THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
英高

A letter from the Board is set out on pages 5 to 16 of this circular.

A notice convening the SGM to be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 9 November 2018 at 2:30 p.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.

25 October 2018

CONTENTS

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

"Additional Loan"	the loans offered by the Company to the Ease Triumph Group for its working capital needs after the commencement date of the Public Tender (i.e. 25 June 2018) and before Completion;
"Additional Loan & Interest"	the Additional Loan and the interest (at an annual interest rate of 6%) of the Additional Loan accrued from the respective interest start date of each loan comprising the Additional Loan to the settlement date of the Additional Loan and the interest;
"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"	any day (other than a Saturday or Sunday or public holiday in Hong Kong or any day on which a black rainstorm warning signal or a tropical cyclone warning no. 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong 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 Hang Yue"	Chongqing Hang Yue Company Limited* (重慶航悦置業有限公司), 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 indirect wholly owned by Hangfa Investment;
"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;

"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 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 the 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;
"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"	the disposal by the Company of the entire issued capital of Ease Triumph and the Shareholder's Loan as contemplated under the SPA;
"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;
"Ease Triumph Group"	Ease Triumph and its subsidiaries;
"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;
"Hengda Real Estate"	Hengda Real Estate Group Company Limited* (恒大地產集團有限公司), a company incorporated in the PRC with limited liability, which is 63.46% owned by China Evergrande Group, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3333);
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Latest Practicable Date"	19 October, 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;
"Long Stop Date"	31 December 2019, or such later date as the parties to the SPA may agree in writing;
"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 the British Virgin Islands with limited liability and is a direct wholly owned subsidiary of the Company;
"Net Assets"	net assets attributable to owners of the company;
"Net Liabilities"	net liabilities attributable to owners of the company;
"OEM(s)"	original equipment manufacturer(s);
"Original Interest"	the interest of the Shareholder's Loan accrued from the respective interest start date of each shareholder's loan comprising the Shareholder's Loan to the commencement date of the Public Tender (i.e. 25 June 2018);
"Other Interest"	the interest (at an annual interest rate of 6%) on the Shareholder's Loan and the Original Interest, both accrued from 26 June 2018 to the settlement date of the Shareholder's Loan and the Original Interest;
"PRC"	the People's Republic of China;
"Proposed Disposal"	the proposed disposal of the entire issued capital of Ease Triumph and the Shareholder's Loan through the Public Tender;
"Proposed Mandate"	the general mandate granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the special general meeting held in 15 June 2018;
"Public Tender"	the public tender for the disposal of the entire issued capital of Ease Triumph and the Shareholder's Loan through CBEE which took place between 25 June 2018 and 20 July 2018;
"Purchaser"	Shengtong Holding Limited, a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of Hengda Real Estate;

"Remaining Business"	the Group's remaining business immediately after the Completion;
"Remaining Group"	the Group immediately after the Completion;
"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, approving the SPA and the transactions contemplated thereunder;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	registered holder(s) of the Share(s);
"Shareholder's Loan"	the outstanding shareholder's loans owed by Ease Triumph to the Company as at the commencement date of the Public Tender;
"SPA"	the agreement dated 30 September 2018 entered into between the Company and the Purchaser relating to the disposal by the Company of the entire issued share capital of Ease Triumph and the Shareholder's Loan;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"USD"	United States dollar, the lawful currency of the United States of America; and
"%"	per cent.

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. Lai Weixuan (Chief executive officer)
Mr. Fu Fangxing
Mr. Yu Xiaodong
Mr. Zhang Zhibiao

Non-executive Director:
Mr. Chow Wai Kam

Independent Non-executive Directors:
Mr. Chu Yu Lin, David
Mr. Li Ka Fai, David
Mr. Zhang Ping

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

25 October 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION 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, 17 April 2018, 3 September 2018 and 1 October 2018 and the circulars of the Company dated 29 December 2017 and 31 May 2018.

As disclosed in the announcement of the Company dated 1 October 2018, on 30 September 2018, the Company reached an agreement and entered into the SPA, pursuant to which the Company agreed to sell, and Shengtong Holding Limited, the Purchaser, agreed to acquire, the entire issued share capital of Ease Triumph and the Shareholder's Loan at an aggregated consideration of RMB1,825 million (equivalent to HK$2,237 million). Upon Completion, Ease Triumph will cease to be a subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA; (ii) financial information of the 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 Listings Rules.

SPA

The principal terms of the SPA are set out below.

Date: 30 September 2018

Parties:

Purchaser: Shengtong Holding Limited

Vendor: the Company

Subject matter:

(i) the entire issued share capital of Ease Triumph;

(ii) the Shareholder's Loan; and

(iii) the interest of the Shareholder's Loan accrued from the respective interest start date of each shareholder's loan comprising the Shareholder's Loan to the commencement date of the Public Tender (i.e. 25 June 2018) (the **"Original Interest"**).

Consideration:

RMB1,825 million (equivalent to HK$2,237 million), which is an aggregate of:

(i) RMB680 million (equivalent to HK$840 million), being the consideration for the entire share capital of Ease Triumph;

(ii) RMB1,099 million (equivalent to HK$1,341 million), being the consideration for the Shareholder's Loan (on a dollar-for-dollar basis); and

(iii) RMB46 million (equivalent to HK$56 million), being the consideration for the Original Interest (on a dollar-for-dollar basis).

(together the "**Consideration**").

The Consideration was determined between the Company and the Purchaser based on arm's length negotiation after taking into account, among other things, (i) the minimum bidding price for the entire issued share capital of Ease Triumph of RMB680 million determined by the Company for the Public Tender mainly based on the initial feedback from the potential bidders and with reference to (a) the aggregate appraised value of the properties of the Ease Triumph Group as at 31 December 2017; (b) the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 31 December 2017; and (c) the then operation performance of the project companies of the Ease Triumph Group, further details of which can be found on pages 7 and 8 of the Company's circular dated 31 May 2018, (ii) the aggregate appraised value of the properties of the Ease Triumph Group as at 31 August 2018 of RMB2,808 million (equivalent to HK$3,466 million) according to the appraisal report issued by an independent appraisal firm, which is lower than their unaudited carrying value of RMB2,909 million (equivalent to HK$3,591 million) as at 30 June 2018 due to deteriorated market condition, (iii) the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 30 June 2018 of HK$86 million, being the Net Liabilities of the Ease Triumph Group as at 30 June 2018 of HK$33 million plus the valuation adjustments on the properties arising from the business combination which took place in 2014 of HK$329 million*, and net of the corresponding tax impact of HK$102 million and the part attributable to the non-controlling interest of the Ease Triumph Group of HK$108 million, and (iv) the latest operational and financial performance of the project companies of the Ease Triumph Group, in particular, the increase of loss before tax to over HK$132 million for the six months ended 30 June 2018 comparing to the loss of approximately HK$44 million for the six months ended 30 June 2017, and the decline in the cash generating capabilities of the project companies as demonstrated by the Ease Triumph Group's deteriorated net cash flows from operating activities from a positive of HK$333 million for the six months ended 30 June 2017 to a negative of HK$26 million for the six months ended 30 June 2018.

Other interest:

In addition to the Consideration, the Purchaser shall pay the interest (at an annual interest rate of 6%) on the Shareholder's Loan and the Original Interest, both accrued from 26 June 2018 to the settlement date of the Shareholder's Loan and the Original Interest (the "**Other Interest**"), within thirty (30) days after the passing by the Shareholders at the SGM of an ordinary resolution approving the Disposal in accordance with the Listing Rules.

Additional loan and interest:

The Company may lend additional sums of not more than RMB1 billion in total to the Ease Triumph Group for its working capital needs after the commencement date of the Public Tender (i.e.

* The difference between the fair value of HK$5,975 million and the carrying amount of HK$5,056 million of properties under development as at the date of acquisition of HK$919 million, less the relevant portion attributable to those that had been sold by 30 June 2018 of HK$590 million.

25 June 2018) and before the Completion (the "**Additional Loan**"). The Purchaser shall repay the Company the principal amount of the Additional Loan and interest (at an annual interest rate of 6%) of any of such loan (the "**Additional Loan & Interest**") before the Completion.

Payment arrangement:

Pursuant to the SPA, the Consideration shall be satisfied by the Purchaser in the following manner:

(i) RMB548 million (equivalent to HK$671 million), being 30% of the Consideration, shall be transferred by the Purchaser to a designated account of the Company within five (5) Business Days after the passing by the Shareholders at the SGM of an ordinary resolution approving the Disposal in accordance with the Listing Rules; and

(ii) RMB1,277 million (equivalent to HK$1,566 million), being 70% of the Consideration, shall be transferred by the Purchaser to a designated account of the Company within thirty (30) days after the passing by the Shareholders at the SGM of an ordinary resolution approving the Disposal in accordance with the Listing Rules.

Conditions precedent and completion:

Completion is conditional upon satisfaction of the following conditions precedent:

(i) the passing by the Shareholders at the SGM of an ordinary resolution approving the Disposal in accordance with the Listing Rules; and

(ii) the obtaining of all required regulatory approvals in relation to the Disposal from relevant authorities (including but not limited to Hong Kong and the PRC) by the Company.

Completion

Completion shall only take place upon the fulfillment of all the conditions set out in the conditions precedent above and the Purchaser's payment of the Consideration, the Other Interest and the Additional Loan & Interest.

Completion shall take place within thirty (30) days after all the Consideration and the Other Interest have been paid by the Purchaser and the fulfilment of all the conditions set out in the conditions precedent above.

If Completion has not taken place on or before the Long Stop Date, the SPA shall terminate with immediate effect and no party to the SPA shall have any further obligations and liabilities towards each other save for any accrued rights and obligations as at the date of termination.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of Hengda Real Estate. It is an investment holding company primarily engaged in real estate investment.

INFORMATION ON 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 writing down properties under development and completed properties held for sale to net realisable value and included in the cost of sales. As at 30 June 2018, the Group's properties under development and completed properties held for sale amounted to HK$3,206,513,000 and investment properties amounted to HK$384,568,000.

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. Between the completion of the acquisition and 30 June 2018, the general aviation aircraft piston engine business recognised revenue and gross profit of HK$607,872,000 and HK$142,476,000, respectively, and recorded loss of HK$23,837,000. In the first half of 2018, the Group sold a total of 1,178 engine units. The sales of OEM Avgas Engines and spares went upwards, though partially offset by the maintenance, repair and overhaul division and lower revenue in the Titan Engine product line.

During the first half of 2018, the Group has launched a factory modernisation project called Blue Marlin aiming at deploying a new manufacturing facility with new processes and efficiencies. All documents for the property and the new facility have been signed with the developer, landlord, and airport authority. The new facility will be completed in the second quarter of 2019 with new equipment arriving in early 2019. The Company anticipates full production and transition to be completed in 2020.

Further, to align with the facility modernisation, the Group started the Macola 10 project to upgrade the current enterprise resource planning ("ERP") system from version 9 to version 10. This project will improve ERP system efficiencies and prepare the Group for both the completion of Blue Marlin and consolidation of accounting systems across factory operations. The first phase of the project in support of the new US factory is expected to complete by the end of 2019.

In the first half of 2018, the Group completed the following major research and development projects:

1) IO-370 — completed all certification work with the Federal Aviation Administration resulting in the issue of both the Type Certificate and the Production Certificate in June 2018;

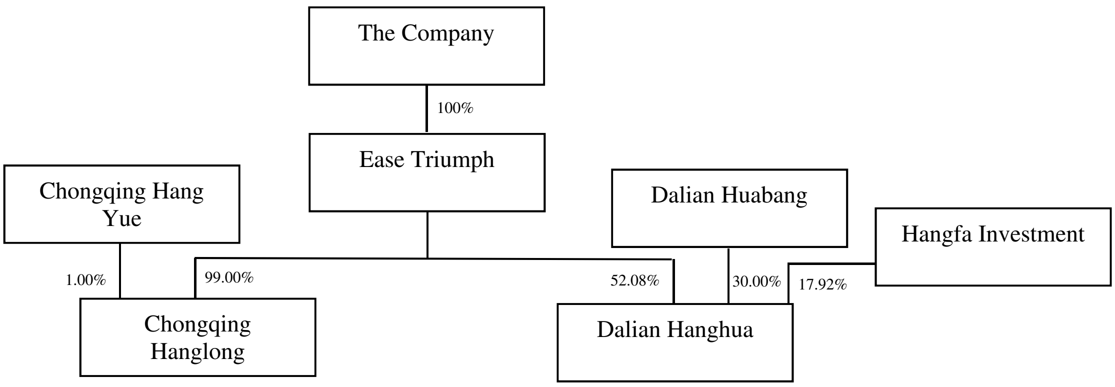
2) CD-100 Series — completed all design work and began certification activities for a third horsepower class rated at 170 horsepower;

3) CD-200 Series — completed major design activities and began endurance testing for a second horsepower class rated at 285 horsepower; and

4) A number of confidential OEM development projects — expected to launch in early 2020.

INFORMATION ON THE EASE TRIUMPH GROUP

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% 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 square meters (excluding communal site area). Dalian Hanghua is currently solely engaged in the development of a large-scale project, the International Square, comprising offices, retail shops and residential buildings, and all of the four parcels of land are used for the development of the International Square. The total saleable area of the International Square upon completion is approximately 350,488 square meters. The project is developed into four zones, three of which have been completed with an aggregate unsold gross floor area of approximately 71,927 square meters as at the Latest Practicable Date, while the remaining zone is left for future development.

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 respectively.

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 square meters and are currently in the early development phase.

III. **Shareholder's Loan and Additional Loan**

As at the Latest Practicable Date, the Shareholder's Loan comprises:

(i) a principal amount of USD98 million (equivalent to HK$760 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 (equivalent to HK$47 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 RMB433 million (equivalent to HK$534 million) at the interest rate of 6% per annum, for which the interest start date is 27 March 2018.

As at the Latest Practicable Date, the Additional Loan comprises a principal amount of RMB11 million (equivalent to HK$14 million) at the interest rate of 6% per annum, for which the interest start date is 20 July 2018.

As at the Latest Practicable Date, the aggregate amount of accrued interest relating to the Shareholder's Loan and the Additional Loan is RMB18.0 million (equivalent to HK$22.3 million) and USD7.8 million (equivalent to HK$60.3 million), comprising of:

(i) the Original Interest of RMB8.7 million (equivalent to HK$10.8 million) and USD5.8 million (equivalent to HK$44.9 million);

(ii) interest on the Shareholder's Loan and the Original Interest accrued from 26 June 2018 to the Latest Practicable Date of RMB9.1 million (equivalent to HK$11.3 million) and USD2.0 million (equivalent to HK$15.4 million); and

(iii) interest on the Additional Loan accrued from the interest start date of the Additional Loan to the Latest Practicable Date of RMB0.2 million (equivalent to HK$0.2 million).

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 the six months ended 30 June 2017 and 2018 prepared in accordance with the accounting policies as those adopted by the Group in its annual reports and interim reports for the respective years and periods.

	For the year ended 31 December		**For the six months ended 30 June**	
	2017	**2016**	**2018**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) before tax	51,698	(44,346)	(131,808)	(44,322)
Loss after tax	(39,615)	(40,255)	(134,905)	(46,677)
Loss for the year/period attributable to owners of the company	(74,657)	(22,921)	(120,169)	(37,123)

The unaudited consolidated total assets and Net Liabilities of the Ease Triumph Group as at 30 June 2018 were HK$3,372 million and HK$33 million, respectively.

The appraised value of the properties of Dalian Hanghua and Chongqing Hanglong as at 31 August 2018 was RMB1,970 million (equivalent to HK$2,432 million) and RMB838 million (equivalent to HK$1,034 million) respectively, based on a valuation by a combination of comparison and income approaches performed by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Please refer to Appendix V of this circular for the details of the valuation report.

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.

REASONS AND BENEFITS FOR THE DISPOSAL

As first disclosed in the Company's announcement dated 7 September 2016, the Company had 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 of the PRC, 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 incompatible business nature of the PRC real estate market with the general aviation aircraft piston engines market, the Directors believe the Disposal would streamline the Group's operations and enhance its focus on the new core business. Further, the 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 of the Group.

The Board was of the view that conducting the Public Tender could attract more potential bidders and maximise the consideration for the disposal of Ease Triumph and the Shareholder's Loan which would be in the interest of the Company and the Shareholders as a whole, However, the Purchaser, who was the only bidder that had paid the transaction deposit as required by CBEE, is a connected person of the Company at the subsidiary level, and was not able to satisfy the independence requirements of participating bidders. The Company therefore could not use the Proposed Mandate to enter into any transaction regarding the Proposed Disposal with the Purchaser.

Notwithstanding the unsuccessful attempt to conduct the Proposed Disposal under the Proposed Mandate, the Company and the Purchaser reached an agreement and entered into the SPA on 30 September 2018.

Under the SPA, the Purchaser will purchase the entire issued share capital of Ease Triumph at the minimum bidding price under the Proposed Mandate, namely, RMB680 million. The Board is of the view that the terms of the SPA are fair and reasonable, the Disposal is on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS AND FINANCIAL IMPACT OF THE DISPOSAL

The gross proceeds from the Disposal are expected to be approximately RMB1,868 million (equivalent to HK$2,289 million) which includes the Consideration, the estimated Original Interest and the estimated Additional Loan & Interest to be settled, and the net proceeds (after deducting related tax expenses, transaction costs and professional expenses) are expected to be approximately RMB1,704 million (equivalent to HK$2,088 million). The Group intends to use: (i) HK$800 million to settle part of the consideration of the acquisition of Motto Investment Limited; (ii) RMB433 million (equivalent to HK$535 million) for the repayment of interest-bearing liabilities of the Group; and (iii) the remainder of the proceeds for general working capital.

The Disposal is expected to give rise to a gain of approximately HK$744 million (before taxation, if any), calculated with reference to the difference between the consideration for the entire issued share capital of Ease Triumph and the adjusted unaudited consolidated Net Assets of the Ease Triumph Group as at 30 June 2018, the transaction costs and expenses of HK$3 million and the release of debit exchange reserve of the Ease Triumph Group of HK$7 million in relation to the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to any changes to the carrying amount of the Ease Triumph Group on the date of the Completion.

Possible effect on earnings

For the six months ended 30 June 2018, the Group's loss attributable to owners of the parent was approximately HK$113 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 Disposal been completed on 1 January 2018, the Remaining Group's profit for the six months ended 30 June 2018 attributable to owners of the parent would have been approximately HK$335 million due to pro-forma adjustments of approximately HK$448 million, details of which are set out in Appendix IV to this circular.

Possible effect on net assets value

As of 30 June 2018, the Group's total assets and Net Assets were approximately HK$7,494 million and HK$3,190 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 Disposal been completed on 30 June 2018, total assets of the Remaining Group would have been approximately HK$5,858 million and Net Assets of the Remaining Group would have been approximately HK$3,747 million.

The unaudited financial information regarding the Ease Triumph Group for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018 is set out in Appendix II to this circular. For further information regarding the financial implications of the 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.

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 prospect 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 aviation 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, production 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 Disposal exceeds 75%, the Disposal, if materialised, will constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

As such, the Disposal and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Also, the Purchaser is an indirect wholly-owned subsidiary of Hengda Real Estate, which currently holds 80% of the issued share capital of Hangfa Investment and therefore is a substantial shareholder of Dalian Hanghua, a 52.08%-owned subsidiary of Ease Triumph. As a result, the Purchaser is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the SPA and hence no Director is required under the Listing Rules to abstain from voting on the resolutions approving the SPA at the Board meeting.

The Directors (including the independent non-executive Directors of the Company) have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal is on normal commercial terms or better and in the interests of the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements.

THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 9 November 2018 at 2:30 p.m..

At the SGM, ordinary resolution(s) for approving the SPA and the transactions contemplated thereunder 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 Disposal (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 6 November 2018 to 9 November 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, Wanchai, Hong Kong no later than 4:30 p.m., 5 November 2018.

RECOMMENDATION

The Directors (including the independent non-executive Directors of the Company) are of the view that the terms of the SPA are fair and reasonable, and the SPA and the transactions contemplated thereunder are on normal commercial terms or better, in line with the Company's development strategies and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors of the Company) recommend the Shareholders to vote in favour of the ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
on behalf of the board of Directors
Liu Hongde
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the published audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017 and the unaudited interim financial statement for the six months period ended 30 June 2018 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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); 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

- Interim report of the Company for the six months period ended 30 June 2018 (pages 18 to 72). http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0913/LTN20180913033.pdf

2. INDEBTEDNESS STATEMENT OF THE GROUP

Borrowings

As at the close of business on 31 August 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$29,914,000; (ii) an unsecured loan from an intermediate holding company of the Group of approximately HK$496,530,000; and (iii) unsecured loans from a non-controlling shareholder of a subsidiary of the Group of approximately HK$838,733,000.

As at the close of business on 31 August 2018, the Group had total available and unutilised banking facilities of approximately HK$105,620,000.

Contingent liabilities

As at the close of business on 31 August 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$117,561,000.

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 August 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 present requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in the interim report of the Group for the six months ended 30 June 2018, 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, 31 December 2017 and 30 June 2018 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 ended 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018, 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 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 II-2 to II-14 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, 31 December 2016, 31 December 2017 and six months ended 30 June 2017 and 30 June 2018

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
REVENUE	2,147,344	102,786	1,520,710	29,740	33,171
Cost of sales	(1,754,499)	(64,490)	(1,402,911)	(20,763)	(16,507)
Gross profit	392,845	38,296	117,799	8,977	16,664
Other income and gains	17,899	6,779	2,350	1,259	541
Selling and distribution expenses	(22,998)	(31,694)	(26,130)	(14,716)	(2,200)
Administrative and other operating expenses	(14,460)	(23,603)	(36,663)	(17,753)	(56,231)
Fair value gains/(losses) on investment properties	45,487	(34,047)	33,103	—	—
Finance costs	(47,638)	(77)	(38,761)	(22,089)	(90,582)
PROFIT/(LOSS) BEFORE TAX	371,135	(44,346)	51,698	(44,322)	(131,808)
Income tax credit/(expense)	(157,097)	4,091	(91,313)	(2,355)	(3,142)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	214,038	(40,255)	(39,615)	(46,677)	(134,950)
Attributable to:					
Owners of the parent	79,747	(22,921)	(74,657)	(37,123)	(120,169)
Non-controlling interests	134,291	(17,334)	35,042	(9,554)	(14,781)
	214,038	(40,255)	(39,615)	(46,677)	(134,950)

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit and loss in subsequent periods:					
Exchange differences on translation of foreign operations	(55,544)	(85,803)	69,215	35,205	74,419
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(55,544)	(85,803)	69,215	35,205	74,419
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	158,494	(126,058)	29,600	(11,472)	(60,531)
Attributable to:					
Owners of the parent	41,949	(81,019)	(28,951)	(13,109)	(63,627)
Non-controlling interests	116,545	(45,039)	58,551	1,637	3,096
	158,494	(126,058)	29,600	(11,472)	(60,531)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	—	—	—	—
Investment properties	373,425	315,866	368,639	384,568
Trade receivable	21,628	20,178	—	—
Due from a fellow subsidiary	3,178	—	—	—
Deferred tax assets	31,316	40,918	22,862	23,830
Total non-current assets	429,547	376,962	391,501	408,398
CURRENT ASSETS				
Properties under development and completed properties held for sale	3,437,110	3,522,557	2,632,144	2,877,533
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	44,271
Contract assets	—	—	—	4,934
Prepaid taxes	12,156	16,186	4,176	27,176
Cash and cash equivalents	107,644	239,634	186,862	9,836
Total current assets	3,755,860	3,896,458	2,905,761	2,963,750
CURRENT LIABILITIES				
Due to non-controlling shareholders of subsidiaries	64,301	88,444	138,852	120,502
Due to intermediate holding companies	774,445	—	16,681	8,326
Due to fellow subsidiaries	5,693	44,101	5,492	1,240
Due to the immediate holding company	—	760,281	805,272	56,820
Loans from the immediate holding company	—	—	—	1,340,904
Loans from fellow subsidiaries	205,988	586,592	366,864	—
Loans from a non-controlling shareholder of a subsidiary	—	—	—	322,598
Trade payables	78,018	40,088	121,319	101,976
Other payables and accruals	20,494	14,866	27,717	34,704

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Customer deposits	248,310	920,238	217,981	—
Contract liabilities	—	—	—	371,949
Tax payable	28,624	—	42,509	47,493
Total current liabilities	1,425,873	2,454,610	1,742,687	2,406,512
NET CURRENT ASSETS	2,329,987	1,441,848	1,163,074	557,238
TOTAL ASSETS LESS CURRENT LIABILITIES	2,759,534	1,818,810	1,554,575	965,636
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	—
Loans from a non-controlling shareholder of a subsidiary	—	—	—	580,247
Interest-bearing bank borrowing	—	230,134	—	—
Total non-current liabilities	2,168,264	1,353,598	1,059,763	580,247
Net assets	591,270	465,212	494,812	385,389
EQUITY				
Equity attributable to the owner of the parent				
Share capital	250,000	250,000	250,000	250,000
Reserves	(83,651)	(164,670)	(193,621)	(282,712)
	166,349	85,330	56,379	(32,712)
Non-controlling interests	424,921	379,882	438,433	418,101
Total equity	591,270	465,212	494,812	385,389

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and six months ended 30 June 2017 and 30 June 2018

	Share capital	Reserve fund*	Exchange fluctuation* reserve	Accumulated losses*	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(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

	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 2017	250,000	10,716	(94,228)	(81,158)	85,330	379,882	465,212
Loss for the period	—	—	—	(37,123)	(37,123)	(9,554)	(46,677)
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	24,014	—	24,014	11,191	35,205
Total comprehensive income for the period	—	—	24,014	(37,123)	(13,109)	1,637	(11,472)
At 30 June 2017	250,000	10,716	(70,214)	(118,281)	72,221	381,519	453,740
At 1 January 2018	250,000	15,866	(48,522)	(160,965)	56,379	438,433	494,812
Adjustment on initial application of HKFRS 15	—	—	1,038	(26,502)	(25,464)	(23,428)	(48,892)
At 1 January 2018 (Restated)	250,000	15,866	(47,484)	(187,467)	30,915	415,005	445,920
Loss for the period	—	—	—	(120,169)	(120,169)	(14,781)	(134,950)
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	56,542	—	56,542	17,877	74,419
Total comprehensive income for the period	—	—	56,542	(120,169)	(63,627)	3,096	(60,531)
At 30 June 2018	250,000	15,866	9,058	(307,636)	(32,712)	418,101	385,389

* These reserve accounts comprise the consolidated negative reserves of HK$83,651,000, HK$164,670,000, HK$193,621,000 and HK$282,712,000 in the unaudited consolidated statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018, respectively.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and six months ended 30 June 2017 and 30 June 2018

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	371,135	(44,346)	51,698	(44,322)	(131,808)
Adjustments for:					
Finance costs	47,638	77	38,761	22,089	90,582
Bank interest income	(769)	(1,789)	(2,341)	(1,259)	(490)
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	—	—
Foreign exchange loss arising from loans from the immediate holding company	—	—	—	—	24,318
	372,517	(12,011)	94,198	(23,492)	(17,398)
Decrease/(increase) in properties under development and completed properties held for sale	1,452,440	(166,687)	1,092,306	(50,236)	34,130
Decrease/(increase) in trade receivables	(157,126)	56,626	17,165	3,898	—
Decrease/(increase) in prepayments, deposits and other receivables	(43,897)	(16,156)	30,036	(3,088)	(39,833)
Decrease in contract assets	—	—	—	—	37
Decrease/(increase) in amounts due from fellow subsidiaries	(49,194)	35,052	9,950	8,314	—
Increase/(decrease) in trade payables	78,018	(32,528)	79,219	(7,065)	(26,146)
Increase/(decrease) in other payables and accruals	(14,398)	(4,209)	12,127	6,030	16,010

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Increase/(decrease) in customer deposits	(1,454,289)	689,909	(748,686)	407,446	—
Increase in contract liabilities	—	—	—	—	13,249
Cash generated from/(used in) operations	184,071	549,996	586,315	341,807	(19,951)
Overseas taxes paid	(15,616)	(39,671)	(16,156)	(8,544)	(5,819)
Net cash flows from/(used in) operating activities	168,455	510,325	570,159	333,263	(25,770)
CASH FLOW FROM AN INVESTING ACTIVITY					
Bank interest received and cash flow from an investing activity	769	1,789	2,341	1,259	490
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans	37,964	230,134	—	—	—
Repayment of bank loans	(675,148)	—	(230,134)	(230,134)	—
New loans from an intermediate holding company	509,581	—	—	—	8,642
Repayment of loans from an intermediate holding company	—	—	—	—	(533,951)
Repayment of loans from fellow subsidiaries	(443,090)	(495,008)	(373,852)	(106,145)	—
Repayment of loans from a non-controlling shareholder of a subsidiary	—	—	—	—	(69,607)
New loans from the immediate holding company	—	—	—	—	511,551
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	16,111	28,817	45,946	25,891	(25,777)
Movement in balances with intermediate holding companies	774,445	(13,198)	—	7,535	(3,682)

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
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)	1,830	(4,546)
Interest paid	(389,719)	(161,172)	(88,593)	(56,083)	(42,355)
Net cash flows used in financing activities	(163,807)	(372,945)	(639,374)	(357,106)	(159,725)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,417	139,169	(66,874)	(22,584)	(185,005)
Cash and cash equivalents at beginning of year/period	106,595	107,644	239,634	239,634	186,862
Effect of foreign exchange rate changes, net	(4,368)	(7,179)	14,102	6,475	7,979
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	107,644	239,634	186,862	223,525	9,836
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents	107,644	239,634	186,862	223,525	9,836

NOTES TO THE UNAUDITED FINANCIAL INFORMAITON

1. **General Information**

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

Name	Place of registration and business	Registered share capital	Percentage of equity directly attributable to the Ease Triumph	Principal activities
重慶航龍置業有限公司	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	PRC/ Mainland China	US$96,000,000	52.08	Property developer of residential and commercial projects

On 30 September 2018, AVIC International Holding (HK) Limited (the "Issuer") reached an agreement and entered into a sale and purchase agreement with Shengtong Holding Limited, pursuant to which the Issuer agreed to sell, and Shengtong Holding Limited agreed to acquire, the entire issued share capital of Ease Triumph and the outstanding shareholder's loans owed by Ease Triumph to the Issuer (the "Disposal"). Upon completion of the Disposal, 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 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, 31 December 2016 and 31 December 2017, and six months ended

30 June 2018, for respective years and periods, which conform with the Hong Kong Financial Reporting Standards issue by the Hong Kong Institute 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 ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

3 **Changes in accounting policies**

The Ease Triumph Group has adopted Hong Kong Financial Reporting Standard 15 *Revenue from Contracts with Customers* ("HFKRS 15") for the first time for the six months ended 30 June 2018.

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations which were applicable to the Ease Triumph Group for years ended 31 December 2015, 31 December 2016 and 31 December 2017, and HKFRS 15 applies to all revenue arising from contracts with customers effective from 1 January 2018, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Ease Triumph Group adopted HKFRS 15 using the modified retrospective method which allows the Ease Triumph Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Ease Triumph Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Ease Triumph Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Ease Triumph Group performs; or

- do not create an asset with an alternative use to the Ease Triumph Group and the Ease Triumph Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Ease Triumph Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(i) ***Accounting for revenue from sales of properties***

Prior to the adoption of HKFRS 15, the Ease Triumph Group accounted for revenue from sales of properties when significant risks and rewards of ownership has been transferred to the customers.

Under HKFRS 15, for properties that have no alternative use to the Ease Triumph Group due to contractual reasons and when the Ease Triumph Group has an enforceable right to payment from customers for performance completed to date, the Ease Triumph Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Ease Triumph Group has assessed that the revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Ease Triumph Group has present right to payment and the collection of the consideration is probable.

The Ease Triumph Group adopted the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2018. In addition, the Ease Triumph Group applied the new requirements only to contracts that are not completed before 1 January 2018. Those sales of completed properties held for sale with control of the properties not transferred to customers before 1 January 2018 and the corresponding cost of sales were adjusted to the opening balance of retained profits at 1 January 2018. The impact of the adoption of HKFRS 15 is shown in the table below.

(ii) ***Accounting for significant financing component for sales of properties***

Prior to the adoption of HKFRS 15, the Ease Triumph Group presented sales proceeds received from customers in connection with the Ease Triumph Group's pre-sales of properties as customer deposits in the consolidated statement of financial position.

Upon adoption of HKFRS 15, the Ease Triumph Group elected to apply the practical expedient and did not recognise the effects of a significant component with a customer if the time period is one year or less. In addition, reclassifications have been made from customer deposits to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Customer deposits of HK$217,981,000 has been reclassified to contract liabilities as at 1 January 2018. The impact of the adoption of HKFRS 15 is shown in the table below.

(iii) ***Accounting for sales commission***

Prior to the adoption of HKFRS 15, the Ease Triumph Group expensed off the sales commission associated with obtaining agreement for sale and purchase with property buyer. Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and distribution expenses at that time. The impact of the adoption of HKFRS 15 on sales commission was adjusted to the opening balance of retained profits at 1 January 2018. The impact of the adoption of HKFRS 15 is shown in the table below.

The impact on the Ease Triumph Group's financial position at 1 January 2018 by the application of HKFRS 15 is as follows:

	Originally stated	**Adjustments under HKFRS 15**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development and completed properties held for sale	2,632,144	119,896	2,752,040
Trade receivables	76,977	(76,977)	—
Due from fellow subsidiaries	1,664	(1,664)	—
Contract assets	—	4,971	4,971
Prepaid taxes	4,176	16,539	20,715
Other payables and accruals	(27,717)	10,016	(17,701)
Customer deposits	(217,981)	217,981	—
Contract liabilities	—	(339,654)	(339,654)
Exchange fluctuation reserve	48,522	(1,038)	47,484
Accumulated losses	160,965	26,502	187,467
Non-controlling interest	(438,433)	23,428	(415,005)

The management discussion and analysis of the Remaining Group for years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 is set out below.

Upon completion of the 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**"), 31 December 2015 ("**FY2015**") and the unaudited consolidated financial statements for the six months ended 30 June 2018 ("**1H2018**").

(i) 1H2018

During 1H2018, the Remaining Group's revenue amounted to HK$607.9 million (For the six months ended 30 June 2017 ("**1H2017**"): Nil).

The Remaining Group's net loss attributable to owners of the parent for 1H2018 was approximately HK$72.4 million (1H2017: HK$20.2 million). The increase in the loss attributable to owners of the parent was mainly because: (1) a one-off gain on disposal of convertible loans of approximately HK$87.2 million was recorded for 1H2017; (2) the newly acquired general aviation aircraft piston engine business recorded a loss of approximately HK$23.8 million for 1H2018; and (3) exchange loss of approximately HK$22.1 million arisen from the change in exchange rate for the new loan from an intermediate holding company in 2018 was included in administrative expenses in 1H2018; though a fair value loss of financial instruments of only approximately HK$10.6 million was recorded for 1H2018 as compared to the impairment and fair value loss of financial instruments of approximately HK$85.5 million in total recorded for 1H2017.

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 1H2018, the Remaining Group only has one reportable operating segment, the general aviation aircraft piston engine business, which engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and supports for piston engines. The revenue of the general aviation aircraft piston engine business for 1H2018 was approximately HK$607.9 million and loss of approximately HK$23.8 million was recorded.

Liquidity and financial resources

As at 30 June 2018, the Remaining Group had total assets of approximately HK$5,214.6 million, which included loans to the Ease Triumph Group and amounts due from the Ease Triumph Group, and total liabilities of approximately HK$2,110.9 million.

Cash position

As at 30 June 2018, the Remaining Group's bank and cash balances were approximately HK$308.2 million.

Borrowings and gearing ratio

As at 30 June 2018, the Remaining Group's equity attributable to owners of the parent amounted to approximately HK$3,103.7 million. The Remaining Group's interest-bearing debts included loans from an intermediate holding company of approximately HK$534.5 million and interest-bearing bank borrowings of approximately HK$19.6 million. 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 15%.

Charge on assets

As at 30 June 2018, the Remaining Group did not have any charge on assets.

Capital expenditures

As at 30 June 2018, the Remaining Group had capital commitments of approximately HK$67.0 million.

Contingent liabilities

As at 30 June 2018, the Remaining Group did not have any contingent liabilities.

Exchange risk exposure and hedging

As most of the Remaining Group's business transactions, assets and liabilities were principally denominated in the functional currencies of the operating units, the Remaining Group's exposure to foreign currency risk was minimal.

Significant investments and material acquisitions and/or disposals

Save for the acquisition of Motto Investment Limited and the proposed Disposal of Ease Triump Group, the Remaining Group did not have any significant investments and/or material acquisitions or disposals of subsidiaries and associated companies during 1H2018.

Future Plans for Material Investments and Acquisition of Capital Assets

Save for the future plans specified under the subsection headed "Use of Proceeds and Financial Impact of the Disposal" in the "Letter from the Board" of this circular, the Remaining Group did not have any future plan for material investments nor addition of capital assets during 1H2018.

Staff and remuneration policy

As at 30 June 2018, the Remaining Group had approximately 659 employees. The staff cost (excluding directors' remunerations) of the Remaining Group was approximately HK$108.8 million. The Remaining Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

(ii) FY2017

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 expenditures

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.

(iii) 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 Group 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.

(iv) 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 Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2018 which has been extracted from the Group's published interim financial statements for the six months ended 30 June 2018, after taking into account the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 30 June 2018.

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 unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income and unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2018 as extracted from the Group's published interim financial statements for the six months ended 30 June 2018, after taking into account the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Disposal had been completed on 1 January 2018.

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 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 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 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 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 this circular, the unaudited financial information of the Ease Triumph Group as set out in Appendix II to this circular and other information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group
As at 30 June 2018

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
NON-CURRENT ASSETS					
Property, plant and equipment	335,230	—	—	—	335,230
Goodwill	439,422	—	—	—	439,422
Other intangible assets	1,798,505	—	—	—	1,798,505
Investments in joint ventures	42,758	—	—	—	42,758
Investments in associates	14,396	—	—	—	14,396
Financial assets at fair value through other comprehensive income	124,749	—	—	—	124,749
Prepayments	752	—	—	—	752
Total non-current assets	2,755,812	—	—	—	2,755,812
CURRENT ASSETS					
Inventories	540,091	—	—	—	540,091
Trade receivables	104,897	—	—	—	104,897
Due from fellow subsidiaries	30,225	—	—	—	30,225
Due from an associate	312	—	—	—	312
Loans to an associate	10,494	—	—	—	10,494
Prepayments, deposits and other receivables	46,809	—	—	—	46,809
Financial assets at fair value through through profit or loss	20,000	—	—	—	20,000
Cash and cash equivalents	308,232	—	—	2,041,420	2,349,652
	1,061,060	—	—	2,041,420	3,102,480
Assets of a disposal group classified as held for sale	3,677,298	(3,372,148)	(305,150)	—	—
Total current assets	4,738,358	(3,372,148)	(305,150)	2,041,420	3,102,480
CURRENT LIABILITIES					
Due to intermediate holding companies	809,300	—	—	—	809,300
Loan from an intermediate holding company	534,485	—	—	—	534,485
Due to the Remaining Group	—	(1,397,724)	—	1,397,724	—
Trade payables	73,916	—	—	—	73,916

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Other payables, accruals and provisions	159,000	—	—	—	159,000
Tax payable	37,261	—	—	—	37,261
Interest-bearing bank borrowings	12,400	—	—	—	12,400
	1,626,362	(1,397,724)	—	1,397,724	1,626,362
Liabilities directly associated with the assets classified as held for sale	1,666,786	(1,589,035)	(77,751)	—	—
Total current liabilities	3,293,148	(2,986,759)	(77,751)	1,397,724	1,626,362
NET CURRENT ASSETS	1,445,210	(385,389)	(227,399)	643,696	1,476,118
TOTAL ASSETS LESS CURRENT LIABILITIES	4,201,022	(385,389)	(227,399)	643,696	4,231,930
NON-CURRENT LIABILITIES					
Due to an intermediate holding company	23,328	—	—	—	23,328
Interest-bearing bank borrowings	7,231	—	—	—	7,231
Provisions and other payables	72,996	—	—	—	72,996
Defined benefit obligations	7,866	—	—	—	7,866
Contract liabilities	35,999	—	—	—	35,999
Deferred tax liabilities	337,115	—	—	—	337,115
Total non-current liabilities	484,535	—	—	—	484,535
Net assets	3,716,487	(385,389)	(227,399)	643,696	3,747,395
EQUITY					
Equity attributable to owners of the parent					
Issued capital	930,337	(250,000)	—	250,000	930,337
Reserves	2,259,439	282,712	(118,789)	393,696	2,817,058
	3,189,776	32,712	(118,789)	643,696	3,747,395
Non-controlling interests	526,711	(418,101)	(108,610)	—	—
Total equity	3,716,487	(385,389)	(227,399)	643,696	3,747,395

Unaudited Pro Forma Consolidated Statement of Profit And Loss of the Remaining Group
For the six months ended 30 June 2018

	The Group (unaudited)	Pro Forma adjustments		Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 5)	*(Note 6)*	*(Note 7)*	
CONTINUING OPERATIONS				
Revenue	607,872	—	—	607,872
Cost of sales	(465,396)	—	—	(465,396)
Gross profit	142,476	—	—	142,476
Other income and gains	12,776	—	—	12,776
Selling and distribution expenses	(33,736)	—	—	(33,736)
Administrative expenses	(196,443)	—	(2,438)	(198,881)
Other operating income	3,936	—	—	3,936
Finance costs	(7,285)	—	—	(7,285)
Gain on disposal of subsidiaries	—	—	593,462	593,462
Share of profits and losses of:				
Joint venture	(2,557)	—	—	(2,557)
Associates	(213)	—	—	(213)
Fair value loss on financial assets at fair value through profit or loss	(10,573)	—	—	(10,573)
Profit/(loss) before tax from continued operations	(91,619)	—	591,024	499,405
Income tax credit/(expense)	19,236	—	(184,127)	(164,891)
Profit/(loss) for the period from continuing operations	(72,383)	—	406,897	334,514
DISCONTINUED OPERATION				
Loss for the period from a discontinued operation	(56,740)	56,740	—	—
PROFIT/(LOSS) FOR THE PERIOD	(129,123)	56,740	406,897	334,514
Attributable to:				
Owners of the parent	(113,053)	40,670	406,897	334,514
Non-controlling interests	(16,070)	16,070	—	—
	(129,123)	56,740	406,897	334,514

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group
For the period ended 30 June 2018

	The Group (unaudited)	Pro Forma adjustments		Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 5)	*(Note 6)*	*(Note 7)*	
PROFIT/(LOSS) FOR THE PERIOD	(129,123)	56,740	406,897	334,514
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	51,366	(61,465)	—	(10,099)
Reclassification adjustment for a foreign operation disposed of during the period	—	—	69,265	69,265
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	51,366	(61,465)	69,265	59,166
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Financial assets at fair value through other comprehensive income:				
Changes in fair value	(66,392)	—	—	(66,392)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(15,026)	(61,465)	69,265	(7,226)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(144,149)	(4,725)	476,162	327,288
Attributable to:				
Owners of the parent	(149,797)	923	476,162	327,288
Non-controlling interests	5,648	(5,648)	—	—
	(144,149)	(4,725)	476,162	327,288

Unaudited Pro Forma Consolidated Statement of Cash flows of the Remaining Group
For the six months ended 30 June 2018

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 8)	*(Note 9)*	*(Note 10)*	*(Note 7)*	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax:					
From continuing operations	(91,619)	—	—	—	(91,619)
From a discontinued operation	(54,506)	131,808	(77,302)	591,024	591,024
Adjustments for:					
Finance costs	41,285	(90,582)	56,582	—	7,285
Share of profits and losses of joint ventures and associates	2,770	—	—	—	2,770
Bank interest income	(1,889)	490	—	—	(1,399)
Interest income on a convertible bond	(186)	—	—	—	(186)
Interest income on loans to an associate	(497)	—	—	—	(497)
Depreciation	26,424	—	—	—	26,424
Amortisation of other intangible assets	34,576	—	—	—	34,576
Reversal of provision for impairment of trade receivables	(311)	—	—	—	(311)
Reversal of provision for impairment of other receivables	(3,625)	—	—	—	(3,625)
Gain on disposal of items of property, plant and equipment	(349)	—	—	—	(349)
Write-down of inventories to net realisable value	6,865	—	—	—	6,865
Fair value loss on financial assets at fair value through profit or loss	10,573	—	—	—	10,573

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 8)	*(Note 9)*	*(Note 10)*	*(Note 7)*	
Gain on disposal of subsidiaries	—	—	—	(593,462)	(593,462)
Foreign exchange loss arising from loans from the Remaining Group	—	(24,318)	24,318	—	—
	(30,489)	17,398	3,598	(2,438)	(11,931)
Decrease in properties under development and completed properties held for sale	29,785	(34,130)	4,345	—	—
Decrease in inventories	24,896	—	—	—	24,896
Increase in trade receivables	(33,073)	—	—	—	(33,073)
Decrease in prepayments, deposits and other receivables	6,589	39,833	—	—	46,422
Decrease in contract assets	37	(37)	—	—	—
Increase in amounts due from fellow subsidiaries	(201)	—	—	—	(201)
Decrease in an amount due from an associate	53	—	—	—	53
Decrease in trade payables	(55,013)	26,146	—	—	(28,867)
Increase in other payables, accruals and provisions	30,656	(16,010)	—	—	14,646
Increase in contract liabilities	15,195	(13,249)	—	—	1,946
Increase in defined benefit obligations	860	—	—	—	860
Cash generated from/(used in) operations	(10,705)	19,951	7,943	(2,438)	14,751
Overseas tax paid	(10,029)	5,819	—	—	(4,210)
Net cash flows from/(used in) operating activities	(20,734)	25,770	7,943	(2,438)	10,541

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 8)	(Note 9)	(Note 10)	(Note 7)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment	(30,463)	—	—	—	(30,463)
Proceeds from disposal of items of property, plant and equipment	4,999	—	—	—	4,999
Additions to other intangible assets	(21,439)	—	—	—	(21,439)
Receipt on maturity of a convertible bond	51,776	—	—	—	51,776
Disposal of subsidiaries	—	—	—	1,958,829	1,958,829
Loan to Ease Triumph Group	—	—	—	(511,551)	(511,551)
Overseas tax paid	—	—	—	(184,127)	(184,127)
Bank interest received	2,018	(490)	—	—	1,528
Interest received on a convertible bond	518	—	—	—	518
Interest received on loans to associates	514	—	—	—	514
Acquisition of subsidiaries	(126,080)	—	—	—	(126,080)
Net cash flows from/(used in) investing activities	(118,157)	(490)	—	1,263,151	1,144,504
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loans	(32,294)	—	—	—	(32,294)
Repayment of loans from a non-controlling shareholder of a subsidiary	(69,607)	69,607	—	—	—
New loans from an intermediate holding company	543,127	(8,642)	—	—	534,485
New loans from the Remaining Group	—	(511,551)	—	511,551	—

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 8)	*(Note 9)*	*(Note 10)*	*(Note 7)*	
Repayment of loans from an intermediate holding company	(533,951)	533,951	—	—	—
Decrease in amounts due to non-controlling shareholders of subsidiaries	(25,777)	25,777	—	—	—
Decrease in amounts due to intermediate holding companies	(2,551)	3,682	—	—	1,131
Decrease in amounts due to fellow subsidiaries	(18,731)	4,546	—	—	(14,185)
Interest paid	(43,440)	42,355	—	—	(1,085)
Net cash flows from/(used in) financing activities	(183,224)	159,725	—	511,551	488,052
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(322,115)	185,005	7,943	1,772,264	1,643,697
Cash and cash equivalents at beginning of period	627,140	(186,862)	—	186,862	627,140
Effect of foreign exchange rate changes, net	13,043	(7,979)	(7,943)	—	(2,879)
CASH AND CASH EQUIVALENTS AT END OF PEIROD	318,068	(9,836)	—	1,959,126	2,267,358
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	308,232	—	—	1,959,126	2,267,358
Cash and cash equivalents as stated in the statement of financial position	308,232	—	—	1,959,126	2,267,358

	The Group (unaudited)	Pro Forma adjustments			Pro Forma The Remaining Group (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 8)	*(Note 9)*	*(Note 10)*	*(Note 7)*	
Cash and bank balances attributable to a discontinued operation	9,836	(9,836)	—	—	—
Cash and cash equivalents as stated in the statement of cash flows	318,068	(9,836)	—	1,959,126	2,267,358

Notes:

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2018 were extracted from the Group's unaudited financial statements for the six months ended 30 June 2018 in the Group's published interim report for the six months ended 30 June 2018.

2. The adjustment reflects the exclusion of the assets and liabilities of the Ease Triumph Group as if the Disposal had been completed on 30 June 2018. The assets and liabilities for the Ease Triumph Group as at 30 June 2018 have been extracted from the unaudited consolidated statement of financial position of the Ease Triumph Group as at 30 June 2018 as set out in Appendix II to this circular.

	HK$'000	*HK$'000*
Total non-current assets as set out in Appendix II to this circular		408,398
Total current assets as set out in Appendix II to this circular		2,963,750
		3,372,148
Total non-current liabilities as set out in Appendix II to this circular		580,247
Total current liabilities as set out in Appendix II to this circular		2,406,512
		2,986,759
Less: Due to the immediate holding company as set out in Appendix II to this circular	(56,820)	
Loans from the immediate holding company as set out in Appendix II to this circular	(1,340,904)	
Reclassified as due to the Remaining Group as set out in Appendix IV to this circular		(1,397,724)
		1,589,035

3. The adjustment reflects the exclusion of (i) the fair value adjustments of HK$329 million as at 30 June 2018 arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; and (ii) the corresponding tax impact of HK$102 million as at 30 June 2018. 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, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018 which were included in "cost of sales" of each relevant years and period. The Remaining Group did not have other investment properties, properties under development and completed properties held for sale as at 30 June 2018.

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

4. The adjustment represents (i) the estimated gross proceeds of HK$2,237 million from the disposal of entire issued share capital of Ease Triumph of HK$840 million, the shareholder's loans of HK$1,341 million and the accrued interest on the shareholder's loans of HK$56 million; (ii) the estimated transaction costs directly attributable to the Disposal of HK$2 million; (iii) the estimated income tax directly attributable to the Disposal of HK$193 million; and (iv) the estimated gain on the Disposal of HK$747 million as if the Disposal had completed on 30 June 2018.

   The calculation of the estimated gain on the Disposal to be recognised in profit or loss, as if the Disposal had completed on 30 June 2018, is as follows:

	Notes	*HK$'000*
Total cash consideration	(i)	2,237,230
Disposal of Shareholder's Loans	(i)(a)	(1,340,904)
Disposal of accrued interest on the Shareholder's Loans	(i)(b)	(56,820)
De-recognition of the net assets of the Ease Triumph Group as at 30 June 2018	(ii)	(612,788)
De-recognition of the Group's non-controlling interests of the Ease Triumph Group as at 30 June 2018	(iii)	526,711
Release of exchange reserve of the Ease Triumph Group	(iv)	(6,730)
Gain on the Disposal as if the Disposal had been completed on 30 June 2018		746,699
Income tax effect	(v)	(193,372)
Estimated transaction costs	(vi)	(2,438)
Gain on the Disposal as if the Disposal had been completed on 30 June 2018, net of income tax and estimated transaction costs		550,889

   Notes:

   (i) The amount represented the minimum bidding price for the entire issued share capital of Ease Triumph of RMB680 million (equivalent to HK$840 million) and the proceeds from the disposal of Shareholder's Loans of HK$1,341 million and the accrued interest of HK$56 million on the Shareholder's Loans as follows:

	Notes	*HK$'000*
Cash consideration for the disposal of entire issued share capital of Ease Triumph		839,506
Cash consideration for the disposal of Shareholder's Loans	(a)	1,340,904
Cash consideration for the disposal of accrued interest on the shareholder's loans	(b)	56,820
		2,237,230

(a) 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 (together as "Shareholder's Loans"). As the additional loan with a principal amount of approximately RMB11 million at the interest rate of 6% per annum was granted on 20 July 2018 (the "Additional Loan"), the impact of Additional Loan and relevant accrued interest is not included in the above calculation. Therefore, the gross proceeds from the disposal of the shareholder's loans are estimated to be HK$1,341 million.

(b) Accrued interest on the Shareholder's Loans represents the interest income receivable recognised from the respective interest start dates and up to 25 June 2018.

The exchange rates of HK$1.00 to RMB0.81 and HK$1.00 to USD0.129 were used for translating the cash consideration, the Shareholder's Loans and the accrued interest on the Shareholder's Loans.

(ii) The amount of net assets of the Ease Triumph Group represents the amount of HK$385 million extracted from the unaudited consolidated statement of financial position of the Ease Triumph Group as at 30 June 2018, set out in Appendix II to this circular and the adjustment reflects the exclusion of (i) the fair value adjustments of HK$329 million as at 30 June 2018 arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; and (ii) the corresponding tax impact of HK$102 million as at 30 June 2018, as set out in note 3 above.

(iii) The amount of the Group's non-controlling interests in the Ease Triumph Group was extracted from the unaudited consolidated statement of financial position as at 30 June 2018 as stated in the Group's unaudited financial statements for the six months ended 30 June 2018, representing the entire balance of the Group's non-controlling interests as at 30 June 2018 as the Remaining Group did not have other non-wholly-owned subsidiaries as at 30 June 2018.

(iv) The amount represents exchange fluctuation reserve of the Ease Triumph Group to be released to profit or loss as if the Disposal had been completed on 30 June 2018.

(v) The amount represents tax on capital gain on disposal of the Ease Triumph Group as if the Disposal had been completed on 30 June 2018.

(vi) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be HK$2 million and it is assumed that the fees will be settled by cash.

Actual gain on disposal arising from the Disposal depends on actual proceeds from the 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 unaudited consolidated statement of profit or loss and the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2018 were extracted from the Group's unaudited financial statements for the six months ended 30 June 2018 in the Group's published interim financial statements for the six months ended 30 June 2018.

6. The adjustment reflects the exclusion of the (i) loss of the Ease Triumph Group of HK$135 million for the six months ended 30 June 2018, which was extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Ease Triumph Group for the six months ended 30 June 2018 as set out in Appendix II to this circular; and (ii) the impact on unaudited consolidated statement of profit or loss and consolidated statement of comprehensive income for the six months ended 30 June 2018 arising from (a) the fair value adjustments of HK$4 million arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; (b) the corresponding tax impact of HK$1 million; (c) the foreign exchange loss arising from loans from the Remaining Group of HK$24 million and (d) the interest expense arising from the loans from the Remaining Group of HK$56 million.

7. The adjustment represents (i) the estimated transaction costs directly attributable to the Disposal of HK$2 million; (ii) the estimated tax directly attributable to the Disposal of HK$184 million; and (iii) the estimated gain on the Disposal of HK$593 million as if the Disposal had been completed on 1 January 2018.

The calculation of the estimated gain on the Disposal to be recognised in profit or loss, as if the Disposal had been completed on 1 January 2018, is as follows:

	Notes	*HK$'000*
Total cash consideration	(i)	2,145,691
Disposal of Shareholder's Loans	(i)(a)	(1,316,823)
De-recognition of the net assets of the Ease Triumph Group as at 1 January 2018	(ii)	(705,568)
De-recognition of the Group's non-controlling interests of the Ease Triumph Group as at 1 January 2018	(iii)	539,427
Release of exchange reserve of the Ease Triumph Group	(iv)	(69,265)
Gain on Disposal as at 1 January 2018		593,462
Income tax effect	(v)	(184,127)
Estimated transaction costs	(vi)	(2,438)
Gain on the Disposal as if the Disposal had been completed on 1 January 2018, net of income tax and estimated transaction costs		406,897

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

		HK$'000
Cash consideration		2,145,691
Cash and cash equivalents disposed of	(vii)	(186,862)
		1,958,829
Loan to Ease Triumph Group	(viii)	(511,551)
		1,447,278

Notes:

(i) The amount represented the minimum bidding price for the entire issued share capital of Ease Triumph of RMB680 million (equivalent to HK$805 million) and the proceeds from the disposal of Shareholder's Loans of HK$1,317 million and accrued interest on the Shareholder's Loans of HK$24 million as follows:

	Notes	*HK$'000*
Cash consideration for the disposal of entire issued share capital of Ease Triumph		804,734
Cash consideration for the disposal of Shareholder's Loans as of 1 January 2018	(a)	1,316,823
Cash consideration for the disposal of accrued interest on the Shareholder's Loans as of 1 January 2018	(b)	24,134
		2,145,691

(a) 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. As the Additional Loan with a principal amount of approximately RMB 11 million at the interest rate of 6% per annum was granted on 20 July 2018, the impact of Additional Loan and relevant accrued interest is not included in the above calculation. Therefore, the gross proceeds from the disposal of the Shareholder's Loans are estimated to be HK$1,317 million.

(b) Accrued interest on the Shareholder's Loans represents the interest income receivable recognised from 1 January 2018.

The exchange rates of HK$1.00 to RMB0.845 and HK$1.00 to USD0.129 were used for translating the cash consideration, the Shareholder's Loans and the accrued interest on the Shareholder's Loans.

(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 to this circular, 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 the corresponding tax impact of HK$94 million as at 31 December 2017.

(iii) The amount of the Group's non-controlling interests 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 Disposal had been completed on 1 January 2018.

(v) The amount represents tax on capital gain on disposal of the Ease Triumph Group as if the Disposal had been completed on 1 January 2018.

(vi) The transaction costs represent professional fee directly attributable to the Disposal which are estimated to be HK$2 million and it is assumed that the fees will be settled by cash.

(vii) The amount has 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 this circular.

(viii) The amount represents a loan granted to the Ease Triumph Group on 27 March 2018 with principal amount of approximately RMB433 million. This loan was included in the Shareholder's Loans as set out in note (i)(a) above. The exchange rate of HK$1.00 to RMB0.845 was used for translating the amount.

Actual gain on disposal arising from the Disposal depends on actual proceeds from the 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.

8. The unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2018 was extracted from the Group's unaudited financial statements for the six months ended 30 June 2018 in the Group's published interim financial statements for the six month ended 30 June 2018.

9. The adjustment reflects the exclusion of the cash flows of the Ease Triumph Group for the six months ended 30 June 2018, which was extracted from the unaudited consolidated statement of cash flows for the Ease Triumph Group for the six months ended 30 June 2018 as set out in Appendix II to this circular.

10. The adjustment reflects the exclusion of the impact on unaudited consolidated statement of cash flows for the six months ended 30 June 2018 arising from (a) the fair value adjustments of HK$4 million arising from the acquisition of entire equity interests in Ease Triumph by the Group in 2014; (b) the foreign exchange loss arising from loans from the Remaining Group of HK$24 million and (c) the interest expense arising from the loans from the Remaining Group of HK$56 million.

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.

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 30 June 2018, 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 six months ended 30 June 2018, and related notes as set out on pages IV-1 to IV-15 in Appendix IV of the circular dated 25 October 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 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 30 June 2018 and the Group's financial performance and cash flows for the six months ended 30 June 2018 as if the Disposal had been completed at 30 June 2018 and 1 January 2018, 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 unaudited interim financial statements for the six months ended 30 June 2018 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

25 October, 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 valuations as at 31 August 2018 of the property interests to be disposed by the Group.

JLL®
仲量聯行

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

仲量聯行企業評估及咨詢有限公司
香港皇后大道東1號太古廣場三期6樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

25 October 2018

The Board of Directors

AVIC International Holding (HK) Limited

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

Dear Sirs,

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 interests 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 31 August 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 interests 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 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 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 the lease terms is longer than 2 years, and the rental market is active. We take into account the net rental income of the property 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 market 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 values.

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 2017 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, 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 in the period from 12 February 2018 and 18 September 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 has 1 year's property valuation experience in the PRC.

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 (representing 100% interest) 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 [1]**	**Market value in existing state as at the valuation date** *RMB*	**Market value in existing state as at the valuation date** *RMB*	**Market value in existing state as at the valuation date** *RMB*	**The total 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	946,000,000	313,000,000	711,000,000	1,970,000,000
2.	Sites LJXQ-2-49 and LJXQ-2-50 (including 12 parcels of land) located at Hualong Road Longxing Town Liangjiangxin District Chongqing The PRC	—	—	838,000,000	838,000,000
	Grand total:	946,000,000	313,000,000	1,549,000,000	2,808,000,000

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 *RMB*
1.	Portion of the Project Zhonghang International Square located at No. 468 Zhongshan Road Shahekou District Dalian City Liaoning Province The PRC	Project Zhonghang International Square (the "**Project**") 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 kilometer off Subway Station. The Project is developed into 4 zones ("**Zone A**", "**Zone B**", "**Zone C**" and "**Zone D**"). Upon completion, the Project will have a total gross floor area ("**GFA**") 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 12). 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 property are set out in note 7. 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.	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 in Zone A, which was held by the Group for investment purpose, with a total lettable area of approximately 12,950.71 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.	1,970,000,000 (100% interest)

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..

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 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
	Sub-total:	**46,145.37**	**92**
Zone C	Retail	191.91	
	Car Parking	2,745.00	228
	Storeroom	36.34	
	Sub-total:	**2,973.25**	**228**
Zone D	Residential	13,921.02	
	Retail	5,549.98	
	Car Parking	2,616.60	214
	Storeroom	720.97	
	Sub-total:	**22,808.57**	**214**
	Grand total:	**71,927.19**	**534**

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 in 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 and Construction Work Commencement 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 finalized. Once it is finalized, 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 in Zone A of the property with a total lettable area of approximately 12,950.71 sq.m. were rented to various tenants as at the valuation date for various terms with the expiry dates between 10 September 2018 and 14 October 2025 at a total annual rental of RMB16,125,721 exclusive of water, electricity charges and VAT.

12. 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.

13. 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, RMB16,000 to RMB17,000 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.

14. 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; and

c. The property can be freely transferred, leased or mortgaged by Dalian Hanghua without payment of any further land premium or transfer fees.

15. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Work Planning Permit	Portion
c.	Construction Work Commencement Permit	Portion
d.	Pre-sale Permit	Portion
e.	Real Estate Title Certificates	Portion
f.	Construction Work Completion and Inspection Certificate	Portion

16. 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:

Group	**Market value in existing state as at the valuation date *(RMB)***
Group I — held for sale	946,000,000
Group II — held for investment	313,000,000
Group III — held for future development	711,000,000
Grand total:	**1,970,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Sites LJXQ-2-49 and LJXQ-2-50 (including 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., which is located at the south-western side of Longxing Town and surrounding by developing residential projects and vacant lands for residential use. 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. (see note 6)	838,000,000 (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 owing to current revision of 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. 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. Based on our research of local land market, the sales prices of land within the locality which have the similar characteristics comparable to the property range from about RMB2,000 to RMB3,000 per sq.m. on floor area basis for residential use. Considering the difference in location, size, plot ratio and other characters, comparable properties, the unit prices of which range from about RMB2,250 to RMB2,700 per sq.m. on floor area basis, are adopted in the valuation. 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 price of RMB2,030 per sq.m. on floor area basis.

b. Based on our research, the unit prices of residential units located in similar area of the property range from about RMB8,500 to RMB11,000 per sq.m. as at the valuation date in Liangjiangxin District.

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.

Group	**Market value in existing state as at the valuation date *(RMB)***
Group I — held for sale	—
Group II — held for investment	—
Group III — held for future development	838,000,000
Grand total:	**838,000,000**

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' AND CHIEF EXECUTIVE'S 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 or the chief executive of the Company had or was deemed to have any 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 set out in Appendix 10 to 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 entered into by any member of the Group subsisting as at the Latest Practicable Date which was 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:

Name of Director	Name of company	Nature of interest	Nature of competing business
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 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:

Name	Qualifications
Anglo Chinese	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 SPA; and

(b) 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 at an aggregated nominal consideration of HK$2,400 million 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.

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, who 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of any inconsistency, 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 from the Latest Practicable Date up to and including the date of the SGM:

(a) the SPA;

(b) the bye-laws of the Company;

(c) the letter from the Board, the text of which is set out on pages 5 to 16 of this circular;

(d) the annual reports of the Company for each of FY2015, FY2016 and FY2017;

(e) the interim report of the Company for the six months period ended 30 June 2018;

(f) 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;

(g) 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;

(h) 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;

(i) the written consents referred to in the paragraph head "Expert and Consents" in this Appendix;

(j) a copy of each of the material contracts as set out in the section headed "Material Contracts" in this Appendix;

(k) a copy of the circular of the Company dated 31 May 2018; and

(l) this circular.

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 IS HEREBY GIVEN that a special general meeting of the shareholders of AVIC International Holding (HK) Limited (the "**Company**") will be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 9 November 2018 at 2:30 p.m. (the "**SGM**") for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company.

ORDINARY RESULUTION

"**THAT:**

(a) the SPA dated 30 September 2018 entered into between the Company and Shengtong Holding Limited (盛通控股有限公司) (the "Purchaser") in relation to the disposal 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 to the Purchaser and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and

(b) any one or more of the directors of the Company (the "**Directors**") be and is/are hereby authorised to do all such acts and things and execute all such documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps which he/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the SPA and the transactions contemplated thereunder."

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

Hong Kong, 25 October 2018

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

Head office and principal place of business in Hong Kong:
Unit B, 15th Floor
United Centre
95 Queensway
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his 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 thererof. 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 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 resolutions at the SGM will be conducted by way of a poll.

5. The register of members of the Company will be closed from 6 November 2018 to 9 November 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., 5 November 2018.