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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent adviser.

**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 the 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.

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**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)

**PROPOSED MANDATE IN RELATION TO  
THE PROPOSED VERY SUBSTANTIAL DISPOSAL  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Financial Adviser to the Company**

**ANGLO CHINESE** 英高  
CORPORATE FINANCE, LIMITED

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A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening the SGM to be held at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 15 June 2018 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

31 May 2018

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## DEFINITIONS

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

“Aviation Industry”	Aviation Industry Corporation of China, Ltd (中國航空工業集團有限公司), a state-owned company (國有獨資公司) established in the PRC which holds 62.52% of the equity interest in AVIC International Holding Corporation (中國航空技術國際控股有限公司) as at the Latest Practicable Date, a controlling shareholder of the Company;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday or public holiday) on which banks are open in PRC for general commercial business;
“CBEE”	China Beijing Equity Exchange* (北京產權交易所), an equity trading institution approved by the People’s Government of Beijing Municipality;
“Chongqing Hanglong”	Chongqing Hanglong Real Estate Company Limited* (重慶航龍置業有限公司), a limited liability company established in PRC, and as at the Latest Practicable Date, its equity interest is owned as to 99% and 1% by Ease Triumph and Chongqing Hang Yue, respectively;
“Chongqing Hang Yue”	Chongqing Hang Yue Company Limited* (重慶航悅置業有限公司), a limited liability company incorporated in PRC and is wholly owned by Chongqing Jianghang Investment Company Limited* (重慶江航投資有限公司), a limited liability company established in PRC which is indirectly wholly owned by Hangfa Investment;
“Company”	AVIC International Holding (HK) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 232);
“Completion”	completion of the Proposed Disposal;
“Dalian Hanghua”	Dalian Hanghua Real Estate Company Limited* (大連航華置業有限公司), a limited liability company established in PRC, and as at the Latest Practicable Date, its equity interest is owned as to 52.08%, 30% and 17.92% by Ease Triumph, Dalian Huabang and Hangfa Investment, respectively;

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## DEFINITIONS

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“Dalian Huabang”	Dalian Huabang Investment Development Company Limited* (大連華邦投資發展有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“Directors”	the directors of the Company;
“Disposal Group or Ease Triumph Group”	Ease Triumph and its subsidiaries;
“Ease Triumph”	Ease Triumph International Limited (拓業國際有限公司), a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company;
“Enlarged Group”	the enlarged Group immediately after the acquisition of Motto Investment Limited
“Group”	the Company and its subsidiaries;
“Hangfa Investment”	Hangfa Investment Limited* (航發投資管理有限公司), a company incorporated in the PRC with limited liability and an independent third party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	28 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules;
“Motto Investment Limited”	a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company;
“Motto Group”	Motto Investment Limited and its subsidiaries;
“Net Assets”	net assets attributable to owners of the company;
“PRC”	the People’s Republic of China;
“Proposed Disposal”	the proposed public listing for disposal of the entire issued capital of Ease Triumph and the Shareholder’s Loan through CBEE;

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## DEFINITIONS

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“Proposed Mandate”	the general mandate to be granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the SGM;
“Remaining Business”	the Group’s remaining business immediately after completion of the Proposed Disposal;
“Remaining Group”	the Group immediately after completion of the Proposed Disposal;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, granting the Proposed Mandate to the Directors;
“Shareholder(s)”	registered holder(s) of the Share(s);
“Shareholder’s Loan”	the outstanding shareholder’s loans owed by Ease Triumph to the Company;
“Sq.m”	square metres;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	United States dollar, the lawful currency of the United States of America;
“US”	the United States of America; and
“%”	per cent.

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LETTER FROM THE BOARD

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**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. Liu Hongde (Chairman)  
Mr. Pan Linwu (Deputy Chairman)  
Mr. Lai Weixuan  
Ms. Zhou Chunhua  
Mr. Xu Hongge (Chief Executive Officer)

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Non-executive Director:*

Mr. Chow Wai Kam

*Head office and principal place of  
business in Hong Kong:*

Unit B, 15th Floor  
United Centre  
95 Queensway  
Hong Kong

*Independent Non-executive Directors:*

Mr. Chu Yu Lin, David  
Mr. Li Ka Fai, David  
Mr. Zhang Ping

31 May 2018

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED MANDATE IN RELATION TO  
THE PROPOSED VERY SUBSTANTIAL DISPOSAL  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 7 September 2016, 19 September 2017, 27 October 2017 and 17 April 2018 and the circular of the Company dated 29 December 2017. The Board resolved to dispose of the entire issued share capital of Ease Triumph and the Shareholder's Loan by way of a public tender through CBEE on 17 April 2018 and would like to seek the Proposed Mandate from the Shareholders to enter into and complete the Proposed Disposal.

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## LETTER FROM THE BOARD

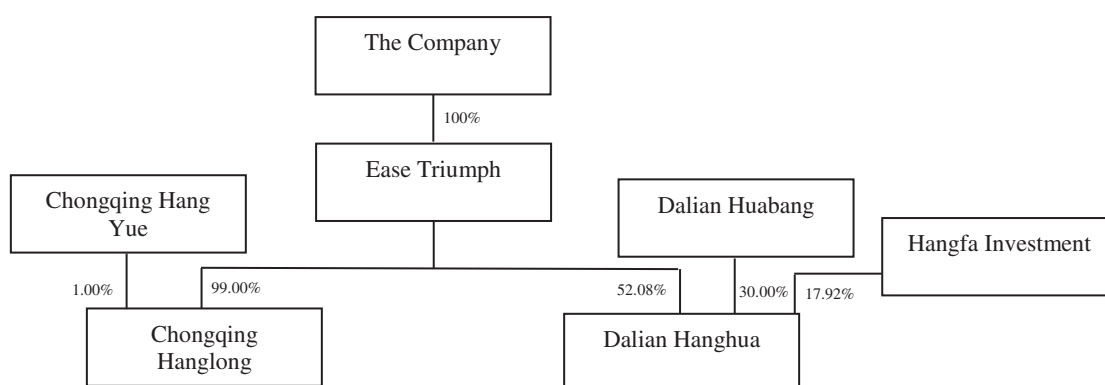
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As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposal Disposal exceeds 75%, the Proposed Disposal, if materialised, will constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Disposal and the Proposed Mandate; (ii) financial information of Ease Triumph Group; (iii) pro forma financial information of the Remaining Group; and (iv) a notice convening the SGM together with the form of proxy and other information as required under the Listing Rules.

### THE PROPOSED DISPOSAL

Ease Triumph holds equity interest in two project companies, namely Dalian Hanghua and Chongqing Hanglong, which were set up for the development and sale of properties in Dalian and Chongqing respectively. The following diagram illustrates the shareholding structure of the Ease Triumph Group as at the Latest Practicable Date:



#### I. Dalian Hanghua

Dalian Hanghua is principally engaged in the development and sale of properties in Dalian. As at the Latest Practicable Date, it is held as to 52.08%, 30.00% and 17.92% by Ease Triumph, Dalian Huabang and Hangfa Investment, respectively.

The major assets of Dalian Hanghua include four parcels of land having a total site area of approximately 46,938 Sq.m (excluding communal site area). A large-scale development project, the International Square, is currently under construction. It comprises offices, retail shops and residential buildings and is located at the Southeastern side of Zhongshan Road of the Shahekou District of the Dalian City ("Dalian Project"). The total saleable area of Dalian Project upon completion is approximately 350,488 Sq.m.

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## LETTER FROM THE BOARD

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### II. Chongqing Hanglong

Chongqing Hanglong is principally engaged in the development and sale of properties in Chongqing. As at the Latest Practicable Date, it is held as to 99.00% and 1.00% by Ease Triumph and Chongqing Hang Yue.

The major assets of Chongqing Hanglong include twelve parcels of land located at the Liangjiangxin District of Chongqing with a total site area of approximately 375,252 Sq.m and is currently in an early development phase.

### III. Shareholder's Loan

As at the date of this circular, the Shareholder's Loan comprises:

- i) a principal amount of approximately USD98 million at the interest rate of 6% per annum, for which the interest start date is 1 July 2017;
- ii) a principal amount of RMB38 million at the interest rate of 6% per annum, for which the interest start date is 1 July 2017; and
- iii) a principal amount of approximately RMB433 million at the interest rate of 6% per annum, for which the interest start date is 27 March 2018.

### IV. Financial information of the Ease Triumph Group

Set out below is the unaudited consolidated financial information of the Ease Triumph Group for the two years ended 31 December 2017 and 2016 prepared according to the Hong Kong Financial Reporting Standards.

	<b>For the year ended</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before tax	51,698	(44,346)
Loss after tax	(39,615)	(40,255)
Loss for the year attributable to owners of the company	(74,657)	(22,921)

The unaudited consolidated total assets and Net Assets of the Ease Triumph Group as at 31 December 2017 were approximately HK\$3,297.3 million and HK\$56.4 million, respectively.



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## LETTER FROM THE BOARD

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The appraised value of the properties of Dalian Hanghua and Chongqing Hanglong as at 31 December 2017 was approximately HK\$2,328.9 million and HK\$976.9 million, respectively, based on a valuation performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Based on the above valuation of the property assets of the Ease Triumph Group, the adjusted Net Assets of the Ease Triumph Group as at 31 December 2017 would be approximately HK\$166.1 million.

### V. Major Terms of the Proposed Disposal

#### *Qualifications of potential bidders*

The potential bidders shall satisfy, among others, the following qualifications:

1. the potential transferee shall be financially sound and solvent;
2. the potential transferee shall have good business credibility;
3. the potential transferee shall be an independent third party;
4. if the potential transferee is a natural person, he/she shall have full civil capacity; and
5. other qualifications stipulated under the laws and regulations of the PRC.

#### *Consideration for the Proposed Disposal*

The total consideration for the Proposed Disposal includes two components:

1. The minimum bidding price for the entire issued share capital of Ease Triumph is RMB680 million, which was decided by the Board after taking into consideration of: (i) the aggregate appraised value of the properties of the Ease Triumph Group as at 31 December 2017 of approximately HK\$3,305.8 million based on the appraisal report prepared by an independent appraisal firm; (ii) the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HKD 166.1 million, being the Net Assets of the Ease Triumph Group as at 31 December 2017 of approximately HK\$56.4 million plus the valuation adjustments on the properties of approximately HK\$305.0 million (derived from the difference between the fair value and the carrying amount of properties under development as at the date of acquisition in accordance with HKFRS 3 Business Combinations, less the relevant portion of adjustment attributable to the properties sold during the years ended 31 December 2015, 2016 and 2017 which were included in “cost of sales” of each relevant years), and net of corresponding tax impact of approximately HK\$94.3 million and the part attributable to the non-controlling interests of the Ease Triumph Group of approximately HK\$101.0 million; and (iii) the operation performance of the project companies of the Ease Triumph Group. In particular, the Board had considered the initial feedback from the potential bidders whom the Company had contacted with, which indicated that a reasonable floor price for the entire issued share capital of Ease Triumph would be RMB680 million.

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## LETTER FROM THE BOARD

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The final consideration of the entire issued share capital of Ease Triumph will depend on the final bid price offered by the successful bidder, but will in any event be no less than the minimum bidding price of RMB680 million.

2. The consideration of the Shareholder's Loan is the total outstanding principal amount of approximately USD98 million and RMB471 million (equivalent to approximately a total of HK\$1,317 million)<sup>(Note)</sup>. In addition, the successful bidder should pay the interest in relation to the Shareholder's Loan up to the actual repayment date before Completion.

The minimum bidding price for the entire issued share capital of Ease Triumph of RMB680 million is largely based on the initial feedback from the potential bidders independent of the Company. As it is far above the adjusted unaudited consolidated Net Assets of the Ease Triumph Group of HKD166.1 million as at 31 December 2017, it is expected that there will be a gain resulting from the Proposed Disposal. In addition, the consideration of the Shareholder's Loan is based on the book value. Therefore the Directors consider the minimum bidding price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Since the consideration for the Proposed Disposal is subject to the final bid price which will be equal to or above the minimum bidding price, the Board considers that the basis of the consideration is fair and reasonable.

The consideration shall be satisfied by the purchaser in the following manner:

- (i) 30% of the consideration shall be paid by the purchaser to the Company within five (5) Business Days after signing of the relevant sale and purchase agreement. The remittance information shall be provided in the payment notice to be issued by the Company; and
- (ii) 70% of the consideration and the interest in relation to the Shareholder's Loan (up to the actual repayment date before Completion) shall be paid by the purchaser to the Company within thirty (30) days after signing of the relevant sale and purchase agreement. The remittance information shall be provided in the payment notice to be issued by the Company.

### ***Public tender process of the Proposed Disposal***

The Company has performed the preliminary disclosure of information (the "Pre-Listing Disclosure") procedures through CBEE, with a publicity period of 20 Business Days commencing immediately after it published the announcement regarding the Proposed Disposal on 17 April 2018. The Pre-Listing Disclosure contained the basic information of the Ease Triumph Group and the qualifications requirements for the bidders, etc. The Company made the Pre-Listing Disclosure after obtaining the approval of the Board.

Upon completion of the Pre-Listing Disclosure procedures through CBEE, in order to commence the formal process of public tender of the entire issued share capital of Ease Triumph and the Shareholder's Loan, the Company will have to submit the tender notice setting out, inter alia, (i) the minimum consideration of the entire issued share capital of Ease Triumph and the Shareholder's Loan; (ii) the principal terms of the bidding; and (iii) qualifications of potential bidders, to CBEE for the Proposed Disposal after obtaining the Shareholders' approval at the SGM.

*Note:* The figures are converted into HK\$ at the rate of HK\$1.00 : USD0.129 and HK\$1.00 : RMB0.845 for indicative purpose only.

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## LETTER FROM THE BOARD

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Once the tender notice is published, the publication period will commence and open for 20 Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the entire issued share capital of Ease Triumph and the Shareholder's Loan and register themselves as interested bidders.

Upon expiry of the publication period, CBEE will notify the Company the identity of the successful bidder of the public tender. The Company will then enter into a sale and purchase agreement in relation to the entire issued share capital of Ease Triumph and the Shareholder's Loan with the successful bidder and to complete the Proposed Disposal accordingly.

### *Condition precedent to the entering into and completion of the Proposed Disposal*

The entering into the Proposed Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Proposed Disposal including the approval by the Shareholders in respect of the Proposed Mandate at the SGM. The Proposed Mandate will remain valid for 12 months since the date of approval by the Shareholders at the SGM.

Once a successful bidder for the entire issued share capital of Ease Triumph and the Shareholder's Loan has been identified, the Company will have an unconditional obligation under the rules of CBEE to enter into the sale and purchase agreement with such a successful bidder and shall, subject to the payment of the consideration and the interest in relation to the Shareholder's Loan (up to the actual repayment date before Completion) by the successful bidder, complete the transaction contemplated thereunder. The Company will not be able to include the approval of the Shareholders which is required under Chapter 14 of the Listing Rules as a condition precedent to the completion of the Proposed Disposal under the rules of CBEE. Accordingly, the Board will seek the Shareholders' advance approval for the grant of the Proposed Mandate at the SGM.

### **REASONS AND BENEFITS FOR THE PROPOSED DISPOSAL AND THE PROPOSED MANDATE**

As set out in the Company's announcement dated 7 September 2016, the Company has been considering a series of business and asset reorganisation proposals which include the acquisition of certain assets and the disposal of the Group's real estate development business in the PRC. The proposed reorganisation is part of a wider restructuring campaign being implemented by the State-owned Assets Supervision and Administration Commission of the State Council, according to which Aviation Industry was requested to dispose of all its real estate business.

After the completion of acquisition of Motto Investment Limited, details of which can be found in the circular of the Company dated 29 December 2017 and the announcement of the Company dated 7 February 2018, the Company has changed its business focus to the worldwide general aviation aircraft piston engines market. The Directors are confident that such a change is beneficial to the Group's business performance and is in line with its development strategy in the long run. Given the incompatibility of the business natures of the PRC real estate market and the general aviation aircraft

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## LETTER FROM THE BOARD

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piston engines market, the Directors believe the Proposed Disposal would streamline the Group's operations and enhance its focus on the new core business. Further, the Proposed Disposal would bring a considerable sum of proceeds for the Group to settle part of the outstanding consideration for the abovementioned acquisition and to enhance the working capital position.

The Board has considered engaging real estate agencies for the disposal of the property assets of the Group. However, the Board is of the view that conducting the Proposed Disposal through CBEE could attract more potential bidders and maximise the consideration of the Proposed Disposal, which would be in the interest of the Company and the Shareholders as a whole. Also, the transaction costs and expenses through CBEE would be much lower than the cost of engagement of a real estate agency. As at the date of this announcement, the Company has contacted several potential bidders who are interested in the Proposed Disposal.

The Company has consulted CBEE regarding the requirements and tendering procedures applicable to the Proposed Disposal and CBEE indicated that a tender conditional on shareholders' approval will not be acceptable under the rules of CBEE. Under such a restriction, the Company would not be able to conduct the Proposed Disposal under the public tender process unless a prior mandate is sought.

The Company is of the view that the following appropriate measures are in place to safeguard the interests of the Company and its Shareholders as a whole for the Proposed Disposal:

- a. the major terms and conditions in relation to the Proposed Disposal, except the final consideration, would be fixed and publicly disclosed in this circular and in the public tender;
- b. a minimum bidding price would be set for the Proposed Disposal, meaning that the Company would be protected against any unfavourable bidding results which might not be in the interest of the Company and its Shareholders as a whole; and
- c. the Proposed Mandate would be subject to Shareholders' approval.

### USE OF PROCEEDS AND FINANCIAL IMPACT OF THE PROPOSED DISPOSAL

Based on the minimum bidding price, the gross proceeds from the Proposed Disposal are expected to be the aggregate of approximately RMB1,160 million and USD104 million and net proceeds (after deducting related tax expenses, transaction cost and professional expenses) are expected to be the aggregate of approximately RMB1,110 million and USD104 million. The Group intends to use: (i) approximately HK\$800 million to settle part of the consideration of the acquisition of Motto Investment Limited; (ii) approximately RMB433 million for the repayment of interest-bearing liabilities of the Group; and (iii) the remaining of the proceeds for general working capital purpose.

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## LETTER FROM THE BOARD

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The Proposed Disposal would give rise to a gain of approximately HK\$516.6 million (net of income tax and estimated transaction costs) had it been completed on 31 December 2017, details of which are set out in Note 4 of Appendix IV to this circular. The actual gain or loss as a result of the Proposed Disposal to be recorded by the Company is subject to any changes to the carrying amount of the Ease Triumph Group at Completion and the final consideration.

### **Possible effect on earnings**

For the year ended 31 December 2017, the Group's loss for the year attributable to owners of the parent was approximately HK\$288.5 million. As presented in the unaudited pro forma consolidated statement of profit or loss of the Remaining Group as set out in Appendix IV to this circular, had the Proposed Disposal been completed on 1 January 2017, the Remaining Group's profit for the year attributable to owners of the parent would have been approximately HK\$228.1 million due to pro-forma adjustments of approximately HK\$516.6 million, details of which are set out in Appendix IV to this circular.

### **Possible effect on net assets value**

As of 31 December 2017, the Group's total assets and net assets value were approximately HK\$4,384.1 million and HK\$2,271.9 million respectively. As illustrated in the unaudited pro forma consolidated statement of financial position of the Remaining Group set out in Appendix IV to this circular, had the Proposed Disposal been completed on 31 December 2017, total assets of the Remaining Group would have been approximately HK\$2,386.0 million and net assets value of the Remaining Group would have been approximately HK\$2,342.5 million.

The unaudited financial information regarding the Ease Triumph Group for the years ended 31 December 2015, 2016 and 2017 is set out in Appendix II to this circular. For further information regarding the financial implications of the Proposed Disposal on the Group, please refer to the unaudited pro forma financial information of the Remaining Group prepared pursuant to Rule 4.29 of the Listing Rules, as set out in Appendix IV to this circular.

### **INFORMATION ABOUT THE GROUP**

The Company is 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). The Group's current principal business activities include: (a) property development and investment business; and (b) general aviation aircraft piston engine business.

For the year ended 31 December 2017, the Group's property development and investment business recorded a revenue of HK\$1,520,710,000 and a gross loss of HK\$185,812,000. The main reason for the loss was due to the loss of HK\$296,848,000 arisen from the write-down of properties under development and completed properties held for sale to net realisable value, which was included in the cost of sales. As at 31 December 2017, the Group's properties under development and completed properties held for sale amounted to HK\$2,937,160,000 and investment properties amounted to HK\$368,639,000. Please refer to the annual report of the Company for the year ended 31 December 2017 published on 6 April 2018 for details of the latest development of the Group's existing business.

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## LETTER FROM THE BOARD

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On 7 February 2018, the Company completed the acquisition of Motto Investment Limited's entire issue share capital and the shareholder's loan notes owed to AVIC International (HK) Group Limited ("Acquisition"). After the completion of the Acquisition and up to the date of this circular, the Group has been endeavouring to integrate the newly acquired business into the Group on the aspects of culture, management, internal control and financial reporting systems. Also, the Group is in the process of compiling and reviewing the latest operation and financial status of the newly acquired business and is in the process of upgrading its existing engine products line, the Group is committed to maintain the leading position of in the market of the general aviation aircraft piston engines. The Directors are not aware of any material change in the operation of Motto Investment Limited and its subsidiaries as disclosed in the circular of the Company dated 29 December 2017.

As disclosed in the section headed "Reasons and Benefits for the Proposed Disposal and the Proposed Mandate", the Company has been considering a series of business and asset reorganisation proposals which include the acquisition of certain assets and the disposal of the Group's real estate development business in the PRC as part of a wider restructuring campaign being implemented by State-owned Assets Supervision and Administration Commission of the State Council. The acquisition of Motto Investment Limited was completed on 7 February 2018 and the Proposed Disposal is being carried out by the Company as the final step of the reorganisation.

### FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After Completion, Ease Triumph will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group. The Remaining Business of the Remaining Group will be mainly the general aviation aircraft piston engine business.

The prospects of the Remaining Group is encouraged by the following factors: (i) its longstanding manufacturing heritage in the piston aircraft engine manufacturing industry; (ii) its diversified product portfolio of engines for a broad range of aircrafts; (iii) its strong research and development capacity; (iv) its presence in key markets; and (v) support from its controlling shareholder, Aviation Industry, which is a PRC state-owned aerospace and defence company.

The Company intends to maintain the Remaining Group as a leading international aviation piston engine supplier by (i) retaining its current management team; (ii) consolidating its market position in the US market; (iii) establishing its presence in the PRC and creating a strong brand name among Chinese OEMs and end users; (iv) focusing on technology development and introducing new products regularly; and (v) optimising its efficiency on sales, product and sourcing. The management of the Company expects the Remaining Group's businesses will continue to flourish in the foreseeable future.

### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Chapter 14 of the Listing Rules in respect of the Proposed Disposal exceeds 75%, the Proposed Disposal, if materialised, will constitute a very substantial disposal for the Company and is subject to announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## **LETTER FROM THE BOARD**

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The Company will report on the progress of the Proposed Disposal in its relevant interim report and annual report and make further announcements when any significant disposal under the Proposed Mandate has been made.

### **THE SGM**

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 15 June 2018 at 11:00 a.m..

At the SGM, ordinary resolution(s) for approving the Proposed Disposal and the Proposed Mandate will be proposed for the Shareholder's approval.

The resolution(s) will be voted by way of poll at the SGM. As at the Latest Practicable Date, no Shareholder has material interest in the Proposed Disposal and the Proposed Mandate (other than being a Shareholder) and therefore no Shareholder is required to abstain from voting on the relevant resolution(s) at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 12 June 2018 to 15 June 2018, both day inclusive, during which period no transfer of Shares will be registered, in order to determine the entitlement to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, unregistered holders of Shares should ensure that all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m., 11 June 2018.

### **RECOMMENDATION**

The Directors are of the view that the Proposed Disposal and the Proposed Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of the SGM.

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**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board  
**AVIC International Holding (HK) Limited**  
**Liu Hongde**  
*Chairman*



**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the published financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 were disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.avic.com.hk](http://www.avic.com.hk)).

- Annual report of the Company for the year ended 31 December 2017 (pages 74 to 232);  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0406/LTN20180406681.pdf>
- Annual report of the Company for the year ended 31 December 2016 (pages 64 to 224);  
and  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0407/LTN201704071006.pdf>
- Annual report of the Company for the year ended 31 December 2015 (pages 48 to 200).  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0408/LTN20160408654.pdf>

**2. INDEBTEDNESS STATEMENT OF THE GROUP****Borrowings**

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had (i) unguaranteed bank borrowings of approximately HK\$46,568,000; (ii) an unsecured loan from an intermediate holding company of the Group of approximately HK\$541,036,000; and (iii) unsecured loans from a non-controlling shareholder of a subsidiary of the Group of approximately HK\$974,766,000.

As at the close of business on 31 March 2018, the Group had total available and unutilised banking facilities of approximately HK\$94,182,000.

**Contingent liabilities**

As at the close of business on 31 March 2018, the Group had guarantee given to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date of loans being granted to the purchasers up to the date of issuance of property title certificates to the purchasers of approximately HK\$132,014,000.

Save as disclosed above, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loan, other similar indebtedness, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities as at the close of business on 31 March 2018.

**3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources available, including internally generated funds, the available credit loan facilities and the available shareholder's loans, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

The Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group have been made up) to the Latest Practicable Date.

Set out below are the unaudited consolidated financial information of Ease Triumph International Limited (the “Ease Triumph”) and its subsidiaries (collectively the “Ease Triumph Group”) which comprises the unaudited consolidated statements of financial position of the Ease Triumph Group as at 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the Ease Triumph Group for the years then ended, and certain explanatory notes (altogether the “Unaudited Financial Information”).

The Unaudited Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange and the bases of preparation and presentation as set out in Note 2 to the Unaudited Financial Information. The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Proposed Disposal. The Ease Triumph’s auditor, Ernst & Young, was engaged to review the Unaudited Financial Information of the Ease Triumph Group as set out on pages 18 to 25 of this circular in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. Based on their review on the Unaudited Financial Information, nothing has come to their attention that causes them to believe that the Unaudited Financial Information of the Ease Triumph Group is not prepared, in all material respects, in accordance with the basis of preparation and presentation as set out in Note 2.

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the years ended 31 December 2015, 2016 and 2017*

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	2,147,344	102,786	1,520,710
Cost of sales	<u>(1,754,499)</u>	<u>(64,490)</u>	<u>(1,402,911)</u>
Gross profit	392,845	38,296	117,799
Other income and gains	17,899	6,779	2,350
Selling and distribution expenses	(22,998)	(31,694)	(26,130)
Administrative and other operating expenses	(14,460)	(23,603)	(36,663)
Fair value gains/(losses) on investment properties	45,487	(34,047)	33,103
Finance costs	<u>(47,638)</u>	<u>(77)</u>	<u>(38,761)</u>
PROFIT/(LOSS) BEFORE TAX	371,135	(44,346)	51,698
Income tax credit/(expense)	<u>(157,097)</u>	<u>4,091</u>	<u>(91,313)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>214,038</u>	<u>(40,255)</u>	<u>(39,615)</u>
Attributable to:			
Owners of the parent	79,747	(22,921)	(74,657)
Non-controlling interests	<u>134,291</u>	<u>(17,334)</u>	<u>35,042</u>
	<u>214,038</u>	<u>(40,255)</u>	<u>(39,615)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>(55,544)</u>	<u>(85,803)</u>	<u>69,215</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(55,544)</u>	<u>(85,803)</u>	<u>69,215</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>158,494</u>	<u>(126,058)</u>	<u>29,600</u>
Attributable to:			
Owners of the parent	41,949	(81,019)	(28,951)
Non-controlling interests	<u>116,545</u>	<u>(45,039)</u>	<u>58,551</u>
	<u>158,494</u>	<u>(126,058)</u>	<u>29,600</u>

## UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015, 2016 and 2017

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	—	—	—
Investment properties	373,425	315,866	368,639
Trade receivable	21,628	20,178	—
Due from a fellow subsidiary	3,178	—	—
Deferred tax assets	31,316	40,918	22,862
Total non-current assets	<u>429,547</u>	<u>376,962</u>	<u>391,501</u>
<b>CURRENT ASSETS</b>			
Properties under development and completed properties held for sale	3,437,110	3,522,557	2,632,144
Trade receivables	135,498	69,442	76,977
Due from fellow subsidiaries	46,016	10,960	1,664
Due from an intermediate holding company	—	5,282	—
Prepayments, deposits and other receivables	17,436	32,397	3,938
Prepaid taxes	12,156	16,186	4,176
Cash and cash equivalents	107,644	239,634	186,862
Total current assets	<u>3,755,860</u>	<u>3,896,458</u>	<u>2,905,761</u>
<b>CURRENT LIABILITIES</b>			
Due to non-controlling shareholders	64,301	88,444	138,852
Due to intermediate holding companies	774,445	—	16,681
Due to fellow subsidiaries	5,693	44,101	5,492
Due to the immediate holding company	—	760,281	805,272
Loans from fellow subsidiaries	205,988	586,592	366,864
Trade payables	78,018	40,088	121,319
Other payables and accruals	20,494	14,866	27,717
Customer deposits	248,310	920,238	217,981
Tax payable	28,624	—	42,509
Total current liabilities	<u>1,425,873</u>	<u>2,454,610</u>	<u>1,742,687</u>
NET CURRENT ASSETS	<u>2,329,987</u>	<u>1,441,848</u>	<u>1,163,074</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,759,534</u>	<u>1,818,810</u>	<u>1,554,575</u>

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT LIABILITIES			
Loans from an intermediate holding company	509,581	475,419	503,550
Loans from a fellow subsidiary	1,658,683	648,045	556,213
Interest-bearing bank borrowing	—	230,134	—
Total non-current liabilities	<u>2,168,264</u>	<u>1,353,598</u>	<u>1,059,763</u>
Net assets	<u>591,270</u>	<u>465,212</u>	<u>494,812</u>
EQUITY			
Equity attributable to the owner of the parent			
Share capital	250,000	250,000	250,000
Reserves	<u>(83,651)</u>	<u>(164,670)</u>	<u>(193,621)</u>
	166,349	85,330	56,379
Non-controlling interests	<u>424,921</u>	<u>379,882</u>	<u>438,433</u>
Total equity	<u>591,270</u>	<u>465,212</u>	<u>494,812</u>

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2015, 2016 and 2017

	Share capital HK\$'000 (Unaudited)	Reserve Fund* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Accumulated losses* HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non- Controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2015	250,000	—	1,668	(127,268)	124,400	308,376	432,776
Profit for the year	—	—	—	79,747	79,747	134,291	214,038
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	(37,798)	—	(37,798)	(17,746)	(55,544)
Total comprehensive income for the year	—	—	(37,798)	79,747	41,949	116,545	158,494
Transfer to reserve fund	—	10,595	—	(10,595)	—	—	—
At 31 December 2015 and 1 January 2016	250,000	10,595	(36,130)	(58,116)	166,349	424,921	591,270
Loss for the year	—	—	—	(22,921)	(22,921)	(17,334)	(40,255)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	(58,098)	—	(58,098)	(27,705)	(85,803)
Total comprehensive income for the year	—	—	(58,098)	(22,921)	(81,019)	(45,039)	(126,058)
Transfer to reserve fund	—	121	—	(121)	—	—	—
At 31 December 2016 and 1 January 2017	250,000	10,716	(94,228)	(81,158)	85,330	379,882	465,212
Loss for the year	—	—	—	(74,657)	(74,657)	35,042	(39,615)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	45,706	—	45,706	23,509	69,215
Total comprehensive income for the year	—	—	45,706	(74,657)	(28,951)	58,551	29,600
Transfer to reserve fund	—	5,150	—	(5,150)	—	—	—
At 31 December 2017	250,000	15,866	(48,522)	(160,965)	56,379	438,433	494,812

\* These reserve accounts comprise the consolidated negative reserves of HK\$83,651,000, HK\$164,670,000 and HK\$193,621,000 in the unaudited consolidated statements of financial position as at 31 December 2015, 2016, and 2017, respectively.

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2015, 2016 and 2017

	Year ended 31 December		
	2015	2016	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax	371,135	(44,346)	51,698
Adjustments for:			
Finance costs	47,638	77	38,761
Bank interest income	(769)	(1,789)	(2,341)
Fair value losses/(gains) on investment properties	(45,487)	34,047	(33,103)
Write-down of properties under development and properties held for sale to net realisable value	—	—	39,183
	<u>372,517</u>	<u>(12,011)</u>	<u>94,198</u>
Decrease/(increase) in properties under development and completed properties held for sale	1,452,440	(166,687)	1,092,306
Decrease/(increase) in trade receivables	(157,126)	56,626	17,165
Decrease/(increase) in prepayments, deposits and other receivables	(43,897)	(16,156)	30,036
Decrease/(increase) in amounts due from fellow subsidiaries	(49,194)	35,052	9,950
Increase/(decrease) in trade payables	78,018	(32,528)	79,219
Increase/(decrease) in other payables and accruals	(14,398)	(4,209)	12,127
Increase/(decrease) in customer deposits	<u>(1,454,289)</u>	<u>689,909</u>	<u>(748,686)</u>
Cash generated from operations	184,071	549,996	586,315
Overseas taxes paid	<u>(15,616)</u>	<u>(39,671)</u>	<u>(16,156)</u>
Net cash flows from operating activities	<u>168,455</u>	<u>510,325</u>	<u>570,159</u>
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>			
Bank interest received and cash flow from an investing activity	<u>769</u>	<u>1,789</u>	<u>2,341</u>



	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans	37,964	230,134	—
Repayment of bank loans	(675,148)	—	(230,134)
New loans from an intermediate holding company	509,581	—	—
Repayment of loans from fellow subsidiaries	(443,090)	(495,008)	(373,852)
Increase in amounts due to non-controlling shareholders of a subsidiary	16,111	28,817	45,946
Movement in balances with intermediate holding companies	774,445	(13,198)	—
Increase in an amount due to the immediate holding company	—	—	44,991
Increase/(decrease) in amounts due to fellow subsidiaries	6,049	37,482	(37,732)
Interest paid	(389,719)	(161,172)	(88,593)
Net cash flows used in financing activities	(163,807)	(372,945)	(639,374)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	5,417	139,169	(66,874)
Cash and cash equivalents at beginning of year	106,595	107,644	239,634
Effect of foreign exchange rate changes, net	(4,368)	(7,179)	14,102
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>107,644</u>	<u>239,634</u>	<u>186,862</u>
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	<u>107,644</u>	<u>239,634</u>	<u>186,862</u>

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION

## 1. General information

Ease Triumph International Limited (the “Ease Triumph”) was incorporated in Hong Kong and principally engaged in investment holding. Particulars of the Ease Triumph’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity directly attributable to the Ease Triumph	Principal activities
重慶航龍置業有限公司 (“重慶航龍”)	PRC/ Mainland China	US\$62,530,000	— 99	Property developer of residential and commercial projects
大連航華置業有限公司 (“大連航華”)	PRC/ Mainland China	US\$96,000,000	— 52.08	Property developer of residential and commercial projects

On 17 April, 2018, the board of directors of AVIC International Holding (HK) Limited (the “Issuer”) resolved to dispose of the entire issued share capital of the Ease Triumph and the outstanding shareholder’s loans owed by the Ease Triumph to the Issuer by way of a public tender. Upon completion of the Proposed Disposal, the Ease Triumph and its subsidiaries (the “Ease Triumph Group”) will cease to be subsidiaries of the Issuer.

## 2. Basis of preparation and presentation of the financial information

The unaudited financial information of the Ease Triumph Group (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange, and solely for the purposes of inclusion in this circular to be issued by the Issuer in connection with the Proposed Disposal.

The Unaudited Financial Information of the Ease Triumph Group has been prepared on the historical cost basis, except for investment properties which are measured at fair value. The Unaudited Financial Information of the Ease Triumph Group has been prepared using the same accounting policies adopted by the Issuer in the preparation of the consolidated financial statements of the Issuer

for years ended 31 December 2015, 2016 and 2017, which conform with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants (the “HKICPA”). The Unaudited Financial Information is presented in Hong Kong dollar (HK\$) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

The Unaudited Financial Information of the Ease Triumph Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” issued by the HKICPA nor an interim report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

The management discussion and analysis of the Remaining Group for years ended 31 December 2015, 2016 and 2017 is set out below. Upon completion of the Proposed Disposal, the Ease Triumph Group will cease to be a subsidiary of the Company, and the Company will no longer have any ownership interest in the Ease Triumph Group. The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for each of the financial years ended 31 December 2017 (“FY2017”), 31 December 2016 (“FY2016”) and 31 December 2015 (“FY2015”).

**(i) FY 2017**

During FY2017, the Remaining Group’s revenue amounted to nil (FY2016: Nil).

The Remaining Group’s result attributable to owners of the parent for FY2017 was a loss of approximately HK\$68.7 million (FY2016: HK\$659.4 million). The improvement in loss position was mainly attributable to: (1) the decrease in the share of losses of the joint venture and associates by approximately HK\$199.6 million from approximately HK\$218.4 million in FY2016 to approximately HK\$18.8 million in FY2017, (2) the decrease in the fair value loss on an equity investment at fair value through profit or loss by approximately HK\$191.2 million from approximately HK\$198.1 million in FY2016 to approximately HK\$6.9 million in FY2017, (3) the decrease in the fair value loss on derivative financial instruments by approximately HK\$97.3 million from approximately HK\$108.6 million in FY2016 to approximately HK\$11.3 million in FY2017, (4) a one-off gain on disposal of convertible loans of approximately HK\$87.2 million recorded, and (5) the decrease in the impairment of available-for-sale investments by approximately HK\$66.8 million from approximately HK\$134.1 million in FY2016 to approximately HK\$67.3 million in FY2017.

**Funding and treasury policy**

The Remaining Group’s funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group’s operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

**Operating Segment Information**

During FY2017, the Remaining Group did not generate any revenue.

**Liquidity and financial resources**

As at 31 December 2017, the Remaining Group had total assets of approximately HK\$1,609.9 million and liabilities of approximately HK\$43.6 million.

**Cash position**

As at 31 December 2017, the Remaining Group's bank and cash balances were approximately HK\$440.3 million.

**Borrowings and Gearing ratio**

As at 31 December 2017, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK\$1,566.4 million. The Remaining Group did not have any interest-bearing debt. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was 0%.

**Charge on assets**

As at 31 December 2017, the Remaining Group did not have any charge on assets.

**Capital commitments**

As at 31 December 2017, the Remaining Group did not have any capital commitments.

**Contingent liabilities**

As at 31 December 2017, the Remaining Group did not have any contingent liabilities.

**Exchange risk exposure and hedging**

The Remaining Group's foreign currency exposures primarily arose from the transactions made by operating units in Renminbi. In view of the fact that the Remaining Group tried to match its assets and liabilities with the same currency, the Remaining Group's exposure to foreign currency risk was minimal and no hedge activity was considered necessary.

**Significant investments and material acquisitions and/or disposals**

On 19 September 2017, the Company (as purchaser) entered into an acquisition agreement with AVIC International (HK) Group Limited (as seller) and AVIC International Holding Corporation (as seller guarantor) as regards the acquisition of 100% equity interest of Motto Investment Limited and the Shareholder's loan owed by it to AVIC International (HK) Group Limited. Details of the said acquisition can be found in the circular of the Company dated 29 December 2017.

Save for the above disclosed, the Remaining Group did not have any significant investments and/or material acquisitions or disposals of subsidiaries and associated companies during FY2017.

**Future Plans for Material Investments and Acquisition of Capital Assets**

Save for the acquisition of Motto Investment Limited, the Remaining Group did not have any future plan for material investments nor addition of capital assets during FY2017.

**Staff and remuneration policy**

As at 31 December 2017, the Remaining Group had approximately 10 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK\$6.1 million. The Remaining Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

**(ii) FY 2016**

During FY2016, the Remaining Group's revenue from continuing operations amounted to nil (FY2015: HK\$7.6 million). The decrease in revenue was mainly because the trading business segment recorded no revenue in FY2016. During FY2016, the Remaining Group disposed of 浙江東陽金牛針織製衣有限公司 ("Zhejiang Dongyang Jinniu"), a 51%-owned subsidiary, to an independent third party at a cash consideration of approximately HK\$5.7 million. Zhejiang Dongyang Jinniu engaged in the production and distribution of knitting and textile products, knitted fabrics and clothing. The Remaining Group decided to dispose of this subsidiary and cease its knitting and textile business because it had been loss-making in recent years. In FY2016, the revenue of this discontinued operation amounted to approximately HK\$18.6 million (FY2015: HK\$43.6 million).

The Remaining Group's result attributable to owners of the parent for FY2016 was a loss of approximately HK\$659.4 million (FY2015: profit of approximately HK\$55.3 million), which arose mainly from the fair value losses on an equity investment at fair value through profit or loss and derivative financial instruments in an aggregate of approximately HK\$306.7 million (FY2015: gain of approximately HK\$26.9 million), as well as the share of losses of the joint venture and associates in an aggregate of approximately HK\$218.4 million (FY2015: HK\$68.6 million) and the impairment of an available-for-sale investment of approximately HK\$134.1 million (FY2015: HK\$311.1 million).

**Funding and treasury policy**

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

**Operating Segment Information**

During FY2016, the Remaining Group disposed of the knitting and textile business and the Remaining Group had no other segment in operation that had revenue.

**Liquidity and financial resources**

As at 31 December 2016, the Remaining Group had total assets of approximately HK\$1,680.5 million and liabilities of approximately HK\$40.9 million.

**Cash position**

As at 31 December 2016, the Remaining Group's bank and cash balances were approximately HK\$366.3 million.

**Borrowings and gearing ratio**

As at 31 December 2016, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK\$1,639.6 million. The Remaining Group did not have any interest-bearing debt. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was 0%.

**Charge on assets**

As at 31 December 2016, the Remaining Group did not have any charge on assets.

**Capital commitments**

As at 31 December 2016, the Remaining did not have any capital commitments.

**Contingent liabilities**

As at 31 December 2016, the Remaining Group did not have any contingent liabilities.

**Exchange risk exposure and hedging**

The Remaining Group's foreign currency exposures primarily arise from the transactions made by operating units in Renminbi. In view of the fact that the Remaining Group tries to match its assets and liabilities with the same currency, the Remaining Group's exposure to foreign currency risk is minimal and no hedge activity were considered necessary.

**Significant investments and material acquisitions and/or disposals**

The Remaining Group did not have any significant investments and material acquisitions and/or disposals of subsidiaries and associated companies during FY2016.

**Staff and remuneration policy**

As at 31 December 2016, the Remaining Group had approximately 8 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK\$4.0 million. The Remaining Group's remuneration policies are based on the performance of individual employees and are reviewed regularly.

**(iii) FY 2015**

During FY2015, the Remaining Group's revenue from continuing operations amounted to approximately HK\$7.6 million (FY2014: HK\$17.4 million). The decrease in revenue was mainly attributable to the decrease in the revenue from the trading business segment. The revenue from the discontinued operation (i.e. from Zhejiang Dongyang Jinniu) amounted to approximately HK\$43.6 million (FY2014: HK\$53.4 million). It was mainly attributable to the weak condition of the knitting and textile industry as a result of the influence of macro economy in FY2015.

The Remaining Group's result attributable to owners of the parent for FY2015 was a profit of approximately HK\$55.3 million (FY2014 : loss of approximately HK\$142.0 million). The improved result was mainly because the Remaining Group recorded a one-off net gain on deemed disposal of associates of approximately HK\$433.4 million (FY2014: HK\$0.7 million). Nevertheless, a provision for impairment of an available-for-sale investment of approximately HK\$311.1 million (FY2014: nil) was made due to the significant fall in stock market.

**Funding and treasury policy**

The Remaining Group's funding and treasury policy intended to sustain a diversified and balanced debt and financing structure. The Remaining Group endeavoured to monitor its cash flow position and debt, and to improve the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Remaining Group's operations and growth plans, the Remaining Group had built a solid base of funding resources and would keep exploring cost-efficient ways of financing.

**Operating Segment Information**

During FY2015, as the knitting and textile business had been reclassified to a discontinued operation, the Remaining Group had only one operating segment, the trading business segment, which engaged in the trading of raw materials and auxiliary materials. For FY2015, the trading business segment recorded a profit of approximately HK\$0.2 million.

**Liquidity and financial resources**

As at 31 December 2015, the Remaining Group had total assets of approximately HK\$2,380.5 million and liabilities of approximately HK\$99.0 million.



**Cash position**

As at 31 December 2015, the Remaining Group's bank and cash balances and time deposits were approximately HK\$366.0 million.

**Borrowings and gearing ratio**

As at 31 December 2015, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK\$2,303.6 million. The Remaining Group's interest-bearing debts, including interest-bearing bank borrowings of approximately HK\$38.0 million, are mainly denominated in Renminbi and arranged on a fixed rate basis. The Remaining Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of equity attributable to owners of the parent plus the interest-bearing debts, was 2%.

**Charge on assets**

As at 31 December 2015, the following assets were pledged to secure the Remaining Group's banking facilities:

- (i) the Remaining Group's building in Mainland China with net book value of approximately HK\$3.1 million;
- (ii) the Remaining Group's leasehold land in Mainland China with net book value of approximately HK\$2.9 million; and
- (iii) certain of the Remaining Group's short term time deposits amounting to approximately HK\$0.4 million.

**Capital commitments**

On 4 January 2006, Sino-Aviation Investments Limited ("Sino-Aviation Investments"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with AVIC International Holding Corporation ("AVIC International") and Chengdu Aircraft Industry (Group) Corporation Ltd. ("Chengdu Aircraft") for the establishment of a joint venture to engage in the research and development, design and manufacture of parts and components for commercial aircraft, and provision of related technical services. According to the JV Agreement, the total registered capital of the joint venture is RMB100 million (equivalent to approximately HK\$120 million), of which 40%, 15% and 45% respectively, will be contributed by Sino-Aviation Investments, AVIC International and Chengdu Aircraft. The JV Agreement is conditional upon (i) the internal approval obtained by each of the three parties; and (ii) the approval from the relevant PRC authorities. As at 31 December 2015, the JV Agreement has not become effective as the conditions stated above have not been fulfilled.

**Contingent liabilities**

As at 31 December 2015, the Remaining Group did not have any contingent liabilities.

**Exchange risk exposure and hedging**

The Remaining Group's foreign currency exposures primarily arise from the transactions made by operating units in Renminbi. In view of the fact that the Remaining Group tries to match its assets and liabilities with the same currency, the Remaining Group's exposure to foreign currency risk is minimal and no hedge activity were considered necessary.

**Significant investments and material acquisitions and/or disposals**

The Remaining Group did not have any significant investments and material acquisitions and/or disposals of subsidiaries and associated companies during FY2015.

**Staff and remuneration policy**

As at 31 December 2015, the Remaining Group had approximately 77 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK\$16.2 million. The Remaining Group's remuneration policies are based on the performance of individual employees and are reviewed regularly.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP****Introduction**

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the “Unaudited Pro Forma Financial Information”) have been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects upon completion of the Proposed Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2017 which has been extracted from the Group’s audited financial statements for the year ended 31 December 2017, after taking into account the pro forma adjustments relating to the Proposed Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Proposed Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Proposed Disposal had been completed on 31 December 2017.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 as extracted from the Group’s published annual report for the year ended 31 December 2017 dated 14 March 2018 after taking into account the pro forma adjustments relating to the Proposed Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Proposed Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Proposed Disposal had been completed on 1 January 2017.

The accompanying Unaudited Pro Forma Financial Information of the Remaining Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Remaining Group upon Completion of the Proposed Disposal. As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Remaining Group following the completion of the Proposed Disposal and does not purport to describe the actual results of operations, financial position and cash flows of the Remaining Group that would have been attained had the Proposed Disposal been completed on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Remaining Group does not purport to predict the future financial position, results of operations or cash flows of the Remaining Group after completion of the Proposed Disposal.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared in accordance with paragraph 29 of Chapter 4 and paragraph 68(2)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I to the Circular, the unaudited financial information of the Ease Triumph Group as set out in Appendix II to the Circular and other information included elsewhere in the Circular.

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group**  
*As at 31 December 2017*

	<b>Pro Forma adjustments</b>				<b>Pro Forma The Remaining Group (unaudited)</b>	
<b>The Group</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	22,444	—	—	—	—	22,444
Investment properties	368,639	(368,639)	—	—	—	—
Investment in a joint venture	42,464	—	—	—	—	42,464
Investments in associates	14,385	—	—	—	—	14,385
Financial asset under Project EC120	—	—	—	—	—	—
Available-for-sale investments	110,380	—	—	—	—	110,380
Deferred tax assets	—	(22,862)	22,862	—	—	—
<b>Total non-current assets</b>	<b>558,312</b>	<b>(391,501)</b>	<b>22,862</b>	<b>—</b>	<b>—</b>	<b>189,673</b>
<b>CURRENT ASSETS</b>						
Properties under development and completed properties held for sale	2,937,160	(2,632,144)	(305,016)	—	—	—
Trade receivables	76,977	(76,977)	—	—	—	—
Due from fellow subsidiaries	1,664	(1,664)	—	—	—	—
Due from an associate	10,441	—	—	—	—	10,441
Prepayments, deposits and other receivables	5,095	(3,938)	—	805,272	(804,477)	1,952
Available-for-sale investments	82,348	—	—	—	—	82,348
Equity investment at fair value through profit or loss	80,761	—	—	—	—	80,761
Derivative financial instruments	1	—	—	—	—	1
Prepaid taxes	4,176	(4,176)	—	—	—	—
Cash and cash equivalents	627,140	(186,862)	—	751,956	828,611	2,020,845
<b>Total current assets</b>	<b>3,825,763</b>	<b>(2,905,761)</b>	<b>(305,016)</b>	<b>1,557,228</b>	<b>24,134</b>	<b>2,196,348</b>

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**

	<b>The Group</b>	<b>Pro Forma adjustments</b>				<b>Pro Forma The Remaining Group (unaudited)</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>		
<b>CURRENT LIABILITIES</b>							
Due to non-controlling							
shareholders of subsidiaries	138,852	(138,852)	—	—	—	—	—
Due to an intermediate holding							
company	16,681	(16,681)	—	—	—	—	—
Due to the Remaining Group	—	(805,272)	—	805,272	—	—	—
Due to fellow subsidiaries	5,492	(5,492)	—	—	—	—	—
Loans from a fellow subsidiary	366,864	(366,864)	—	—	—	—	—
Trade payables	122,511	(121,319)	—	—	—	—	1,192
Other payables and accruals	34,198	(27,717)	—	—	—	—	6,481
Customer deposits	217,981	(217,981)	—	—	—	—	—
Tax payable	78,403	(42,509)	—	—	—	—	35,894
Total current liabilities	<u>980,982</u>	<u>(1,742,687)</u>	<u>—</u>	<u>805,272</u>	<u>—</u>	<u>—</u>	<u>43,567</u>
<b>NET CURRENT ASSETS</b>	<u>2,844,781</u>	<u>(1,163,074)</u>	<u>(305,016)</u>	<u>751,956</u>	<u>24,134</u>	<u>2,152,781</u>	
<b>TOTAL ASSETS LESS</b>							
<b>CURRENT LIABILITIES</b>	<u>3,403,093</u>	<u>(1,554,575)</u>	<u>(282,154)</u>	<u>751,956</u>	<u>24,134</u>	<u>2,342,454</u>	
<b>NON-CURRENT LIABILITIES</b>							
Loans from an intermediate							
holding company	503,550	(503,550)	—	—	—	—	—
Loans from a fellow subsidiary	556,213	(556,213)	—	—	—	—	—
Deferred tax liabilities	71,398	—	(71,398)	—	—	—	—
Total non-current liabilities	<u>1,131,161</u>	<u>(1,059,763)</u>	<u>(71,398)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets	<u>2,271,932</u>	<u>(494,812)</u>	<u>(210,756)</u>	<u>751,956</u>	<u>24,134</u>	<u>2,342,454</u>	
<b>EQUITY</b>							
Equity attributable to owners of							
the parent							
Issued capital	551,959	(250,000)	—	250,000	—	551,959	
Reserves	1,180,546	193,621	(109,762)	501,956	24,134	1,790,495	
	1,732,505	(56,379)	(109,762)	751,956	24,134	2,342,454	
Non-controlling interests	539,427	(438,433)	(100,994)	—	—	—	
Total equity	<u>2,271,932</u>	<u>(494,812)</u>	<u>(210,756)</u>	<u>751,956</u>	<u>24,134</u>	<u>2,342,454</u>	

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group**
*For the year ended 31 December 2017*

	<b>The Group</b>	<b>Pro Forma adjustments</b>			<b>Pro Forma The Remaining Group (unaudited)</b>
	<i>HK\$'000 (Note 6)</i>	<i>HK\$'000 (Note 7)</i>	<i>HK\$'000 (Note 8)</i>	<i>HK\$'000 (Note 9)</i>	<i>HK\$'000</i>
REVENUE	1,520,710	(1,520,710)	—	—	—
Cost of sales	(1,706,522)	1,402,911	303,611	—	—
Gross loss	(185,812)	(117,799)	303,611	—	—
Other income and gains	41,681	(2,350)	—	—	39,331
Selling and distribution expenses	(26,130)	26,130	—	—	—
Administrative expenses	(73,718)	36,663	—	(4,000)	(41,055)
Other operating expenses	(21,463)	(33,103)	—	—	(54,566)
Finance costs	(38,761)	38,761	—	—	—
Gain on disposal of subsidiaries	—	—	—	349,557	349,557
Gain on disposal of convertible loans	87,151	—	—	—	87,151
Share of profits and losses of:					
Joint venture	(19,043)	—	—	—	(19,043)
Associates	222	—	—	—	222
Impairment of available-for-sale investments (transfer from available-for-sale investment revaluation reserve)	(67,280)	—	—	—	(67,280)
Fair value loss on derivative financial instruments	(11,337)	—	—	—	(11,337)
Fair value loss on an equity investment at fair value through profit or loss	(6,857)	—	—	—	(6,857)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(321,347)</b>	<b>(51,698)</b>	<b>303,611</b>	<b>345,557</b>	<b>276,123</b>
Income tax expense	(15,196)	91,313	(75,394)	(48,778)	(48,055)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(336,543)</b>	<b>39,615</b>	<b>228,217</b>	<b>296,779</b>	<b>228,068</b>
Attributable to:					
Owners of the parent	(288,481)	74,657	145,113	296,779	228,068
Non-controlling interests	(48,062)	(35,042)	83,104	—	—
	<b>(336,543)</b>	<b>39,615</b>	<b>228,217</b>	<b>296,779</b>	<b>228,068</b>

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group**
*For the year ended 31 December 2017*

	Pro Forma adjustments				Pro Forma
	The Group	HK\$'000	HK\$'000	HK\$'000	The Remaining Group (unaudited) HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 6)	(Note 7)	(Note 8)	(Note 9)	
PROFIT/(LOSS) FOR THE YEAR	<u>(336,543)</u>	<u>39,615</u>	<u>228,217</u>	<u>296,779</u>	<u>228,068</u>
<b>OTHER COMPREHENSIVE INCOME</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investments:					
Changes in fair value	(86,017)	—	—	—	(86,017)
Reclassification adjustments for losses included in the consolidated statement of profit or loss					
— Impairment loss	<u>67,280</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>67,280</u>
	(18,737)	—	—	—	(18,737)
Exchange differences:					
Exchange differences on translation of foreign operations	97,554	(69,215)	(17,027)	—	11,312
Reclassification adjustment for a foreign operation disposed of during the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>121,499</u>	<u>121,499</u>
	97,554	(69,215)	(17,027)	121,499	132,811
Share of other comprehensive income of a joint venture	<u>2,905</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,905</u>
<b>NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>					
	<u>81,722</u>	<u>(69,215)</u>	<u>(17,027)</u>	<u>121,499</u>	<u>116,979</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>					
	<u>(254,821)</u>	<u>(29,600)</u>	<u>211,190</u>	<u>418,278</u>	<u>345,047</u>
Attributable to:					
Owners of the parent	(240,767)	28,951	138,585	418,278	345,047
Non-controlling interests	<u>(14,054)</u>	<u>(58,551)</u>	<u>72,605</u>	<u>—</u>	<u>—</u>
	<u>(254,821)</u>	<u>(29,600)</u>	<u>211,190</u>	<u>418,278</u>	<u>345,047</u>

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**
**Unaudited Pro Forma Consolidated Statement of Cash flows of the Remaining Group**
*For the year ended 31 December 2017*

	<b>The Group</b>		<b>Pro Forma adjustments</b>				<b>Pro Forma The Remaining Group (unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 10)</i>	<i>(Note 11)</i>	<i>(Note 12)</i>	<i>(Note 9)</i>	<i>(Note 5)</i>	<i>(Note 13)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Profit/(loss) before tax	(321,347)	(51,698)	303,611	345,557	—	—	276,123
Adjustments for:							
Finance costs	38,761	(38,761)	—	—	—	—	—
Share of profits and losses of a joint venture and associates	18,821	—	—	—	—	—	18,821
Bank interest income	(6,239)	2,341	—	—	—	—	(3,898)
Interest income on a convertible bond	(1,036)	—	—	—	—	—	(1,036)
Interest income on loans to associates	(586)	—	—	—	—	—	(586)
Interest income on a loan to a related company	(536)	—	—	—	—	—	(536)
Gain on disposal of convertible loans	(87,151)	—	—	—	—	—	(87,151)
Depreciation	1,098	—	—	—	—	—	1,098
Provision for impairment of other receivables	20,699	—	—	—	—	—	20,699
Loss on disposal of items of property, plant and equipment	764	—	—	—	—	—	764
Fair value gains on investment properties	(33,103)	33,103	—	—	—	—	—
Write-down of properties under development and properties held for sale to net realisable value	296,848	(39,183)	(257,665)	—	—	—	—
Fair value loss on equity investment at fair value through profit or loss	6,857	—	—	—	—	—	6,857
Impairment of available-for-sale investments	67,280	—	—	—	—	—	67,280
Fair value loss on derivative financial instruments, net	11,337	—	—	—	—	—	11,337
Gain on disposal of subsidiaries	—	—	—	(349,557)	—	—	(349,557)
	12,467	(94,198)	45,946	(4,000)	—	—	(39,785)



**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**

	<b>The Group</b>		<b>Pro Forma adjustments</b>				<b>Pro Forma The Remaining Group Group (unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 10)</i>	<i>(Note 11)</i>	<i>(Note 12)</i>	<i>(Note 9)</i>	<i>(Note 5)</i>	<i>(Note 13)</i>	
Decrease in properties under development and completed properties held for sale	1,149,205	(1,092,306)	(56,899)	—	—	—	—
Decrease in trade receivables	17,165	(17,165)	—	—	—	—	—
Decrease/(increase) in prepayments, deposits and other receivables	32,441	(30,036)	—	—	—	(2,533)	(128)
Decrease in amounts due from fellow subsidiaries	9,950	(9,950)	—	—	—	—	—
Increase in trade payables	79,219	(79,219)	—	—	—	—	—
Increase in other payables and accruals	16,225	(12,127)	—	—	—	—	4,098
Decrease in customer deposits	(748,686)	748,686	—	—	—	—	—
Cash generated from/(used in) operations	567,986	(586,315)	(10,953)	(4,000)	—	(2,533)	(35,815)
Overseas tax paid	(16,986)	16,156	—	(48,778)	—	—	(49,608)
Net cash flows from/(used in) operating activities	<u>551,000</u>	<u>(570,159)</u>	<u>(10,953)</u>	<u>(52,778)</u>	<u>—</u>	<u>(2,533)</u>	<u>(85,423)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of items of property, plant and equipment	(28)	—	—	—	—	—	(28)
Proceeds from disposal of items of property, plant and equipment	793	—	—	—	—	—	793
Proceeds from disposal of convertible loans	87,151	—	—	—	—	—	87,151
Disposal of subsidiaries	—	—	—	565,100	—	—	565,100
Proceeds from disposal of shareholder's loans	—	—	—	—	1,316,823	—	1,316,823
Repayment of loans from an intermediate holding company	—	—	—	—	(512,346)	—	(512,346)
Bank interest received	6,214	(2,341)	—	—	—	—	3,873
Interest received on a convertible bond	1,036	—	—	—	—	—	1,036
Interest received on loans to associates	774	—	—	—	—	—	774
Interest received on a loan to a related company	1,079	—	—	—	—	—	1,079
Net cash flows from investing activities	<u>97,019</u>	<u>(2,341)</u>	<u>—</u>	<u>565,100</u>	<u>804,477</u>	<u>—</u>	<u>1,464,255</u>

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**

	<b>The Group</b>		<b>Pro Forma adjustments</b>				<b>Pro Forma</b>
							<b>The</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>Remaining</b>
	<i>(Note 10)</i>	<i>(Note 11)</i>	<i>(Note 12)</i>	<i>(Note 9)</i>	<i>(Note 5)</i>	<i>(Note 13)</i>	<b>Group</b>
							<b>(unaudited)</b>
							<i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Repayment of bank loans	(230,134)	230,134	—	—	—	—	—
Repayment of loans from a fellow subsidiary	(373,852)	373,852	—	—	—	—	—
Increase in amounts due to non-controlling shareholders of subsidiaries	45,946	(45,946)	—	—	—	—	—
Increase in an amount due to the immediate holding company	—	(44,991)	—	—	—	44,991	—
Increase in amounts due to fellow subsidiaries	4,726	37,732	—	—	—	(42,458)	—
Interest paid	(88,593)	88,593	—	—	—	—	—
Net cash flows used in financing activities	<u>(641,907)</u>	<u>639,374</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,533</u>	<u>—</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>							
	6,112	66,874	(10,953)	512,322	804,477	—	1,378,832
Cash and cash equivalents at beginning of year	605,925	(239,634)	—	239,634	—	—	605,925
Effect of foreign exchange rate changes, net	<u>15,103</u>	<u>(14,102)</u>	<u>10,953</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,954</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>							
	<u>627,140</u>	<u>(186,862)</u>	<u>—</u>	<u>751,956</u>	<u>804,477</u>	<u>—</u>	<u>1,996,711</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>							
Cash and bank balances	301,921	(186,862)	—	751,956	804,477	—	1,671,492
Non-pledged time deposits with original maturity of less than three months when acquired	<u>325,219</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>325,219</u>
	<u>627,140</u>	<u>(186,862)</u>	<u>—</u>	<u>751,956</u>	<u>804,477</u>	<u>—</u>	<u>1,996,711</u>

*Notes:*

1. The audited consolidated statement of financial position of the Group as at 31 December 2017 were extracted from the Group's audited financial statements for the year ended 31 December 2017.
2. The adjustment reflects the exclusion of the assets and liabilities of the Ease Triumph Group as if the Proposed Disposal had completed on 31 December 2017. The assets and liabilities for the Ease Triumph Group as at 31 December 2017 have been extracted from the unaudited consolidated statement of financial position of the Ease Triumph Group as at 31 December 2017 as set out in Appendix II to the Circular; except for the following items with the reconciliation as shown below:

	<i>HK\$'000</i>
Increase in amounts due to the Remaining Group as set out in Appendix IV	<u>805,272</u>
Decrease in amounts due to the immediate holding company as set out in Appendix II	<u>(805,272)</u>

The adjustment is not expected to have a continuing effect on the Remaining Group.

3. The adjustment reflects the exclusion of (i) the fair value adjustments of HK\$305 million as at 31 December 2017 arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; (ii) the corresponding tax impact of HK\$94 million as at 31 December 2017. The adjustment is derived from the difference between the fair value and the carrying amount of properties under development as at the date of acquisition in accordance with HKFRS 3 Business Combinations, less the relevant portion of adjustment attributable to the properties sold during the years ended 31 December 2015, 2016 and 2017 which were included in "cost of sales" of each relevant years. The Remaining Group did not have other investment properties, properties under development and completed properties held for sale as at 31 December 2017.

The adjustment is not expected to have a continuing effect on the Remaining Group.

4. The adjustment represents (i) the estimated gross proceeds from the disposal of entire issued share capital of Ease Triumph of HK\$805 million; (ii) the estimated transaction costs directly attributable to the Proposed Disposal of HK\$4 million; (iii) the estimated income tax directly attributable to the Proposed Disposal of HK\$49 million; (iv) the reclassification of intercompany balances to reflect the financial position of the Proposed Disposal; and (v) the estimated gain on the Proposed Disposal of HK\$569 million as if the Proposed Disposal had completed on 31 December 2017.

The calculation of the estimated gain on the Disposal to be recognised in profit or loss, as if the Proposed Disposal had completed on 31 December 2017, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration	(i)	804,734
De-recognition of the net assets of the Ease Triumph Group as at 31 December 2017	(ii)	(705,568)
De-recognition of the Group's non-controlling interest of the Ease Triumph Group as at 31 December 2017	(iii)	539,427
Release of exchange reserve of the Ease Triumph Group	(iv)	<u>(69,265)</u>
Gain on the Proposed Disposal as if the Proposed Disposal had been completed on 31 December 2017		569,328
Income tax effect	(v)	(48,778)
Estimated transaction costs	(vi)	<u>(4,000)</u>
Gain on the Proposed Disposal as if the Proposed Disposal had been completed on 31 December 2017, net of income tax and estimated transaction costs		<u><u>516,550</u></u>

*Notes:*

- (i) The minimum bidding price for the entire issued share capital of Ease Triumph is RMB680 million (equivalent to HK\$805 million). Therefore, the gross proceeds from the disposal of entire issued share capital of Ease Triumph are estimated to be HK\$805 million. The exchange rate of HK\$1.00 to RMB0.845 was used for translating the cash consideration.
- (ii) The amount of net assets of the Ease Triumph Group represents the amount of HK\$495 million extracted from the unaudited consolidated statement of financial position of the Ease Triumph Group as at 31 December 2017, set out in Appendix II and the adjustment reflects the exclusion of (i) the fair value adjustments of HK\$305 million as at 31 December 2017 arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; and (ii) the corresponding tax impact of HK\$94 million as at 31 December 2017, as set out in note 3 above.
- (iii) The amount of the Group's non-controlling interest in the Ease Triumph Group was extracted from the audited consolidated statement of financial position as at 31 December 2017 as stated in the Group's audited financial statements for the year ended 31 December 2017, representing the entire balance of the Group's non-controlling interests as at 31 December 2017 as the Remaining Group did not have other non-wholly-owned subsidiaries as at 31 December 2017.
- (iv) The amount represents exchange fluctuation reserve of the Ease Triumph Group to be released to profit or loss as if the Proposed Disposal had been completed on 31 December 2017.
- (v) The amount represents tax on capital gain on disposal of the Ease Triumph Group as if the Proposed Disposal had been completed on 31 December 2017.
- (vi) The transaction costs represent professional fee directly attributable to the Proposed Disposal which are estimated to be HK\$4 million and it is assumed that the fees will be settled by cash.

Actual gain on disposal arising from the Proposed Disposal depends on actual proceeds from the Proposed Disposal, actual amount of net assets of the Ease Triumph Group, actual amount of exchange fluctuation reserve of the Ease Triumph Group to be released to profit or loss and actual amount of tax on capital gain on the completion date. Therefore, the actual gain on disposal shall be different from the amount calculated in the above table.

- 5 The adjustment represents the proceeds from the disposal of outstanding shareholder's loans together with interest owed by Ease Triumph to the Company as if the Proposed Disposal had been completed on 31 December 2017. The calculation of net proceeds, as if the Proposed Disposal had been completed on 31 December 2017, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration for the disposal of outstanding shareholder's loans	(i)	1,316,823
Cash consideration for the disposal of accrued interest on the outstanding shareholder's loans	(ii)	24,134
Repayment to an intermediate holding company on behalf of the Ease Triumph Group	(iii)	<u>(512,346)</u>
		<u>828,611</u>

*Notes:*

- (i) The shareholder's loans comprises (a) a principal amount of approximately USD98 million at the interest rate of 6% per annum for which the interest start date is 1 July 2017; (b) a principal amount of RMB38 million at the interest rate of 6% per annum for which the interest start date is 1 July 2017; and (c) a principal amount of approximately RMB433 million at the interest rate of 6% per annum for which the interest start date is 27 March 2018. Therefore, the gross proceeds from the disposal of the shareholder's loans are estimated to be HK\$1,317 million. The exchange rates of HK\$1.00 to RMB0.845 and HK\$1.00 to USD0.129 were used for translating the cash consideration.
- (ii) Accrued interest on the outstanding shareholder's loans represents the interest income receivable recognised from the interest start date at 1 July 2017 to 31 December 2017. The exchange rates of HK\$1.00 to RMB0.845 and HK\$1.00 to USD0.129 were used for translating the cash consideration.
- (iii) On 27 March 2018, the Company acquired a loan with principal amount of approximately RMB433 million owed by the Ease Triumph Group to an intermediate holding company at consideration of RMB433 million. This shareholder's loan was included in the shareholder's loans as set out in note 5(i) above. The exchange rate of HK\$1.00 to RMB0.845 was used for translating the repayment.
- 6 The audited consolidated statement of profit or loss and the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2017 were extracted from the Group's audited financial statements for the year ended 31 December 2017.
- 7 The adjustment reflects the exclusion of the result of the Ease Triumph Group for the year ended 31 December 2017, which was extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Ease Triumph Group for the year ended 31 December 2017 as set out in Appendix II to the Circular.

- 8 The adjustment reflects the exclusion of the impact on consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2017 arising from (i) the fair value adjustments of HK\$304 million arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; (ii) the corresponding tax impact HK\$75 million; and (iii) the corresponding exchange differences on translation of foreign operations of HK\$17 million.
- 9 The adjustment represents (i) the estimated transaction costs directly attributable to the Proposed Disposal of HK\$4 million; (ii) the estimated tax directly attributable to the Proposed Disposal of HK\$49 million; and (iii) the estimated gain on the Proposed Disposal of HK\$350 million as if the Proposed Disposal had been completed on 1 January 2017.

The calculation of the estimated gain on the Proposed Disposal to be recognised in profit or loss, as if the Proposed Disposal had been completed on 1 January 2017, is as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Cash consideration	(i)	804,734
De-recognition of the net assets of the Ease Triumph Group as at 1 January 2017	(ii)	(887,159)
De-recognition of the Group's non-controlling interest of the Ease Triumph Group as at 1 January 2017	(iii)	553,481
Release of exchange reserve of the Ease Triumph Group	(iv)	<u>(121,499)</u>
Gain on disposal as at 1 January 2017		349,557
Income tax effect	(v)	(48,778)
Estimated transaction costs	(vi)	<u>(4,000)</u>
Gain on the Proposed Disposal as if the Proposed Disposal had been completed on 1 January 2017, net of income tax and estimated transaction costs		<u><u>296,779</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the Proposed Disposal is as follows:

	<i>HK\$'000</i>
Cash consideration	804,734
Cash and cash equivalents disposed of	<u>(239,634)</u>
	<u><u>565,100</u></u>

*Notes:*

- (i) The minimum bidding price for the entire issued share capital of Ease Triumph is RMB680 million (equivalent to HK\$805 million). Therefore, the gross proceeds from the disposal of entire issued share capital of Ease Triumph are estimated to be HK\$805 million. The exchange rate of HK\$1.00 to RMB0.845 was used for translating the cash consideration.

- (ii) The amount of net assets of the Ease Triumph Group represents the amount of HK\$465 million extracted from the unaudited consolidated statement of financial position of the Ease Triumph Group as at 31 December 2016, set out in Appendix II, the fair value adjustments of HK\$583 million as at 31 December 2016 arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014 and the corresponding tax impact of HK\$161 million as at 31 December 2016.
- (iii) The amount of the Group's non-controlling interest in the Ease Triumph Group was extracted from the unaudited consolidated statement of financial position as at 31 December 2016 as stated in the Group's audited financial statements for the year ended 31 December 2016, representing the entire balance of the Group's non-controlling interests as at 31 December 2016 as the Remaining Group did not have other non-wholly-owned subsidiaries as at 31 December 2016.
- (iv) The amount represents exchange fluctuation reserve of the Ease Triumph Group to be released to profit or loss as if the Proposed Disposal had been completed on 1 January 2017.
- (v) The amount represents tax on capital gain on disposal of the Ease Triumph Group as if the Proposed Disposal had been completed on 1 January 2017.
- (vi) The transaction costs represent professional fee directly attributable to the Proposed Disposal which are estimated to be HK\$4 million and it is assumed that the fees will be settled by cash.

Actual gain on disposal arising from the Proposed Disposal depends on actual proceeds from the Proposed Disposal, actual amount of net assets of the Ease Triumph Group, actual amount of exchange fluctuation reserve of the Ease Triumph Group to be released to profit or loss and actual amount of tax on capital gain on the completion date. Therefore, the actual gain on disposal shall be different to the amount calculated in the above table.

- 10 The audited consolidated statement of cash flows of the Group for the year ended 31 December 2017 was extracted from the Group's financial statements for the year ended 31 December 2017.
- 11 The adjustments reflects the exclusion of the cash flows of the Ease Triumph Group for the year ended 31 December 2016, which is extracted from the unaudited consolidated statement of cash flows for the Ease Triumph Group for the year ended 31 December 2017 as set out in Appendix II to the Circular.
- 12 The adjustment reflects the exclusion of the impact on consolidated statement of cash flows for the year ended 31 December 2017 arising from the fair value adjustments arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014.
- 13 The adjustment includes reclassification of nature of intercompany balances to reflect the result of the Proposed Disposal.

- 14 As detailed in the Company's circular dated 29 December 2017, the Group proposed to acquire the entire issued share capital of Motto Investment Limited and the shareholder's loan notes owing by the Motto Investment Limited to AVIC International (HK) Group Limited ("AVIC HK") (the "Acquisition"). As the Acquisition was completed on 7 February 2018 which was subsequent to the reporting date on 31 December 2017, the financial information of Motto Group has not been included in the above Unaudited Pro Forma Financial Information. In order to provide additional useful information for the shareholders of the Company, the Directors have prepared the following unaudited pro forma consolidated statement of financial position of the Remaining Group as if the Acquisition had been completed on 31 December 2017 and unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Remaining Group as if the Acquisition had been completed on 1 January 2017. The financial information of Motto Group as presented in note ii below is based on previously published unaudited pro forma financial information in the Company's circular dated 29 December 2017. The following unaudited pro forma financial information is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As the following unaudited pro forma financial information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Enlarged Group following the completion of the Acquisition and does not purport to describe the actual results of operations, financial position and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Further, the following unaudited pro forma financial information does not purport to predict the future financial position, results of operations or cash flows of the Enlarged Group after completion of the Acquisition.

**Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group**

	Pro Forma The Remaining Group <i>(unaudited)</i> HK\$'000 <i>(Note i)</i>	Motto Group as at 30 June 2017 <i>(audited)</i> HK\$'000 <i>(Note ii)</i>	Subtotal HK\$'000	Pro forma adjustments HK\$'000 Notes	Enlarged Group <i>(unaudited)</i> HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	22,444	246,365	268,809	90,008	v(a) 358,817
Goodwill	—	848,261	848,261		848,261
Other intangible assets	—	922,529	922,529	727,345	v(a) 1,649,874
Investment in joint ventures	42,464	659	43,123		43,123
Investments in associates	14,385	—	14,385		14,385
Available-for-sale investments	110,380	—	110,380		110,380
Prepayment	—	968	968		968
<b>Total non-current assets</b>	<b>189,673</b>	<b>2,018,782</b>	<b>2,208,455</b>		<b>3,025,808</b>
<b>CURRENT ASSETS</b>					
Inventories	—	462,195	462,195	77,616	v(a) 539,811
Trade receivables	—	116,157	116,157		116,157
Due from fellow subsidiaries	—	18,166	18,166		18,166
Due from an associate	10,441	—	10,441		10,441



**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**

	Pro Forma The Remaining Group (unaudited) HK\$'000 (Note i)	Motto Group as at 30 June 2017 (audited) HK\$'000 (Note ii)	Subtotal HK\$'000	Pro forma adjustments HK\$'000 Notes		Enlarged Group (unaudited) HK\$'000
Prepayments, deposits and other receivables	1,952	35,867	37,819			37,819
Available-for-sale investments	82,348	—	82,348			82,348
Equity investment at fair value through profit or loss	80,761	—	80,761			80,761
Derivative financial instruments	1	—	1			1
Cash and cash equivalents	<u>2,020,845</u>	<u>65,565</u>	<u>2,086,410</u>	(1,025,412)	iv, viii	<u>1,060,998</u>
<b>Total current assets</b>	<b><u>2,196,348</u></b>	<b><u>697,950</u></b>	<b><u>2,894,298</u></b>			<b><u>1,946,502</u></b>
<b>CURRENT LIABILITIES</b>						
Due to intermediate holding companies	—	—	—	9,424	ix	9,424
Due to fellow subsidiaries	—	8,510	8,510			8,510
Due to the immediate holding company	—	9,424	9,424	(9,424)	ix	—
Loans from fellow subsidiaries	—	373,550	373,550	(373,550)	iii(b)	—
Interest-bearing bank borrowings	—	167,400	167,400	(155,000)	iii(a)	12,400
Trade payables	1,192	69,657	70,849			70,849
Other payables, accruals, provisions and other liabilities	6,481	116,707	123,188			123,188
Tax payables	<u>35,894</u>	<u>605</u>	<u>36,499</u>			<u>36,499</u>
<b>Total current liabilities</b>	<b><u>43,567</u></b>	<b><u>745,853</u></b>	<b><u>789,420</u></b>			<b><u>260,870</u></b>
NET CURRENT ASSETS/ (LIABILITIES)	<u>2,152,781</u>	<u>(47,903)</u>	<u>2,104,878</u>			<u>1,685,632</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>2,342,454</u></b>	<b><u>1,970,879</u></b>	<b><u>4,313,333</u></b>			<b><u>4,711,440</u></b>
<b>NON-CURRENT LIABILITIES</b>						
Due to an intermediate holding company	—	—	—	17,004	ix	17,004
Due to the immediate holding company	—	17,004	17,004	(17,004)	ix	—
Interest-bearing bank borrowings	—	1,674,992	1,674,992	(1,655,363)	iii(a)	19,629
Other payables, provisions and other liabilities	—	135,105	135,105			135,105
Defined benefit obligations	—	4,325	4,325			4,325
Deferred tax liabilities	<u>—</u>	<u>38,184</u>	<u>38,184</u>	313,990	v	<u>352,174</u>
<b>Total non-current liabilities</b>	<b><u>—</u></b>	<b><u>1,869,610</u></b>	<b><u>1,869,610</u></b>			<b><u>528,237</u></b>
<b>Net assets</b>	<b><u>2,342,454</u></b>	<b><u>101,269</u></b>	<b><u>2,443,723</u></b>			<b><u>4,183,203</u></b>
<b>EQUITY</b>						
Equity attributable to owners of the Company						
Share capital	551,959	155,000	706,959	223,378	iii(b), iv(c), v	930,337
Reserves	<u>1,790,495</u>	<u>(53,731)</u>	<u>1,736,764</u>	1,516,102	iv(c), v, viii	<u>3,252,866</u>
<b>Total equity</b>	<b><u>2,342,454</u></b>	<b><u>101,269</u></b>	<b><u>2,443,723</u></b>			<b><u>4,183,203</u></b>

**Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group**

	Pro Forma The Remaining Group <i>(unaudited)</i> HK\$'000 <i>(Note i)</i>	Motto Group year ended 31 December 2016 <i>(audited)</i> HK\$'000 <i>(Note ii)</i>	Subtotal HK\$'000	Pro forma adjustments HK\$'000 Notes	Enlarged Group <i>(unaudited)</i> HK\$'000
Revenue	—	1,583,441	1,583,441		1,583,441
Cost of sales	—	(1,076,343)	(1,076,343)	(89,954)	(1,166,297)
Gross profit	—	507,098	507,098		417,144
Other income and gains	39,331	—	39,331		39,331
Selling and distribution expenses	—	(85,583)	(85,583)		(85,583)
Administrative expenses	(41,055)	(263,160)	(304,215)	(79,290)	(383,505)
Other operating expenses	(54,566)	(922)	(55,488)		(55,488)
Finance costs	—	(83,646)	(83,646)	80,011	(3,635)
Gain on disposal of subsidiaries	349,557	—	349,557		349,557
Gain on disposal of convertible loans	87,151	—	87,151		87,151
Share of profits and losses of:					
Joint ventures	(19,043)	109	(18,934)		(18,934)
Associates	222	—	222		222
Impairment of an available-for- sale investment (transfer from available-for-sale investment revaluation reserve)	(67,280)	—	(67,280)		(67,280)
Fair value loss on derivative financial instruments	(11,337)	—	(11,337)		(11,337)
Fair value loss on equity investment at fair value through profit or loss	(6,857)	—	(6,857)		(6,857)
Gain on bargain purchase	—	—	—	390,485	390,485
<b>PROFIT BEFORE TAX</b>	<b>276,123</b>	<b>73,896</b>	<b>350,019</b>		<b>651,271</b>
Income tax expense	(48,055)	(32,263)	(80,318)	24,622	(55,696)
<b>PROFIT FOR THE YEAR</b>	<b>228,068</b>	<b>41,633</b>	<b>269,701</b>		<b>595,575</b>
<b>Attributable to:</b>					
Owners of the Company	228,068	41,633	269,701	325,874	595,575

**Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group**

	Pro Forma The Remaining Group <i>(unaudited)</i> HK\$'000 <i>(Note i)</i>	Motto Group year ended 31 December 2016 <i>(audited)</i> HK\$'000 <i>(Note ii)</i>	Subtotal HK\$'000	Pro forma adjustments HK\$'000 Notes	Enlarged Group <i>(unaudited)</i> HK\$'000
<b>Cash flows from operating activities</b>					
Profit before tax	276,123	73,896	350,019	301,252	651,271
				v(b), vi, vii, viii	
Adjustments for:					
Finance costs	—	83,646	83,646	(80,011)	3,635
Share of profits and losses of joint ventures and associates	18,821	(109)	18,712		18,712
Bank interest income	(3,898)	—	(3,898)		(3,898)
Interest income on a convertible bond	(1,036)	—	(1,036)		(1,036)
Interest income on loans to associates	(586)	—	(586)		(586)
Interest income on a loan to a related company	(536)	—	(536)		(536)
Gain on disposal of convertible loans	(87,151)	—	(87,151)		(87,151)
Depreciation	1,098	46,508	47,606	21,863	69,469
Amortisation of intangible assets	—	35,898	35,898	44,353	80,251
Provision for impairment of other receivables	20,699	—	20,699		20,699
Loss on disposal of items of property, plant and equipment	764	581	1,345		1,345
Fair value loss on equity investment at fair value through profit or loss	6,857	—	6,857		6,857
Impairment of available-for-sale investments	67,280	—	67,280		67,280
Fair value loss on derivative financial instruments, net	11,337	—	11,337		11,337
Gain on disposal of subsidiaries	(349,557)	—	(349,557)		(349,557)
Reversal of provision of trade receivables	—	(1,682)	(1,682)		(1,682)
Impairment of items of property, plant and equipment	—	2,372	2,372		2,372
Impairment of goodwill	—	667	667		667
Loss on disposal of items of other intangible assets	—	705	705		705
Reversal of provision for deposits	—	(1,054)	(1,054)		(1,054)
Pension scheme expense under defined benefit schemes	—	3,712	3,712		3,712
Gain on bargain purchase	—	—	—	(390,485)	(390,485)
	(39,785)	245,140	205,355		102,327

**APPENDIX IV**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP**

	<b>Pro Forma The Remaining Group (unaudited) HK\$'000 (Note i)</b>	<b>Motto Group year ended 31 December 2016 (audited) HK\$'000 (Note ii)</b>	<b>Subtotal HK\$'000</b>	<b>Pro forma adjustments</b>		<b>Enlarged Group (unaudited) HK\$'000</b>
				<i>HK\$'000</i>	<i>Notes</i>	
Decrease/(increase) in inventories	—	(43,346)	(43,346)	77,616	vi	34,270
Decrease in trade and bills receivables	—	66,797	66,797			66,797
Decrease/(increase) in prepayments, deposits and other receivables	(128)	7,339	7,211			7,211
Decrease in trade and bills payables	—	(29,442)	(29,442)			(29,442)
Increase/(decrease) in other payables, accruals, provisions and other liabilities	4,098	(24,932)	(20,834)			(20,834)
Increase in amounts due from fellow subsidiaries	—	(3,720)	(3,720)			(3,720)
Increase in amounts due to fellow subsidiaries	—	7,556	7,556			7,556
Increase in amounts due to an intermediate holding company	—	—	—	3,619	ix	3,619
Increase in an amount due to the immediate holding company	—	3,619	3,619	(3,619)	ix	—
Benefits paid from defined benefit schemes	—	(457)	(457)			(457)
Contribution to defined benefit schemes	—	(2,612)	(2,612)			(2,612)
	(35,815)	225,942	190,127			164,715
Overseas tax paid	(49,608)	(2,604)	(52,212)			(52,212)
Net cash flows from/(used in) operating activities	(85,423)	223,338	137,915			112,503
<b>Cash flows from investing activities</b>						
Purchases of items of property, plant and equipment	(28)	(31,287)	(31,315)			(31,315)
Additions to other intangible assets	—	(68,223)	(68,223)			(68,223)
Proceeds from disposal of items of property, plant and equipment	793	14,609	15,402			15,402
Proceeds from disposal of convertible loans	87,151	—	87,151			87,151
Disposal of subsidiaries	565,100	—	565,100			565,100
Proceeds from disposal of shareholder's loans	1,316,823	—	1,316,823			1,316,823
Repayment of loans from an intermediate holding company	(512,346)	—	(512,346)			(512,346)
Bank interest received	3,873	—	3,873			3,873
Interest received on a convertible bond	1,036	—	1,036			1,036
Interest received on loans to associates	774	—	774			774
Interest received on a loan to a related company	1,079	—	1,079			1,079

APPENDIX IV

UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE REMAINING GROUP

	Pro Forma The Remaining Group ( <i>unaudited</i> ) HK\$'000 ( <i>Note i</i> )	Motto Group year ended 31 December 2016 ( <i>audited</i> ) HK\$'000 ( <i>Note ii</i> )	Subtotal HK\$'000	Pro forma adjustments HK\$'000 Notes	Enlarged Group ( <i>unaudited</i> ) HK\$'000
Acquisition of subsidiaries	—	—	—	(1,000,000) iv	(1,000,000)
Net cash flows from/(used in) investing activities	1,464,255	(84,901)	1,379,354		379,354
<b>Cash flows from financing activities</b>					
New bank loans	—	15,500	15,500		15,500
Repayment of bank loans	—	(136,400)	(136,400)		(136,400)
Repayment of loans from fellow subsidiaries	—	—	—	(373,550) iii(b)	(373,550)
Capital injection received from AVIC International Holding Corporation	—	—	—	373,550 iii(b)	373,550
Loan from a fellow subsidiary	—	106,950	106,950		106,950
Capital element of finance lease rental payments	—	(3,650)	(3,650)		(3,650)
Interest paid	—	(83,646)	(83,646)	80,011 vii	(3,635)
Net cash flows used in financing activities	—	(101,246)	(101,246)		(21,235)
Net increase in cash and cash equivalents	1,378,832	37,191	1,416,023		470,622
Cash and cash equivalents at beginning of year	605,925	72,997	678,922		678,922
Effect of foreign exchange rate changes, net	11,954	(874)	11,080		11,080
<b>Cash and cash equivalents at end of year</b>	<b>1,996,711</b>	<b>109,314</b>	<b>2,106,025</b>		<b>1,160,624</b>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and bank balances	1,671,492	109,314	1,780,806	(945,401) iv, vii, viii	835,405
Non-pledged time deposit with original maturity of less than three months when acquired	325,219	—	325,219		325,219
<b>Cash and cash equivalents at end of year</b>	<b>1,996,711</b>	<b>109,314</b>	<b>2,106,025</b>		<b>1,160,624</b>

Notes:

- i. The Unaudited Pro Forma Financial Information of the Remaining Group was extracted from the above.
- ii. The audited consolidated statement of financial position of Motto Group as at 30 June 2017 and the audited consolidated profit or loss and audited consolidated statement of cash flows for the year ended 31 December 2016 of Motto Group were derived from the accountants' report as set out in Appendix III to the circular dated 29 December 2017 which were converted from US\$ to HK\$ at the rate of US\$1.00 to HK\$7.75.

- iii. Pursuant to the terms of the acquisition agreement, as conditions precedent to the completion of the Acquisition, certain loans of Motto Group shall be settled under the following arrangement (“Preceding Loans Restructuring”):
- (a) Bank loans of US\$180,000,000 and EUR46,975,000 (equivalent to HK\$1,810,363,000 in aggregate) borrowed by the subsidiaries of Motto Investment Limited shall be purchased by AVIC HK which shall subsequently sell these two loans to Motto Investment Limited in return for the issuance by Motto Investment Limited of interest free, unsecured and repayable on demand loan note(s) in the same aggregate principal amount as the two loans (the “Loan Note(s)”). Such Loan Note(s) together with the entire issued share capital of Motto Investment Limited will be sold to the Company.
- (b) Motto Group shall repay the loan due to a fellow subsidiary of the Group amounting to US\$48,200,000 (equivalent to HK\$373,550,000) using the funds from additional equity investment by AVIC International Holding Corporation (“AVIC International”), the immediate holding company of Motto Group before the completion of the Acquisition.
- iv. The total purchase consideration of the Acquisition shall be satisfied by the Company by the issue and allotment of 3,783,783,783 consideration shares and cash consideration of HK\$1,000,000,000 payable in two instalments as set out in (a) and (b) below and is calculated as follows:

	<i>HK\$'000</i>
Cash consideration (a), (b)	1,000,000
Consideration shares (c)	<u>1,475,676</u>
Total consideration	<u><u>2,475,676</u></u>

In exchange for:

	<i>HK\$'000</i>
Acquisition of 100% equity interest of Motto Investment Limited	665,313
Acquisition of the Loan Note(s) owing by Motto Investment Limited to AVIC HK (Note iii(a))	<u>1,810,363</u>
	<u><u>2,475,676</u></u>

- (a) Initial cash consideration of HK\$200,000,000 to be settled upon completion.
- (b) Deferred consideration of HK\$800,000,000 to be settled upon the earlier occurrence of the following events:
- (i) the Company having received the proceeds from the disposal of its real estate business resulting in the Company having net cash balance of more than HK\$800,000,000; and
- (ii) the Group having net cash balance of more than HK\$800,000,000.
- (c) The closing price of the share of the Company at HK\$0.39 each as at 30 June 2017 was adopted for the calculation of the fair value of the consideration shares, as if the Acquisition had been effected on 30 June 2017. The actual fair value of the consideration shares will be determined upon completion of the actual Acquisition, which consequently may result in a financial effect which is materially different from the above.

- v. The identifiable assets and liabilities of Motto Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations* (“HKFRS 3”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The allocation of the purchase price is determined based on an independent professional valuer’s estimates of the fair values of the identified assets and liabilities of Motto Group as at 30 June 2017 as follows.

	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Consideration so determined per note iv above			2,475,676
Less: Net assets acquired:			
Carrying amount of the net assets of Motto Group as at 30 June 2017	(101,269)		
Additional equity investment in Motto Group (Note iii(b))	<u>(373,550)</u>	(474,819)	
Fair value adjustments (a)		(894,969)	
Loan Note(s) owing by Motto Investment Limited to AVIC HK (Note iii(a))		(1,810,363)	
Add: Deferred tax liabilities related to the fair value adjustments		<u>313,990</u>	<u>(2,866,161)</u>
Gain on bargain purchase (b)			<u>(390,485)</u>

- (a) The estimated fair values of the identifiable assets and liabilities of Motto Group were based on the independent valuation conducted by Duff & Phelps, LLC, an independent professional valuer, as at 30 June 2017. The details of the fair value adjustments are as follows:

Identifiable assets subject to fair value adjustments:

	<b>Fair values</b>	<b>Carrying amounts</b>	<b>Fair value adjustments</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Property, plant and equipment	336,373	246,365	90,008
Inventories	539,811	462,195	77,616
Other intangible assets including backlog, trademarks, product technology, licence and completed programs and customer relationships	<u>1,649,874</u>	<u>922,529</u>	<u>727,345</u>
Total	<u>2,526,058</u>	<u>1,631,089</u>	<u>894,969</u>

- (b) Actual goodwill or gain on bargain purchase arising from the Acquisition will be determined based on fair values of the identifiable assets and liabilities of Motto Group and the aggregate fair value of the total consideration at the actual completion date. When the actual transactions take place, different fair values may be determined which consequently may result in a financial effect which is materially different from the above.

Since the fair value of the consideration shares and the fair value of the underlying assets and liabilities of Motto Group as at the completion date may be different from the above, the resulting amount of goodwill or gain on bargain purchase at the date of Acquisition may be different. If the fair value of the underlying assets and liabilities of Motto Group is higher than the fair value of the total consideration transferred as at the completion date, a gain on bargain purchase will be resulted. If the fair value of the underlying assets and liabilities of Motto Group is lower than the fair value of the total consideration transferred as at the completion date, goodwill will be resulted.

- vi. The adjustments represent the additional cost of sales, depreciation and amortisation together with the corresponding deferred income tax impact arising from the fair value adjustments per Note v(a) above as if the Acquisition had been effected at the beginning of the reporting period.
- vii. The adjustment represents savings in finance costs incurred for the loans in Note iii above and the corresponding income tax impact, as if the Acquisition and the Preceding Loans Restructuring had been effected at the beginning of the reporting period.
- viii. The adjustment represents estimated direct expenses of audit, legal, valuation and other professional services of approximately HK\$25,412,000 related to the Acquisition and the Preceding Loans Restructuring. These expenses are charged to the Enlarged Group's consolidated statement of profit or loss. The adjustment is not expected to have a continuing effect on the Enlarged Group.
- ix. The adjustments represent the reclassification of balances with AVIC International as balances with the immediate holding company recorded by Motto Group to balances with an intermediate holding company of the Enlarged Group.
- x. Foreign currency amounts in US\$ and EUR have been translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.75 and EUR1.00 to HK\$8.84, respectively.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report from Ernst and Young, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.*



31 May 2018

The Board of Directors of AVIC International Holding (HK) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AVIC International Holding (HK) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017, and unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017, and related notes as set out on pages 33 to 54 in Appendix IV of the circular dated 31 May 2018 issued by the Company (the “Circular”) (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed disposal of Ease Triumph International Limited (“Ease Triumph”) and its subsidiary (the “Ease Triumph Group”) (the “Disposal”) on the Group’s financial position as at 31 December 2017 and the Group’s financial performance and cash flows for the year ended 31 December 2017 as if the Disposal had completed at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s audited financial statements for the year ended 31 December 2017 of the Company. Information about the Ease Triumph Group’s financial position, financial performance and cash flows has been extracted by the Directors from the financial information of the Ease Triumph Group as set out in its financial information included in Appendix II to the Circular.

**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information 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 Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

31 May 2018

*The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 28 February 2018 of the property interests to be disposed by the Group.*



Jones Lang LaSalle Corporate Appraisal and Advisory  
Limited  
6/F Three Pacific Place  
1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

31 May 2018

The Board of Directors

**AVIC International Holding (HK) Limited**

Unit B, 15th, United Centre  
No. 95 Queensway  
Hong Kong

Dear Sirs,

**Re: Valuation of 2 properties located in Dalian City of Liaoning Province and Chongqing in the People's Republic of China (the "PRC").**

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL" or "we") is instructed by AVIC International Holding (HK) Limited (the "Company") to provide valuation service on two properties in which Dalian Hanghua Real Estate Company Limited ("**Dalian Hanghua**", a 52.08% interest owned subsidiary of the Company) and Chongqing Hanglong Real Estate Company Limited ("**Chongqing Hanglong**", a 99% interest owned subsidiary of the Company) (hereinafter together with the Company referred to as the "**Group**") have interest in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 28 February 2018 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

According to the purpose for the property held, the properties are categorized in three groups in this report: Group I- Property interests held for sale by the Group, Group II- Property interests held for investment by the Group and Group III- Property interests held for future development by the Group.

Considering evidences of relevant transactions in the market place in which the properties located can be observed, we have valued the properties in Group I and in Group III by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, completed properties for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and properties for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained.

We have valued the properties in Group II by the income approach considering most of the property held for investment by the Group has been leased out and most of lease terms is longer than 2 years, and the rental market is active. We take into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates, Construction Work Planning Permits and Construction Work Commencement Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. If necessary, we recommend that a PRC legal opinion is sought to verify the existing title to the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 12 February 2018 and 26 April 2018 by Ms. Corrina Li and Mr. Shawn Yang . Ms. Corrina Li has obtained a MA degree in Economics in 2007 and has 11 years' property valuation experience in the PRC. Mr Shawn Yang has obtained a MA degree in Finance in 2017 and finished some courses referring to property valuation and real estate investment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

As advised by the Company, potential tax liabilities would be incurred on sales of the properties and they are mainly PRC value added tax (“VAT”) and associated surcharges, PRC corporate income tax, PRC land appreciation tax and stamp duty. The estimated total potential tax liability would be RMB251.5 million based on the assumption that the properties were to be sold at the amount of valuation in this report.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Gilbert C. H. Chan**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note: Gilbert C.H. Chan is a Chartered Surveyor who has 25 years’ experience in the valuation of properties in the PRC.*

## SUMMARY OF VALUES

Group I: Property interests held for sale by the Group in the PRC

Group II: Property interests held for investment by the Group in the PRC

Group III: Property interests held for future development by the Group in the PRC

No.	Property <sup>(1)</sup>	Market value	Market value	Market value	The total
		in existing state as at the valuation date RMB	in existing state as at the valuation date RMB	in existing state as at the valuation date RMB	market value of the property in existing state as at the valuation date RMB
		Group I:	Group II:	Group III:	
1.	Portion of the Project Zhonghang International Square located at No. 468 Zhongshan Road Shahekou District Dalian City Liaoning Province The PRC	946,400,000	314,700,000	708,900,000	<b>1,970,000,000</b>
2.	12 parcels of land located at Hualong Road Longxing Town Liangjiangxin District Chongqing City The PRC	—	—	831,800,000	<b>831,800,000</b>
<b>Total:</b>		<b><u>946,400,000</u></b>	<b><u>314,700,000</u></b>	<b><u>1,540,700,000</u></b>	<b><u>2,801,800,000</u></b>

Notes:

- (1) The property does not include the portions which have been sold out before the valuation date and the proceeds from which have already been recognized as revenue.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
1.	Portion of the Project Zhonghang International Square located at No. 468 Zhongshan Road Shahekou District Dalian City Liaoning Province The PRC	<p>Project Zhonghang International Square (the “<b>Project</b>”) is situated at southeastern of Zhongshan Road, Shahekou District, Dalian City. It occupies 4 parcels of land with a total site area of approximately 46,937.50 sq.m. which will be developed into a development complex with residential, apartment, retail, office and basement car parking spaces. The Project is well served by commercial and public facilities. The Project also enjoys easy access as it is about 1 kilometers off Subway Station.</p> <p>The Project is developed into 4 zones (“<b>Zone A</b>”, “<b>Zone B</b>”, “<b>Zone C</b>” and “<b>Zone D</b>”). Upon completion, the Project will have a total gross floor area (“<b>GFA</b>”) of approximately 432,967.85 sq.m. Zone A and Zone C of the Project were completed in 2015. Zone D of the Project were completed in 2017. Zone B of the Project is currently a vacant land except a sales center erected thereon, which was excluded from the property (see note 16).</p> <p>The property comprises the unsold residential, apartment and retail units, storerooms and car-parking spaces of Zones A, C and D of the Project, a 12-storey office building in Zone A, and the vacant land of Zone B of the Project. Details of GFA of the completed portion of the property are set out in note 7.</p> <p>The land use rights of the property have been granted for terms expiring on 13 February 2052 for commercial and financial uses and on 13 February 2082 for residential use respectively.</p>	<p>As at the valuation date, the unsold residential, apartment and retail units, storerooms and car parking spaces of Zones A, C and D of the property were held by the Group for sale. Portions of the office building of Zone A, which was held by the Group for investment purpose, with a total GFA of approximately 18,221.24 sq.m. were rented to various tenants, whilst the remaining portion of the office building was vacant. Zone B was a vacant land except a sales center erected thereon.</p>	<p>1,970,000,000 (100% interest)</p>

*Notes:*

1. As advised by the Group, Dalian Hanghua Real Estate Company Limited (“**Dalian Hanghua**”) is a 52.08% interest owned subsidiary of the Company.
2. Pursuant to 4 State-owned Land Use Rights Certificates — Da Guo Yong (2013) Di Nos. 03015 to 03018, the land use rights of 4 parcels of land with a total site area of approximately 46,937.50 sq.m., on which the property is located, have been granted to Dalian Hanghua for terms expiring on 13 February 2052 for commercial and financial uses and on 13 February 2082 for residential use respectively.

3. Pursuant to 8 Real Estate Title Certificates — Sha You Xian Nos. 2016600757 to 2016600764, the building ownership of Zones A and C of the Project (including the unsold units and the office building of the property) with a total GFA of approximately 128,541.43 sq.m. was owned by Dalian Hanghua.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No.210204201300009 in favour of Dalian Hanghua, the construction works of Zone D with a total planned GFA of approximately 130,379.00 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 210200201404251001 in favour of Dalian Hanghua, permissions by the relevant local authority were given to commence the construction of Zone D with a total GFA of approximately 130,379.00 sq.m. has been approved for construction.
6. Pursuant to 3 Pre-sale Permits — Da Fang Yu Xu Zi Di Nos. 20150035, 20160105 and 20170009, in favour of Dalian Hanghua, the Group is entitled to sell Zone D of the property (representing a total GFA of approximately 94,135.00 sq.m.) to purchasers.
7. According to the information provided by the Group, details of GFA of the completed portion of the property are set out below:

Zone	Usage	GFA (sq.m.)	No. of Car Parking Space
Zone A	Office	21,147.87	
	Apartment	19,947.34	
	Retail	3,958.66	
	Car parking	1,091.50	92
	<b>Sub-total:</b>	<b>46,145.37</b>	<b>92</b>
Zone C	Retail	191.91	
	Car Parking	2,745.00	228
	Storeroom	36.34	
	<b>Sub-total:</b>	<b>2,973.25</b>	<b>228</b>
Zone D	Residential	13,921.02	
	Retail	5,549.98	
	Car Parking	2,616.60	214
	Storeroom	720.97	
	<b>Sub-total:</b>	<b>22,808.57</b>	<b>214</b>
	<b>Grand-total:</b>	<b>71,927.19</b>	<b>534</b>

8. As advised by Dalian Hanghua, 59 residential units with a total GFA of approximately 8,212.83 sq.m., 12 retail units with a total GFA of approximately 2,564.52 sq.m, 11 apartments with a total GFA of approximately 624.88 sq.m and 34 car parking spaces of Zones A, C and D of the property have been pre-sold to various third parties at a total consideration of RMB246,936,365 exclusive of value added tax (“VAT”). Such portions of the property have not been legally and virtually transferred and therefore we have included the units, the storerooms and the car parking spaces in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The Group has not obtained Construction Work Planning Permit for Zone B of the property. As advised by the Group, the developing plan for Zone B of the property is still under construction and is not yet finalised. Once it is finalised, the Group will proceed to apply for Construction Work Planning Permit. According to the Directors’ view, this will have no effect on the development of the property.

10. The Group has not obtained Construction Work Completion and Inspection Certificate for Zone D of the property. Zone D of the property completed at the end of 2017, and the Group is currently applying for the said certificate.
11. As advised by Dalian Hanghua, 45 office units of the office building of Zone A of the property with a total lettable area of approximately 18,221.24 sq.m. were rented to various tenants as at the valuation date for various terms with the expiry dates between 30 April 2018 and 14 October 2025 at a total annual rental of RMB21,153,765 exclusive of water, electricity charges and VAT.
12. Our valuation has been made on the following basis and analysis:
  - a. For office units, we have considered the actual rents in the existing tenancy agreement and also compared with similar properties located in the same business circle and/or nearby within reasonable walking distance, for the calculation of market rent in considering: (1) the reversionary rental income after the expiry of the existing leases for occupied area; and (2) the rental income of vacant area;
  - b. Based on our research, office unit rent of the comparable properties is in the range of RMB96 to RMB114 per sq.m. per month, appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the property market rent and/or market price.
  - c. Based on our research, the stabilized market yield of similar properties is in the range of 5.5% to 6.0% for office use as at the valuation date. Considering the location and characteristics of the property, we have applied a market yield of 6.0% in the valuation.
  - d. Based on our research, the stabilized market occupancy rate of similar properties is in the range of 85% to 90% for office use as at the valuation date. Considering the location and characteristics of the property, we have applied a market occupancy rate of 90% in the valuation.
  - e. For residential, retail, apartment, storeroom and car parking spaces, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit prices of these comparable properties range from RMB15,000 to RMB20,000 per sq.m. for residential units, RMB32,000 to RMB40,000 per sq.m. for retail units on the first floor, RMB14,000 to 16,000 per sq.m. for apartment units, RMB10,000 to RMB11,000 per sq.m. for storeroom units and RMB200,000 to RMB270,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
  - f. We have also made reference to sales prices of land within the locality which have the similar characteristics comparable to Zone B of the property. The prices of these comparable land sites are about RMB9,000 to RMB10,000 per sq.m. on floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.
13. In valuing the property, we have assumed that:
  - a. All land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;
  - b. The design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits have been obtained in respect of the construction works;

- c. The Group has not obtained the Construction Work Completion and Inspection Certificate for Zone D of the Project, in the valuation of the property, we have assumed that relevant Construction Work Completion and Inspection Certificate of the property has been obtained and there is no further payments for Zone D may occurred; and
  - d. The property can be freely transferred, leased or mortgaged by Dalian Hanghua without payment of any further land premium or transfer fees.
14. A summary of major certificates/approvals is shown as follows:
- a. State-owned Land Use Rights Certificate Yes
  - b. Construction Work Planning Permit Yes
  - c. Construction Work Commencement Permit Yes
  - d. Pre-sale Permit Yes
  - e. Real Estate Title Certificates Portion
  - f. Construction Work Completion and Inspection Certificate Portion
15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

<b>Group</b>	<b>Market value in existing state as at the valuation date</b> <i>(RMB)</i>
Group I — held for sale	946,400,000
Group II — held for investment	314,700,000
Group III — held for future development	708,900,000
<b>Grand-total:</b>	<b>1,970,000,000</b>

16. As advised by the Group, the sales center erected on Zone B of the property, which was excluded from the valuation of the property, was a temporary building and will be demolished before the construction work on Zone B has been commenced.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	12 parcels of land located at Hualong Road Longxing Town Liangjiangxin District Chongqing The PRC	The property occupies 12 parcels of land with a total site area of approximately 375,252.00 sq.m.  The land use rights of the property have been granted for terms expiring on 30 June 2054 for commercial use and on 30 June 2064 for residential use respectively.	The property is currently vacant land with some pile foundations.	831,800,000 (100% interest)

*Notes:*

1. As advised by the Group, Chongqing Hanglong Real Estate Company Limited (“**Chongqing Hanglong**”) is a 99% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated on 29 September 2014, the land use rights of 2 parcels of land (on which the property is located) with a total site area of approximately 375,252.00 sq.m. were contracted to be granted to Chongqing Hanglong for terms of 40 years for commercial use and 50 years for residential use respectively. The total land premium was RMB740,590,000.00. As advised by Chongqing Hanglong, the land premium has been fully paid.
3. Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 500141201500056 and 500141201500058, permission towards the planning of the aforesaid 2 land parcels with a total site area of approximately 375,252.00 sq.m. has been granted to Chongqing Hanglong.
4. Pursuant to 12 Real Estate Title Certificates — 108 Fang Di Zheng 2014 Zi Di Nos. 14505, 14511, 14514, 14525, 14535, 14539, 14540, 14543, 14555, 14557, 14559 and 14562, the land use rights of 12 parcels of land (the 2 parcels of land mentioned in notes 2 and 3) with a total site area of approximately 375,252.00 sq.m., on which the property is located, have been granted to Chongqing Hanglong for terms expiring on 30 June 2054 for commercial use and on 30 June 2064 for residential use respectively.
5. The Group has not obtained Construction Work Planning Permit and Construction Work Commencement Permit for the property. Because the Group is revising the developing plan for this property considering changes of market situation. According to the Directors’ view, this will delay the completion date for construction of the property.
6. As advised by Chongqing Hanglong, some pile foundations were constructed on the property which have been suspended as at the valuation date as the Group is revising the development plan for this property. We have considered the cost incurred in the valuation of the property.
7. Our valuation has been made on the following basis and analysis:
  - a. we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB2,200 to RMB2,400 per sq.m. on floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

8. In valuing the property, we have assumed that:
- a. All land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government; and
  - b. The property can be freely transferred, leased or mortgaged by Chongqing Hanglong without payment of any further land premium or transfer fees.
9. A summary of major certificates/approvals is shown as follows:
- |    |   |     |
|----|---|-----|
| a. | State-owned Land Use Rights Grant Contract                    | Yes |
| b. | Real Estate Title Certificates                                | Yes |
| c. | Construction Work Planning Permit                             | No  |
| d. | Construction Work Commencement Permit                         | No  |
| e. | Pre-sale Permit   | No  |
| f. | Construction Work Completion and Inspection Certificate/Table | No  |
| g. | Building Ownership Certificates                               | No  |
10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below.

<b>Group</b>	<b>Market value in existing state as at the valuation date (RMB)</b>
Group I - held for sale	—
Group II - held for investment	—
Group III — held for future development	831,800,000
<b>Grand-total:</b>	<b>831,800,000</b>

**1. RESPONSIBILITY STATEMENT**

The 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. DIRECTORS' INTERESTS IN SECURITIES**

Except for certain Directors who had non-beneficial interests in certain subsidiaries of the Company held for the benefits of the Company, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had an interest or short position in the Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 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 (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

**3. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or any associated company of the Group which does not expire or is not terminable by such member or associated company of the Group within one year without payment of compensation (other than statutory compensation).

#### 5. COMPETING INTERESTS

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:

<b>Name of Director</b>	<b>Name of company</b>	<b>Nature of interest</b>	<b>Nature of competing business</b>
Chow Wai Kam	CK Asset Holdings Limited	Executive director	Property development and investment ("Excluded Businesses")

The Board is of the view that the Group is capable of carrying on its business independently of, and at arms length from the Excluded Businesses. When making decisions on the businesses of the Excluded Businesses of the Group, Mr. Chow, in the performance of his duties as Director, has acted and will continue to act in the best interests 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 if each of them were a controlling shareholder).



## 6. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have been named in this circular:

<b>Name</b>	<b>Qualifications</b>
Anglo Chinese Corporate Finance, Limited	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

Each of the above experts have given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the 2 years immediately preceding the date of this circular and are or may be material:

- (a) the agreement dated 19 September 2017 entered into between AVIC International (HK) Group Limited (中航國際(香港)集團有限公司) (“AVIC HK”), AVIC International Holding Corporation (中國航空技術國際控股有限公司) (“AVIC International”) and the Company relating to the acquisition of the entire issued share capital of Motto Investment Limited and the shareholder’s loan note(s) owing by Motto Investment Limited to AVIC HK as at the completion of such acquisition, as amended by the amendment deed dated 27 October 2017 entered into between AVIC HK, AVIC International and the Company to amend the payment terms regarding the deferred consideration under the acquisition agreement; and

- (b) the sales and purchase agreement dated 29 June 2016 entered into between (i) 上海瑞爾通投資顧問有限公司(Shanghai RET Investment Consulting Company Limited\*) (“RET”), an indirect wholly-owned subsidiary of the Company, (ii) 浙江東陽金牛針織製衣有限公司(Zhejiang Dongyang Jinniu Knitting and Garment Company Limited\*) (“Jinniu”), which was then a 51%-owned subsidiary of RET, (iii) Mr. Fu Yuqun, an independent third party, and (iv) Mr. Wu Xiaogang, who owned 49% equity interest in Jinniu, in relation to, among other things, the disposal of the 51% equity interest in Jinniu by RET to Mr. Fu Yuqun at a cash consideration of RMB5,000,000.

## 8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lau Ka Ho is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is at Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The head office and principal place of business of the Company is at Unit B, 15th Floor, United Centre, 95 Queensway, Hong Kong.
- (c) The share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM 08, Bermuda.
- (d) The branch 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, Wanchai, Hong Kong.
- (e) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at (i) the office of the Company at Unit B, 15/F., United Centre, 95 Queensway, Hong Kong; (ii) the website of the Company at [www.avic.com.hk](http://www.avic.com.hk) from the Latest Practicable Date up to and including the date of the SGM:

- (a) The Bye-laws of the Company;
- (b) The letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (c) The annual reports of the Company for each of FY2015, FY2016 and FY2017;
- (d) The unaudited consolidated financial information of Ease Triumph Group reviewed by Ernst & Young, the text of which is set out in Appendix II to this circular;
- (e) The letter on the unaudited pro forma financial information of the Remaining Group issued by Ernst & Young, the text of which is set out in Appendix IV to this circular;
- (f) The valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix V to this circular;
- (g) a copy of each of the material contracts as set out in the section headed “Material Contracts” in this Appendix;
- (h) The written consents referred to in the section headed “Experts and Consents” in this Appendix; and
- (i) This circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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# 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 Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 15 June 2018 at 11:00 a.m.. (the “**SGM**”) for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company.

### ORDINARY RESOLUTION

“**THAT:**

the Company be and is hereby authorised to dispose of the entire issued share capital of Ease Triumph International Limited (拓業國際有限公司) (“**Ease Triumph**”) and the outstanding shareholder’s loans owed by East Triumph to the Company through China Beijing Equity Exchange (北京產權交易所) by way of open tender in accordance with the major terms as delineated in the announcement of the Company dated 17 April 2018 and the circular dated 31 May 2018 to be despatched by the Company (the “**Disposal**”) and the transactions contemplated under such Disposal be and are hereby approved, ratified and confirmed; and any one director of the Company or his/her proxy(ies) be and is/are hereby authorised to proceed with the Disposal and, should there be a successful bidder, to complete the Disposal and to exercise all the powers of the Company and to do all things and acts and execute and deliver all agreements and document and take all steps, as may be necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Disposal and the transactions contemplate thereunder and where necessary, affix the common seal of the Company on such documents.”

By order of the Board  
**AVIC International Holding (HK) Limited**  
**Liu Hongde**  
*Chairman*

Hong Kong, 31 May 2018

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

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M 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 meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting if the member so desires.
3. Where there are joint registered holders of any share(s), any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
4. The voting on the above resolution at the SGM will be conducted by way of a poll.
5. The register of members of the Company will be closed from 12 June 2018 to 15 June 2018, both days inclusive, during which period no transfer of Shares will be registered, in order to determine the entitlement to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, unregistered holders of Shares should ensure that all transfers of Shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m., 11 June 2018.
6. As at the date hereof, the Board comprises Mr. Liu Hongde, Mr. Pan Linwu, Mr. Lai Weixuan, Ms. Zhou Chunhua and Mr. Xu Hongge as executive directors; Mr. Chow Wai Kam as non-executive director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping as independent non-executive directors.