG Bonds and the MIG Embedded Derivative Assets, together with details of the inputs and key assumptions made, are disclosed in note 3 below.

3. The pro forma adjustment of HK$89,069,000 comprises:

	Note	*HK$'000*
MIG Embedded Derivative Assets at fair values	*(i)*	89,069

   Notes:

   (i) The pro forma adjustment represents the fair values of the MIG Embedded Derivative Assets based on the valuation performed by an independent professionally qualified valuer as at 31 December 2012.

   (ii) Pursuant to the Sale and Purchase Agreement, the Purchaser and Vendors agreed that where the PAT is less than the Profit Guarantee, the Deferred Convertible Notes with aggregate principal amount of up to HK$80,000,000 shall be adjusted by deducting the Reduced Amount, calculated as the lower of the Profit Guarantee and the shortfall between the PAT and the Profit Guarantee. All the Vendors shall be severally responsible to bear the Reduced Amount on a pro rata basis. Within 5 Business Days after the PAT Certificate which sets out the amount of the PAT for the year ending 31 December 2013 has been delivered to the Purchaser, MIG will issue Deferred Convertible Notes to each relevant Vendor with the respective principal amount after adjusting for the respective pro rata portion of the Reduced Amount.

   For the purpose of the preparation of this Statement, the Directors of the Company have assumed that the PAT would be zero or less. As such, the Reduced Amount would be HK$80,000,000 and no Deferred Convertible Notes would be issued to the Vendors.

   The MIG Bonds are stated at fair values which are the present values of the contractually determined stream of future cash flows from the MIG Bonds discounted at the risk-free rate plus the credit spread rate.

   On the other hand, the MIG Embedded Derivative Assets are stated at fair values calculated using binomial tree pricing model, which is a common business valuation model adopted for such instruments. Based on the assumption that the PAT would be zero or less, the fair value of the right to receive the Deferred Convertible Notes would become zero.

The following risk-free rate, volatility and credit spread rate are used for the valuations:

Parameters	MIG Bonds	MIG Embedded Derivative Assets
Risk-free rate	0.321%	0.321%
Volatility	N/A	73.709%
Credit spread	13.72%	13.72%

4. The pro forma adjustment represents the cash to be received in consideration for the Disposal.

5. The pro forma adjustment represents the carrying amount of the Group's interest in the Target Company as at 31 December 2012 disposed pursuant to the Sale and Purchase Agreement.

6. The pro forma adjustment represents the corporate income tax of The People's Republic of China, calculated at the applicable rate of 10%, on the estimated gain of the Disposal of HK$261,344,000, before transaction costs, calculated based on the fair value of the total consideration of HK$321,344,000 as at 31 December 2012 less the carrying amount of the Group's interest in the Target Company of HK$60,000,000 as at 31 December 2012.

II. COMFORT LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma statements of assets and liabilities as set out in Section I of Appendix II to this circular.

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The Board of Directors
AVIC International Holding (HK) Limited

Dear Sirs,

AVIC International Holding (HK) Limited
Unaudited pro forma statements of assets and liabilities

We report on the unaudited pro forma statements of assets and liabilities of AVIC International Holding (HK) Limited (the "Company", together with its subsidiaries, referred to as the "Group") (the "Unaudited Pro Forma Statements of Assets and Liabilities") as set out in Section I of Appendix II set out in pages 28 to 36 to the circular of the Company dated 6 May 2013 (the "Circular"), prepared as if the proposed disposal by the Group of its equity interest in Sinbo Investment Limited ("Sinbo") to Jichang Investments Limited, a wholly-owned subsidiary of Mongolia Investment Group Limited ("MIG"), (the "Proposed Disposal") had been completed on 31 December 2012, on the precedent condition that the proposed placement of not less than 2,400,000,000 new shares of MIG by MIG had been completed in full at an offer price of not less than HK$0.25 per each new share of MIG such that MIG is able to settle to the Group the cash consideration included in the sale consideration related to the Proposed Disposal; and on the basis and assumptions that the audited consolidated net profit after taxation and minority interests of Sinbo and its subsidiaries for the financial year ending 31 December 2013 (the "PAT") i) would not be less than the profit guarantee of HK$80,000,000 (the "Profit Guarantee"); or ii) would be zero or less. In consideration for the Proposed Disposal, the Group will receive from MIG a cash consideration of HK$135,960,000, convertible notes with the aggregate principal amounts of HK$185,812,000 (under Tranche A convertible notes of HK$117,832,000 and Tranche B convertible notes of HK$67,980,000) issued by MIG and a deferred convertible note with a principal amount of HK$18,128,000 (subject to adjustment), as reduced by the Group's pro rata share of any shortfall between the PAT and the Profit Guarantee, issued by MIG.

These Unaudited Pro Forma Statements of Assets and Liabilities have been prepared by the directors of the Company, for illustrative purpose only, to provide information to the shareholders of the Company about how the Proposed Disposal might have affected the historical financial information presented therein. The basis of preparation of the Unaudited Pro Forma Statements of Assets and Liabilities is set out in Section I of Appendix II set out in page 28 to the Circular.

Respective responsibilities of the directors and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Statements of Assets and Liabilities in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Statements of Assets and Liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Statements of Assets and Liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 *Accountants' Reports on Pro Form Financial Information in Investment Circulars* issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the unaudited evidence supporting the adjustments, and discussing the Unaudited Pro Forma Statements of Assets and Liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Statements of Assets and Liabilities.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Statements of Assets and Liabilities have been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statements of Assets and Liabilities as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Statements of Assets and Liabilities are prepared for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of their hypothetical nature, do not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Remaining Group (as defined in the Circular) as at 31 December 2012 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Statements of Assets and Liabilities have been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statements of Assets and Liabilities as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

6 May 2013

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in share options of associated corporation of the Company:

Name of director	*Notes*	**Name of associated corporation**	**Relationship with the Company**	**Number of share options held**	**Capacity and nature of interest**	**Approximate percentage of the associated corporation's issued share capital as at the Latest Practicable Date**
Ji Guirong	*(a)*	China Environmental Investment Holdings Limited ("**CEIH**")	Associate	52,350,000	Beneficial owner	1.43
Zhang Chuanjun	*(b)*	CEIH	Associate	40,000,000	Beneficial owner	1.09

Notes:

(a) (i) On 23 August 2007, Mr. Ji was granted options to subscribe for an aggregate of 14,900,000 ordinary shares of HK$0.20 each in CEIH at an exercise price of HK$0.35 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 14,900,000 ordinary shares to 22,350,000 ordinary shares and from HK$0.35 per share to HK$0.233 per share respectively.

(ii) On 31 August 2010, Mr. Ji was granted options to subscribe for an aggregate of 20,000,000 ordinary shares of HK$0.20 each in CEIH at an exercise price of HK$0.341 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 20,000,000 ordinary shares to 30,000,000 ordinary shares and from HK$0.341 per share to HK$0.227 per share respectively.

The exercise periods of the options are as follows:

Number of share options	Exercise period
7,450,000	1/10/2007 to 31/1/2015
7,450,000	1/1/2008 to 31/1/2015
7,450,000	1/7/2008 to 31/1/2015
30,000,000	31/8/2010 to 30/8/2020
52,350,000	

No options have been exercised, cancelled or lapsed. All the above options are remaining outstanding as at the Latest Practicable Date.

(b) (i) On 3 January 2006, Mr. Zhang was granted options to subscribe for an aggregate of 10,000,000 ordinary shares of HK$0.20 each in CEIH at an exercise price of HK$0.20 per share.

(ii) On 31 August 2010, Mr. Zhang was granted options to subscribe for an aggregate of 20,000,000 ordinary shares of HK$0.20 each in CEIH at an exercise price of HK$0.341 per share. With effect from 23 February 2012, the number and the exercise price of the share options granted were adjusted from 20,000,000 ordinary shares to 30,000,000 ordinary shares and from HK$0.341 per share to HK$0.227 per share respectively.

The exercise periods of the options are as follows:

Number of share options	Exercise period
5,000,000	1/7/2006 to 31/1/2015
5,000,000	1/1/2007 to 31/1/2015
30,000,000	31/8/2010 to 30/8/2020
40,000,000	

No options have been exercised, cancelled or lapsed. All the above options are remaining outstanding as at the Latest Practicable Date.

Certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors and chief executive of the Company were aware, the following persons (other than a director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or has any option in respect of such capital were as follows:

Long positions in the Shares and underlying Shares:

Name of shareholders	*Note*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital as at the Latest Practicable Date**
Speed Profit Enterprises Limited ("**Speed Profit**")	*(a)*	Beneficial owner	508,616,000	10.93
Tacko International Limited ("**Tacko**")	*(a)*	Beneficial owner	1,386,943,000	29.82
		Through a controlled corporation	508,616,000	10.93
AVIC International (HK) Group Limited ("**AVIC International (HK) Group**")	*(a)*	Through a controlled corporation	1,895,559,000	40.75
AVIC International Holding Corporation ("**AVIC International**")	*(a)*	Through a controlled corporation	1,895,559,000	40.75
Aviation Industry Corporation of China ("**AVIC**")	*(a)*	Through a controlled corporation	1,895,559,000	40.75

Note:

(a) Speed Profit is a wholly-owned subsidiary of Tacko, which is in turn a wholly-owned subsidiary of AVIC International (HK) Group. AVIC International (HK) Group is a wholly-owned subsidiary of AVIC International, which is in turn a non wholly-owned subsidiary of AVIC. Accordingly, Tacko is deemed to be interested in the shares held by Speed Profit; and each of AVIC International (HK) Group, AVIC International and AVIC is deemed to be interested in the aggregate Shares directly held by Speed Profit and Tacko.

Interests in other members of the Group:

Name of Owner	Name of subsidiary	% of shares held
Wu Xiaogang	浙江東陽金牛針織製衣有限公司 (Zhejiang Dongyang Jinniu Knitting and Garment Company Limited*) (“**Zhejiang Dongyang Jinniu**”)	49%

Save as disclosed above, the Directors and chief executive of the Company were not aware of any other persons who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or has any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

5. MATERIAL CONTRACTS

The following contract has been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular and is or may be material:

(a) a sale and purchase agreement dated 11 August 2011 entered into among 浙江中強化纖有限公司 (Zhejiang Zhongqiang Chemical Fiber Co., Ltd.*) and 中航技直升機技術服務(深圳)有限公司 (CATIC Helicopter Development (Shenzhen) Limited) (“**CATIC Helicopter**”), an indirect wholly-owned subsidiary of the Company, in relation to the disposal by CATIC Helicopter of its 4% of the entire equity interest in 浙江海聯熱電股份有限公司 (Zhejiang Sealand Thermoelectric Share-Holding Co.) (“**Zhejiang Sealand**”) and the indebtedness in the amount of RMB1,995,610.51 as at the date of such agreement owed by Zhejiang Sealand to CATIC Helicopter at a total consideration of RMB16,395,610.51;

(b) a sale and purchase agreement dated 21 September 2011 entered into between 上海瑞爾通投資顧問有限公司 (Shanghai RET Investment Consulting Company Limited*), an indirect wholly-owned subsidiary of the Company and Mr. Wu Xiaogang, in relation to the acquisition of 51% equity interest in Zhejiang Dongyang Jinniu at a consideration of RMB7.0 million;

(c) a sale and purchase agreement dated 1 November 2011 entered into between 杭州源和燃料有限公司 (Hangzhou Yuan He Fuel Co., Ltd.*) and CATIC Helicopter in relation to the disposal by CATIC Helicopter of its 3% of the entire equity interest in Zhejiang Sealand and the indebtedness in the amount of RMB1,496,707.88 as at the date of such agreement owed by Zhejiang Sealand to CATIC Helicopter at a total consideration of RMB12,296,707.88;

(d) a sale and purchase agreement dated 1 November 2011 entered into between Hong Kong Yuanhe International Trade Group Limited and the Company in relation to the disposal by the Company of its entire issued share capital of Polyson Investment Limited ("**Polyson**") and the indebtedness in the amount of HK$164,958,535.82 as at the date of such agreement (or a deferred payment date as defined under such agreement) owned by Polyson to the Company at a total consideration of HK$338,993,455.38;

(e) a sale and purchase agreement dated 2 November 2011 entered into between Smartcon Investment Limited ("**Smartcon**"), a wholly-owned subsidiary of the Company, Dong Yuen Investment Limited and Sino Gas Finance Limited ("**Sino Gas Finance**") in relation to the disposal of interest in Fidelity Finance Leasing Limited and the assignment of shareholders loans, an associate of the Company, to Sino Gas Finance, a subsidiary of CEIH, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, at an aggregate consideration of HK$55,328,087 (of which, the aggregate consideration for Smartcon's interest and shareholder's loan was HK$51,775,872);

(f) an irrevocable undertaking dated 2 November 2011 given by the Company in favour of CEIH in relation to the subscription of open offer shares in the proposed open offer of CEIH, details of which are disclosed in the announcement of the Company dated 9 November 2011 in relation to discloseable transactions;

(g) the non-legally binding memorandum of understanding dated 11 December 2011 entered into among Yuan Tu Investment Limited ("**Yuan Tu**"), a direct wholly-owned subsidiary of Kingspot, which in turn is a direct wholly-owned subsidiary of the Company, the other subscribers, the Management Shareholders, Broadlink, the Target Company and Peace Map in relation to the subscription of new shares in the Target Company (the "**Subscription**") at an aggregate consideration of HK$60 million;

(h) the non-legally binding memorandum of understanding dated 12 December 2011 entered into among Yuan Tu, the other subscribers, the Management Shareholders, Broadlink, the Target Company, Peace Map and MIG in relation to the Disposal at a consideration which is expected to be satisfied by a combination of cash, the allotment and issue of MIG Shares and the issue of convertible bonds by MIG, in which the consideration payable to Yuan Tu shall be satisfied by (i) the issue and allotment to Yuan Tu of approximately 2.7 billion to approximately 4.8 billion MIG

Shares, representing approximately 19.99% to 29.99% of the issued shares of MIG following completion of the Proposed Disposal; and (ii) the issue by MIG of a convertible bond convertible into MIG Shares with principal amount ranging from approximately HK$106 million to HK$214 million;

(i) the subscription agreement dated 11 May 2012 (the "**Subscription Agreement**") entered into between Yuan Tu, the other subscribers, Broadlink and the Target Company in relation to the subscription of new shares of the Target Company at an aggregate consideration of HK$60 million;

(j) the agreement dated 1 June 2012 entered into between Yuan Tu, the other subscribers, Broadlink, the Target Company, Kingspot, Alliance and Bidfast as a supplemental agreement to the Subscription Agreement to vary and amend certain terms and conditions of the Subscription Agreement in relation to the novation of rights, obligations and liabilities under the Subscription Agreement by Yuan Tu and the other subscribers to Kingspot, Alliance and Bidfast respectively;

(k) the 2012 Disposal Agreement;

(l) the investment agreement dated 15 October 2012 (the "**Investment Agreement**") entered into between Ontex Enterprises Limited ("**Ontex Enterprises**"), a direct wholly-owned subsidiary of the Company, and Yada Investment Limited ("**Yada Investment**") relating to (i) the subscription of new shares in each of Spotwin Investment Limited ("**Spotwin**") and Hinno Investment Limited by Ontex Enterprises and Yada Investment respectively, (ii) capital contribution to 中航國際(福建)實業有限公司 (AVIC International (Fujian) Industrial Co., Ltd.), a direct wholly-owned subsidiary of AVIC Industrial (HK) Industrial Limited, which in turn is directly wholly-owned by Spotwin, with an aggregate of RMB100 million in cash, and (iii) establishment of a sino-foreign equity joint venture with a proposed registered capital of RMB200 million;

(m) the termination agreement dated 28 November 2012 entered into between Ontex Enterprises and Yada Investment to terminate the Investment Agreement; and

(n) the Sale and Purchase Agreement.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

7. COMPETING INTERESTS

In 2012, the following Director had interests in the following businesses conducted through the company named below which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group, as defined in the Listing Rules:

Name of Director	Name of company	Nature of Interest	Nature of competing business
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited	Deputy managing director	– Property development and investment – Investment in securities (collectively defined as "**Excluded Businesses**")

The Board is of the view that the Group is capable of carrying on its business independently of the Excluded Businesses. When making decisions on the businesses of the Excluded Businesses of the Group, Mr. Ip Tak Chuen, Edmond, in the performance of his duties as Director, has acted and will continue to act in the best interest of the Group.

So far as the Directors were aware, save as abovementioned, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competed or was likely to compete with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules of each of them were a controlling shareholder).

8. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS

So far as the Directors were aware, as at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been since 31 December 2012 (being the date to which the latest published audited accounts were made up) acquired or disposed of by or leased to any member of the Remaining Group, or were proposed to be acquired or disposed of by or leased to any member of the Remaining Group.

So far as the Directors were aware, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Remaining Group.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who had given opinion contained in this circular:

Name	Qualification
Ernst & Young	Certified public accountants

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor any interest, either direct or indirect, in any assets which had been since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Ernst & Young has given and has not withdrawn its written consents to the issue of this circular with the respective reports, letters and references to its names in the form and context in which it is included.

10. GENERAL

(a) The Secretary of the Company is Ms. Leung Yuen Chee, Sara, associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(c) The share registrar and transfer office of the Company in Bermuda is Butterfield Fulcrum Group (Bermuda) Limited at 26 Burnaby Street, Hamilton HM 11, Bermuda.

(d) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In the event of inconsistency, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit B, 15th Floor, United Centre, 95 Queensway, Hong Kong up to and including 22 May 2013:

(a) this circular;

(b) the circular of the Company dated 17 November 2011 in relation to the acquisition of 51% equity interest in Zhejiang Dongyang Jinniu;

(c) the circular of the Company dated 7 December 2011 in relation to the disposal of equity interest in Zhejiang Sealand , an indirect non wholly-owned subsidiary of the Company, and indebtedness amount owned by it;

(d) the memorandum of association and Bye-laws of the Company;

(e) the annual reports of the Company for the financial years ended 31 December 2011 and 2012;

(f) the letter from Ernst & Young on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(g) the material contracts referred to under the section headed "Material Contracts" in this appendix; and

(h) the letters of consents referred to under the section headed "Experts and Consents" in this appendix.

* *For identification purpose only*

AVIC International Holding (HK) Limited
中國航空工業國際控股(香港)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of AVIC International Holding (HK) Limited (the "**Company**") will be held at Park Lane Room VII, 28th Floor, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 22 May 2013 at 10:30 a.m. (the "**SGM**") (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 10:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**

(a) the sale and purchase agreement dated 8 April 2013 (the "**Sale and Purchase Agreement**") in relation to all the issued shares of Sinbo Investment Limited ("**Sinbo**") entered into among (i) Broadlink Enterprises Limited ("**Broadlink**"), Kingspot Investment Limited ("**Kingspot**"), a direct wholly-owned subsidiary of the Company, Alliance Elegant Limited, Bidfast Investment Limited and Grandest International Limited as vendors (the "**Vendors**"), (ii) the existing shareholders of Broadlink, namely Mr. Guan Hongliang, Ms. Qin Chun, Mr. Wang Jianchang, Ms. Kang Xiujuan, Mr. Zhang Weimin, Mr. Fan Yi, Mr. Yuan Guanglin, Mr. Zhang Zhenshan and Mr. Deng Hui, (iii) Jichang Investments Limited, a direct wholly-owned subsidiary of Mongolia Investment Group Limited ("**MIG**", whose shares are listed on the Stock Exchange (Stock code: 402)), as purchaser (the "**Purchaser**"), and (iv) MIG, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all the issued shares of Sinbo as at completion of the Sale and Purchase Agreement (the "**Sale Shares**", whereas Kingspot, being one of the Vendors, will dispose of its entire interests in the Sale Shares, representing approximately 22.66% of the issued share capital of Sinbo) for a total consideration of HK$1,500 million (subject to adjustment), and all the transactions contemplated thereunder, be and are hereby ratified, confirmed, authorized and approved; and

(b) any one director of the Company be and is hereby generally and unconditionally authorized to do all such further acts and things and to sign and execute all such documents, instruments, agreements and deeds (if any) and to take all such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions set out in this resolution (1) and to agree to any variation, amendments, supplement or waiver of matters relating thereto."

(2) "**THAT**

(a) subject to resolution (1) above being approved, the exercise by Kingspot of part or all of the conversion rights attached to the convertible notes in the aggregate principal amount of up to HK$203,940,000 held by it from time to time to the extent that such conversion, when aggregated with any issued share in the share capital of MIG acquired by the Company and its subsidiaries within a 12 month period prior to such conversion, will constitute a major transaction or a lower category of notifiable transaction of the Company be and are hereby authorized and approved; and

(b) any one director of the Company be and is hereby generally and unconditionally authorized to do all such further acts and things and to sign and execute all such documents, instruments, agreements and deeds (if any) and to take all such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to implement and/or give effect to the transactions set out in this resolution (2) and to agree to any variation, amendments, supplement or waiver of matters relating thereto."

By order of the Board
AVIC International Holding (HK) Limited
Wu Guangquan
Chairman

Hong Kong, 6 May 2013

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Unit B, 15th Floor
United Centre
95 Queensway
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies (if a member who is the holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude a member from attending and voting at the SGM if the member so desires.

(3) Where there are joint registered holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

(4) The voting on the above resolutions at the SGM will be conducted by way of a poll.