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# 中航國際控股股份有限公司

## AVIC INTERNATIONAL HOLDINGS LIMITED

(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))  
 (a joint stock limited company incorporated in the People's Republic of China with limited liability)  
 (Stock Code: 00161)

### ANNOUNCEMENT OF 2019 INTERIM RESULTS OF AVIC INTERNATIONAL HOLDINGS LIMITED AND ITS SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	4	26,871,678	24,983,070
Cost of sales		(22,230,431)	(20,902,361)
<b>Gross profit</b>		<b>4,641,247</b>	<b>4,080,709</b>
Other income		624,222	528,350
Other gains and losses	6A	222,218	151,053
Impairment losses under expected credit loss model, net of reversal		(172,736)	(41,082)
Administrative expenses		(1,311,064)	(1,100,603)
Research and development expense		(1,134,028)	(829,460)
Distribution costs		(1,025,670)	(1,012,441)
Fair value gain on investment properties		1,143	–
<b>Operating profit</b>		<b>1,845,332</b>	<b>1,776,526</b>
Finance income		80,761	163,537
Finance costs		(738,302)	(783,035)
Finance costs – net		(657,541)	(619,498)
Share of results of joint ventures and associates		(19,520)	27,192

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

	<i>NOTES</i>	<b>Six months ended 30 June</b>	
		<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2018</b> <i>RMB'000</i> <b>(Unaudited)</b>
<b>Profit before income tax</b>		<b>1,168,271</b>	1,184,220
Income tax expense	5	<u><b>(328,000)</b></u>	<u>(187,564)</u>
<b>Profit for the period</b>	6B	<u><b>840,271</b></u>	<u>996,656</u>
<b>Attributable to:</b>			
Owners of the Company		<b>91,576</b>	137,778
Non-controlling interests		<u><b>748,695</b></u>	<u>858,878</u>
		<u><b>840,271</b></u>	<u>996,656</u>
<b>Earnings per share attributable to the owners of the Company for the period:</b>			
<b>Basic (RMB per share)</b>	8	<u><b>0.0666</b></u>	<u>0.1062</u>
<b>Diluted (RMB per share)</b>	8	<u><b>0.0465</b></u>	<u>0.0700</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>840,271</b>	996,656
<b>Other comprehensive income/(expense):</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of retirement and other supplemental benefit obligations, net of income tax	<b>(701)</b>	(904)
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<b>16,865</b>	(37,543)
<b>Other comprehensive income/(expense) for the period</b>	<b>16,164</b>	(38,447)
<b>Total comprehensive income for the period, net of income tax</b>	<b>856,435</b>	958,209
<b>Attributable to:</b>		
Owners of the Company	<b>101,501</b>	97,530
Non-controlling interests	<b>754,934</b>	860,679
<b>Total comprehensive income for the period</b>	<b>856,435</b>	958,209

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	<i>NOTES</i>	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		–	3,005,686
Right-of-use assets	9	<b>2,867,092</b>	–
Intangible assets		<b>900,073</b>	941,192
Property, plant and equipment	10	<b>34,600,194</b>	36,640,634
Construction-in-progress		<b>15,855,396</b>	13,312,025
Investment properties	11	<b>4,484,469</b>	4,483,326
Goodwill		<b>620,270</b>	624,225
Investments accounted for using the equity method	12	<b>938,437</b>	2,383,560
Trade and other receivables	13	<b>91,335</b>	254,254
Contract assets	14	<b>272,334</b>	228,595
Financial assets at fair value through profit or loss ("FVTPL")		<b>217,058</b>	214,358
Deferred income tax assets		<b>744,905</b>	743,796
Other non-current assets		<b>405,368</b>	198,688
		<b>61,996,931</b>	63,030,339
<b>Current assets</b>			
Inventories		<b>8,821,304</b>	8,686,301
Properties under development		<b>466,029</b>	445,876
Trade and other receivables	13	<b>21,597,200</b>	19,248,287
Contract assets	14	<b>652,814</b>	1,206,757
Financial assets at fair value through profit or loss		<b>7,582</b>	5,391
Pledged bank deposits		<b>158,288</b>	138,238
Cash and cash equivalents		<b>10,116,144</b>	8,526,106
		<b>41,819,361</b>	38,256,956
Assets classified as held for sale	15	<b>4,479,809</b>	–
		<b>46,299,170</b>	38,256,956
<b>Total assets</b>		<b>108,296,101</b>	101,287,295
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		<b>1,166,162</b>	1,166,162
Share premium		<b>1,512,380</b>	1,512,380
Other reserves		<b>2,803,351</b>	2,790,075
Perpetual subordinated convertible securities ("PSCS")		<b>2,781,674</b>	2,781,674
Retained earnings		<b>5,235,945</b>	5,144,369
		<b>13,499,512</b>	13,394,660
<b>Non-controlling interests</b>		<b>25,852,940</b>	25,290,118
<b>Total equity</b>		<b>39,352,452</b>	38,684,778

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
*AS AT 30 JUNE 2019*

	<i>NOTES</i>	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>17</i>	<b>19,603,104</b>	19,055,820
Deferred income tax liabilities		<b>824,396</b>	889,470
Deferred income on government grants		<b>1,339,628</b>	1,653,794
Lease liabilities		<b>236,933</b>	–
Provisions		<b>235,939</b>	269,662
Trade and other payables	<i>16</i>	<b>373,971</b>	187,981
Retirement and other supplemental benefit obligations		<b>412,017</b>	405,105
Other non-current liabilities		<b>5,030</b>	287
		<b>23,031,018</b>	22,462,119
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>24,036,638</b>	23,494,666
Contract liabilities		<b>3,727,937</b>	2,325,792
Lease liabilities		<b>133,522</b>	–
Borrowings	<i>17</i>	<b>15,494,269</b>	13,882,445
Current income tax liabilities		<b>232,794</b>	321,108
Retirement and other supplemental benefit obligations		<b>15,385</b>	15,473
Other current liabilities		<b>75,000</b>	100,914
		<b>43,715,545</b>	40,140,398
Liabilities associated with assets classified as held for sale	<i>15</i>	<b>2,197,086</b>	–
		<b>45,912,631</b>	40,140,398
Total liabilities		<b>68,943,649</b>	62,602,517
Total equity and liabilities		<b>108,296,101</b>	101,287,295

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Perpetual subordinated convertible securities	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018 (Audited)	1,166,162	1,512,380	2,104,922	2,781,674	5,835,881	13,401,019	24,013,716	37,414,735
Profit for the period	-	-	-	-	137,778	137,778	858,878	996,656
Other comprehensive income for the period	-	-	(40,248)	-	-	(40,248)	1,801	(38,447)
Total comprehensive income for the period	-	-	(40,248)	-	137,778	97,530	860,679	958,209
<b>Transactions with owners</b>								
Share of reserves of an associate	-	-	(508)	-	-	(508)	-	(508)
Transaction with non-controlling interests	-	-	(43,629)	-	-	(43,629)	700,529	656,900
Special reserve-safety production fund	-	-	8,844	-	-	8,844	281	9,125
Dividend for 2017	-	-	-	-	-	-	(170,448)	(170,448)
Total transactions with owners	-	-	(35,293)	-	-	(35,293)	530,362	495,069
Balance as at 30 June 2018 (Unaudited)	1,166,162	1,512,380	2,029,381	2,781,674	5,973,659	13,463,256	25,404,757	38,868,013

	Attributable to owners of the Company						Attributable to non-controlling interests			Total equity
	Share capital	Share premium	PSCS	Other reserves	Retained earnings	Total	Share award reserve of subsidiaries	Share of net assets of subsidiaries	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2019 (Audited)	1,166,162	1,512,380	2,781,674	2,790,075	5,144,369	13,394,660	-	25,290,118	25,290,118	38,684,778
Profit for the period	-	-	-	-	91,576	91,576	-	748,695	748,695	840,271
Other comprehensive income for the period	-	-	-	9,925	-	9,925	-	6,239	6,239	16,164
Total comprehensive income for the period	-	-	-	9,925	91,576	101,501	-	754,934	754,934	856,435
<b>Transactions with owners</b>										
Special reserve – Safety production fund	-	-	-	1,122	-	1,122	-	153	153	1,275
Share of reserves of an associate arising from its transactions with non-controlling interests	-	-	-	(288)	-	(288)	-	-	-	(288)
Dividend for 2018 declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(195,937)	(195,937)	(195,937)
Recognition of share awards granted by subsidiaries not yet vested	-	-	-	-	-	-	20,491	-	20,491	20,491
Deemed acquisition of additional interests in a subsidiary	-	-	-	2,517	-	2,517	-	(16,819)	(16,819)	(14,302)
Total transactions with owners	-	-	-	3,351	-	3,351	20,491	(212,603)	(192,112)	(188,761)
Balance as at 30 June 2019	1,166,162	1,512,380	2,781,674	2,803,351	5,235,945	13,499,512	20,491	25,832,449	25,852,940	39,352,452

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>Six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit before income tax</b>	<b>1,168,271</b>	1,184,220
Adjustment for depreciation of property, plant and equipment	<b>1,769,044</b>	1,846,277
Finance costs – net	<b>738,302</b>	783,035
Other income – government grant	<b>(470,181)</b>	(421,787)
Others	<b>107,525</b>	(308,182)
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>	<b>3,312,961</b>	3,083,563
	<hr/>	<hr/>
Increase in trade and other receivables	<b>(2,546,193)</b>	(3,766,399)
Increase in trade and other payables	<b>1,113,849</b>	2,662,207
(Increase)/decrease in contract assets	<b>(287,776)</b>	1,174,216
Increase in contract liability	<b>1,704,878</b>	509,388
Others	<b>(498,479)</b>	(797,278)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>2,799,240</b>	2,865,697
	<hr/>	<hr/>
Interest paid	<b>(626,338)</b>	(784,387)
Income tax paid	<b>(455,960)</b>	(511,801)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>1,716,942</b>	1,569,509
	<hr/>	<hr/>
<b>Investing activities</b>		
Purchase of property, plant and equipment and construction-in-progress	<b>(4,404,831)</b>	(4,705,561)
Purchase of land use rights	–	(92,452)
Purchase of intangible assets	<b>(27,748)</b>	–
Payment for right-of-use assets	<b>(989)</b>	–
Payment for rental deposit	<b>(2,424)</b>	–
Proceeds for acquisition of a subsidiary, net of cash paid	–	56,901
Payment for the acquisition of and capital injection to associates	–	(2,500)
Payment to purchasing of financial assets at FVTPL	<b>(6,641)</b>	(446,135)
Proceeds from disposals of property, plant and equipment	<b>22,671</b>	13,988
Proceeds from disposals of intangible assets	<b>3,804</b>	–
Proceeds from disposals of investments in associates	<b>241,719</b>	39,441
Proceeds from disposals of investments in joint ventures	–	829,882
Government grants received	<b>156,015</b>	322,879
Interest received	<b>91,300</b>	106,653
Loans to related parties	<b>(240,346)</b>	(348,551)
Repayments of loan to related parties	<b>187,187</b>	56,642
Dividends received	<b>70,040</b>	31,247
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(3,910,243)</b>	(4,137,566)
	<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>Six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Financing activities</b>		
Deemed acquisition of additional interests in a subsidiary	(14,302)	–
Proceeds from borrowings	8,711,602	9,493,211
Repayments of borrowings	(5,495,450)	(10,753,718)
Proceed from issue of subsidiaries' shares for share awards granted	148,422	–
Borrowings from related parties	1,317,763	1,095,034
Repayments of borrowings from related parties	(694,964)	(1,481,814)
Repayment of lease liabilities	(55,748)	–
Dividends paid to non-controlling interests of subsidiaries	(196,116)	(170,786)
<b>Net cash generated from/(used in) financing activities</b>	<b>3,721,207</b>	<b>(1,818,073)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,527,906</b>	<b>(4,386,130)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>8,526,106</b>	<b>13,381,444</b>
Effects of exchange rate changes on cash and cash equivalents	73,654	(32,496)
<b>Cash and cash equivalents at end of period</b>	<b>10,127,666</b>	<b>8,962,818</b>
<b>Represented by:</b>		
Cash and cash equivalents	10,116,144	8,962,818
Cash and cash equivalents classified as held for sale	11,522	–
	<b>10,127,666</b>	<b>8,962,818</b>



# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## *FOR THE SIX MONTHS ENDED 30 JUNE 2019*

### **1. GENERAL INFORMATION**

AVIC International Holdings Limited (the “Company”) was incorporated as a joint stock limited company in the People’s Republic of China (the “PRC”) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The immediate holding company of the Company is AVIC International Holding Corporation (“AVIC International”) and the ultimate holding company of the Company is Aviation Industry Corporation of China, Ltd. (“Aviation Industry Group”), both are state-owned enterprises in the PRC controlled by the State-Owned Assets Supervision and Administration Commission of the State Council.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the related business of manufacturing and sales of flat panel displays, printed circuit boards and watches, international engineering and trading & logistic business, shipping business and engineering, procurement and construction projects (“EPC projects”) development in the PRC.

The address of the principal place of business and the registered office of the Company is 39/F, AVIC Centre Building, No.1018 Huafu Road, Futian District, Shenzhen, PRC.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its principal subsidiaries.

### **2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and defined benefit pension plans. The condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except where otherwise indicated. The accounting policies and bases adopted in the preparation of these condensed consolidated financial statements differ from those used in the statutory accounts of the Group which are prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the People’s Republic of China (“CAS 2006”).

### 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs and an interpretation issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs and the interpretation in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

##### 3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

###### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

###### *As a lessee*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

###### Short-term leases

The Group applies the short-term lease recognition exemption to leases of retail shops, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight – line basis over the lease term.

## Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets, that meet the definition of investment property are presented within “investment properties”.

## Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

## Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

#### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

#### *As a lessor*

##### Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

## Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

## Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### **3.1.2 Transition and summary of effects arising from initial application of IFRS 16**

#### *Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 0.30% to 5.77%.

	<i>Note</i>	<b>At 1 January 2019</b> <i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018		460,409
Less: Recognition exemption – short-term leases		(48,197)
		<u>412,212</u>
Lease liabilities discounted at relevant incremental rates		375,557
Add: Rental payable included in trade and other payables	(c)	586
		<u>376,143</u>
Lease liabilities relating to operating leases recognised upon application of IFRS 16		376,143
Add: Obligations under finance leases included in trade and other payables recognised at 31 December 2018	(b)	5,069
		<u>381,212</u>
Lease liabilities as at 1 January 2019		<u>381,212</u>
Analysed as		
Current		176,153
Non-current		205,059
		<u>381,212</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Note</i>	<b>Right-of-use assets</b> <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		376,143
Reclassified from land use rights	(a)	3,005,686
Amounts included in property, plant and equipment under IAS 17 – Assets previously under finance leases	(b)	5,569
Add: Prepaid rents as at 1 January 2019	(c)	7,476
Less: Rental payable as at 1 January 2019	(c)	(586)
		<u>3,394,288</u>
By class:		
Land use rights		3,005,686
Buildings		374,666
Machinery and equipments		5,569
Motor vehicles		974
Computer and electronic equipments		7,393
		<u>3,394,288</u>

- (a) Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of IFRS 16, land use rights amounting to RMB3,005,686,000 was reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to RMB5,569,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases included in trade and other payables of RMB2,204,000 and RMB2,865,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.
- (c) The carrying amount of the rental payable and prepaid rents as at 1 January 2019 amounting with RMB586,000 and RMB7,476,000 was reclassified/adjusted to lease liabilities and right-of-use assets at transition.

*As a lessor*

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

- (d) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (e) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets. The change had no material impact on the condensed consolidated financial statements of the Group for the current period.
- (f) Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The transition to IFRS 16 had no impact on retained earnings at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	<b>Carrying amounts Previously reported at 31 December 2018</b> <i>RMB'000</i>	<b>Adjustments</b> <i>RMB'000</i>	<b>Carrying amounts under IFRS 16 at 1 January 2019</b> <i>RMB'000</i>
<b>Non-current Assets</b>				
Property, plant and equipment	(b)	36,640,634	(5,569)	36,635,065
Land use rights	(a)	3,005,686	(3,005,686)	–
Right-of-use assets		–	3,393,702	3,393,702
<b>Current Assets</b>				
Trade and other receivables		19,248,287	(7,476)	19,240,811
– Prepaid rental	(c)	7,476	(7,476)	–
<b>Current Liabilities</b>				
Trade and other payables		23,494,666	(2,790)	23,491,876
Rental payable	(c)	586	(586)	–
– Obligation under finance lease	(b)	2,204	(2,204)	–
Lease liabilities		–	108,356	108,356
<b>Non-current liabilities</b>				
Lease liabilities	(b)	–	272,270	272,270
Trade and other payables		187,981	(2,865)	185,116
– Obligation under finance lease		2,865	(2,865)	–

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

There is no material impact on the condensed consolidated statement of financial position as at 30 June 2019 and the condensed consolidated statement of profit and loss and statement of cash flows for the current interim period resulted from the application of IFRS 16 by the Group as a lessor.

#### 4. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Manufacture and sales of flat panel displays and modules (“FPD”) products.
- Manufacture and sales of printed circuit boards (“PCB”) products.
- Manufacture of middle to high-end wrist watches and chain store sales of luxury watches.
- International engineering service, EPC Projects related to cement engineering and shipping building business, trading and logistics.
- Others such as property operation and manufacture and sales of standard parts products.

##### Types of revenue

	For the six months ended 30 June 2019 (Unaudited)					
	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
<b>Types of goods or services</b>						
<b>Sales of goods</b>						
– FPD	14,472,593	–	–	–	–	14,472,593
– PCB	–	4,650,121	–	–	–	4,650,121
– Watches	–	–	1,673,194	–	–	1,673,194
– Trading under international engineering services and trading of standard parts products	–	–	–	1,503,390	246,375	1,749,765
	<u>14,472,593</u>	<u>4,650,121</u>	<u>1,673,194</u>	<u>1,503,390</u>	<u>246,375</u>	<u>22,545,673</u>
<b>Construction</b>	–	–	–	3,562,962	–	3,562,962
<b>Sale of properties</b>	–	–	–	80,599	–	80,599
<b>Provision of services</b>	–	–	30,391	393,409	102,665	526,465
	<u>–</u>	<u>–</u>	<u>30,391</u>	<u>393,409</u>	<u>102,665</u>	<u>526,465</u>
<b>Revenue from contract with customers</b>	<u>14,472,593</u>	<u>4,650,121</u>	<u>1,703,585</u>	<u>5,540,360</u>	<u>349,040</u>	<u>26,715,699</u>
<b>Rental income</b>	<u>–</u>	<u>24,359</u>	<u>67,374</u>	<u>17,362</u>	<u>46,884</u>	<u>155,979</u>
<b>Total</b>	<u>14,472,593</u>	<u>4,674,480</u>	<u>1,770,959</u>	<u>5,557,722</u>	<u>395,924</u>	<u>26,871,678</u>



For the six months ended 30 June 2018 (Unaudited)

	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
<b>Types of goods or services</b>						
<b>Sales of goods</b>						
– FPD	13,792,758	–	–	–	–	13,792,758
– PCB	–	3,117,785	–	–	–	3,117,785
– Watches	–	–	1,623,115	–	–	1,623,115
– Trading under international engineering services and trading of standard parts products	–	–	–	1,303,223	249,872	1,553,095
	<u>13,792,758</u>	<u>3,117,785</u>	<u>1,623,115</u>	<u>1,303,223</u>	<u>249,872</u>	<u>20,086,753</u>
<b>Construction</b>	–	–	–	4,295,998	–	4,295,998
<b>Sale of properties</b>	–	–	–	1,391	135	1,526
<b>Provision of services</b>	–	–	–	372,927	106,206	479,133
<b>Revenue from contract with customers</b>	<u>13,792,758</u>	<u>3,117,785</u>	<u>1,623,115</u>	<u>5,973,539</u>	<u>356,213</u>	<u>24,863,410</u>
<b>Rental income</b>	–	–	57,539	21,514	40,607	119,660
<b>Total</b>	<u>13,792,758</u>	<u>3,117,785</u>	<u>1,680,654</u>	<u>5,995,053</u>	<u>396,820</u>	<u>24,983,070</u>

**Timing of revenue recognition**

For the six months ended 30 June 2019 (Unaudited)

	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
A point in time	14,472,593	4,650,121	1,703,585	1,681,778	246,375	22,754,452
Over time	–	–	–	3,858,582	102,665	3,961,247
<b>Total</b>	<u>14,472,593</u>	<u>4,650,121</u>	<u>1,703,585</u>	<u>5,540,360</u>	<u>349,040</u>	<u>26,715,699</u>

For the six months ended 30 June 2018 (Unaudited)

	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
A point in time	13,792,758	3,117,785	1,623,115	1,355,116	250,007	20,138,781
Over time	–	–	–	4,618,423	106,206	4,724,629
<b>Total</b>	<u>13,792,758</u>	<u>3,117,785</u>	<u>1,623,115</u>	<u>5,973,539</u>	<u>356,213</u>	<u>24,863,410</u>

## Geographical information

For the six months ended 30 June 2019 (Unaudited)						
	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
Mainland China	11,115,244	3,110,076	1,652,280	2,083,451	349,040	18,310,091
Hong Kong	319,376	132,248	9,263	2,940	–	463,827
Europe and America	1,339,976	568,157	10,304	1,576,499	–	3,494,936
East Asia and Southeast Asia	1,381,251	683,635	13,039	814,128	–	2,892,053
Others	316,746	156,005	18,699	1,063,342	–	1,554,792
<b>Total</b>	<b>14,472,593</b>	<b>4,650,121</b>	<b>1,703,585</b>	<b>5,540,360</b>	<b>349,040</b>	<b>26,715,699</b>

  

For the six months ended 30 June 2018 (Unaudited)						
	Manufacture and sales of FPD Products RMB'000	Manufacture and sales of PCB Products RMB'000	Retails and Consumer Products RMB'000	International Engineering and Trading & Logistics RMB'000	Others RMB'000	Total RMB'000
Mainland China	10,540,079	1,979,796	1,623,115	2,022,261	356,213	16,521,464
Hong Kong	520,385	67,580	–	68,926	–	656,891
Europe and America	868,835	421,727	–	1,097,516	–	2,388,078
East Asia and Southeast Asia	1,727,467	504,278	–	1,829,240	–	4,060,985
Others	135,992	144,404	–	955,596	–	1,235,992
<b>Total</b>	<b>13,792,758</b>	<b>3,117,785</b>	<b>1,623,115</b>	<b>5,973,539</b>	<b>356,213</b>	<b>24,863,410</b>

The chief operating decision-makers have been identified as the board of directors of the Company. Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The Group has three business segments listed below:

- High-tech Electronic Products:
  - Manufacture and sales of FPD products
  - Manufacture and sales of PCB products
- Retails and Consumer Products – manufacture of middle to high-end wrist watches and chain store sales of luxury watches
- International Engineering and Trading & Logistics – international engineering service, EPC projects related to cement engineering and shipping building business, trading and logistics.

The hotel business and sales of standard parts products are included in other segments as they do not meet the quantitative threshold of separation.

The board assesses the performance of the operating segments based on the profit.

All assets and liabilities are allocated to operating segments and no unallocated corporate assets and liabilities.

Inter-segment revenue are carried out according to the terms and conditions agreed by both parties.

The segment information provided to the board of directors for the reportable segments for the six months ended 30 June 2019 and 2018 are as follows:

### Segment revenue and results

	For the six months ended 30 June 2019 (Unaudited)							
	Manufacture and sales of FPD products RMB'000	Manufacture and sales of PCB products RMB'000	Retails and consumer products RMB'000	International engineering and trading & logistics RMB'000	Others RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue								
External sales	14,472,593	4,674,480	1,770,959	5,557,722	395,924	26,871,678	–	26,871,678
Inter-segment sales	–	–	4,656	174,402	–	179,058	(179,058)	–
Segment revenue	<u>14,472,593</u>	<u>4,674,480</u>	<u>1,775,615</u>	<u>5,732,124</u>	<u>395,924</u>	<u>27,050,736</u>	<u>(179,058)</u>	<u>26,871,678</u>
Segment profit/(loss) before taxation	661,947	541,591	168,214	(398,942)	382,784	1,355,594	(167,803)	1,187,791
Share of results of associates and joint venture	(917)	(125)	1,531	(41,672)	31,844	(9,339)	(10,181)	(19,520)
Group's profit before taxation	<u>661,030</u>	<u>541,466</u>	<u>169,745</u>	<u>(440,614)</u>	<u>414,628</u>	<u>1,346,255</u>	<u>(177,984)</u>	<u>1,168,271</u>
	For the six months ended 30 June 2018 (Unaudited)							
	Manufacture and sales of FPD products RMB'000	Manufacture and sales of PCB products RMB'000	Retails and consumer products RMB'000	International engineering and trading & logistics RMB'000	Others RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue								
External sales	13,792,758	3,117,785	1,680,654	5,995,053	396,820	24,983,070	–	24,983,070
Inter-segment sales	–	48	3,183	286,203	–	289,434	(289,434)	–
Segment revenue	<u>13,792,758</u>	<u>3,117,833</u>	<u>1,683,837</u>	<u>6,281,256</u>	<u>396,820</u>	<u>25,272,504</u>	<u>(289,434)</u>	<u>24,983,070</u>
Segment profit/(loss) before taxation	887,600	313,794	145,739	(158,402)	(24,081)	1,164,650	(7,622)	1,157,028
Share of results of associates and joint venture	(6,923)	(118)	93	97,798	175,005	265,855	(238,663)	27,192
Group's profit before taxation	<u>880,677</u>	<u>313,676</u>	<u>145,832</u>	<u>(60,604)</u>	<u>150,924</u>	<u>1,430,505</u>	<u>(246,285)</u>	<u>1,184,220</u>

## Segment assets and liabilities

	As at 30 June 2019 (Unaudited)							
	Manufacture and sales of FPD products <i>RMB'000</i>	Manufacture and sales of PCB products <i>RMB'000</i>	Retails and consumer products <i>RMB'000</i>	International engineering and trading & logistics <i>RMB'000</i>	Others <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	63,586,219	9,450,527	4,254,099	27,010,368	12,830,349	117,131,562	(9,960,910)	107,170,652
Investments accounted for using the equity method	31,351	4,836	46,412	1,500,333	43,904	1,626,836	(501,387)	1,125,449
Total assets	63,617,570	9,455,363	4,300,511	28,510,701	12,874,253	118,758,398	(10,462,297)	108,296,101
Total liabilities	37,063,557	5,442,938	1,204,696	25,223,976	4,408,930	73,344,097	(4,400,448)	68,943,649

  

	As at 31 December 2018 (Audited)							
	Manufacture and sales of FPD products <i>RMB'000</i>	Manufacture and sales of PCB products <i>RMB'000</i>	Retails and consumer products <i>RMB'000</i>	International engineering and trading & logistics <i>RMB'000</i>	Others <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	60,048,643	8,531,652	4,093,026	24,997,447	11,292,671	108,963,439	(10,059,704)	98,903,735
Investments accounted for using the equity method	32,268	4,961	44,881	1,570,824	1,126,379	2,779,313	(395,753)	2,383,560
Total assets	60,080,911	8,536,613	4,137,907	26,568,271	12,419,050	111,742,752	(10,455,457)	101,287,295
Total liabilities	34,038,663	4,802,976	1,158,877	22,736,781	4,269,918	67,007,215	(4,404,698)	62,602,517

## 5. INCOME TAX EXPENSE

Pursuant to the relevant income tax law of PRC, the subsidiaries of the Group established in the PRC were subject to income tax at a rate of 25% unless preferential rates were applicable. Certain subsidiaries were qualified as High and New Technology Enterprises in the PRC and were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2018 and 30 June 2019.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax charged for the period represents:

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Current income tax on profit for the period	302,296	223,116
Under provision in respect of prior year	65,350	–
Total current income tax	367,646	223,116
Deferred income tax	(39,646)	(35,552)
Income tax expense	328,000	187,564

## 6A. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on fair value remeasurement of previously held equity interest of an associate in the Acquisition of Shanghai Tianma Organic Light Emitting Display Technology Co. Ltd	–	128,196
Gain on disposal of investments in associates and joint venture (Note 12)	234,524	2,947
Loss on disposal of property, plant and equipment	(7,568)	(2,288)
Others	(4,738)	22,198
	<u>222,218</u>	<u>151,053</u>
Other gains and losses		

## 6B. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Write-down of inventories	157,161	94,701
Amortisation of land use rights	–	44,895
Amortisation of other non-current assets	39,227	35,616
Depreciation of property, plant and equipment	1,769,044	1,846,277
Losses on disposals of property, plant and equipment	7,568	2,288
Fair value changes on financial instruments	1,476	4,725
Depreciation of right-of-use assets	95,335	–

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil). The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 8. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares for each reporting period.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company	91,576	137,778
Less: Profit attributable to PSCS holders	(13,908)	(13,908)
Profit attributable to ordinary shareholders of the Company	77,668	123,870
	'000	'000
Weighted average number of ordinary shares in issue	1,166,162	1,166,162
Basic earnings per share (RMB per share)	0.0666	0.1062

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: PSCS. The PSCS are assumed to have been converted into ordinary shares.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company	91,576	137,778
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,166,162	1,166,162
Effect of dilutive potential ordinary shares: PSCS	801,635	801,635
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,967,797	1,967,797
Diluted earnings per share (RMB per share)	0.0465	0.0700

## **9. RIGHT-OF-USE ASSETS**

During the six months ended 30 June 2019, the Group entered into several new lease agreements for the use of buildings, office and electronic equipments for 18 to 60 months. The Group is required to make fixed payments monthly or quarterly. On lease commencement, the Group recognised RMB40,257,000 of right-of-use asset and RMB39,268,000 of lease liability.

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment of approximately RMB536,614,000 (six months ended 30 June 2018: RMB598,542,000) to expand its operations. The additions for the six months period ended 30 June 2019 included RMB4,838,000 (six months ended 30 June 2018: RMB18,844,000) in land and buildings, RMB37,674,000 in leasehold improvement (six months ended 30 June 2018: Nil), RMB445,243,000 (six months ended 30 June 2018: RMB414,320,000) in machinery and equipment, RMB2,755,000 (six months ended 30 June 2018: RMB7,707,000) in motor vehicles, RMB29,704,000 (six months ended 30 June 2018: RMB34,648,000) in computer and electronic equipment and RMB16,400,000 (six months ended 30 June 2018: RMB23,023,000) in other equipment.

During the six months ended 30 June 2019, construction-in-progress with carrying amounts in aggregate of RMB897,968,000 (six months ended 30 June 2018: RMB4,904,454,000) were transferred into property, plant and equipment.

During the six months ended 30 June 2019, property, plant and equipment with carrying amounts in aggregate of RMB1,416,403,000 were transferred into assets classified as held for sale (Note 15).

The Group disposed with an aggregate carrying amount of RMB30,239,000 (six months ended 30 June 2018: RMB16,276,000) for cash proceeds of RMB22,671,000 (six months ended 30 June 2018: RMB13,988,000), resulting in a loss on disposal of RMB7,568,000 (six months ended 30 June 2018: RMB2,288,000).

## **11. INVESTMENT PROPERTIES**

The Group's investment properties as at the end of the current interim period were valued by an independent valuer, China United Assets Appraisal Company Limited, to determine the fair value of the investment properties as at 30 June 2019. The direct comparison and income capitalisation valuation techniques were adopted by the valuer, which involves a number of key assumptions, including market price in active markets, market rents, occupancy rates and discounts rates. The resulting increase in fair value of investment properties of RMB1,143,000 has been recognised directly in profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Balance of investment properties RMB'000	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Office buildings located in mainland of China 30 June 2019 : RMB3,981,199 (31 December 2018: RMB3,974,455)	Direct Comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB10,000 to RMB16,500 (2018: from RMB10,000 to RMB16,500) per square meter ("sqm").	An increase in the market unit rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
	Income Capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 5.90% - 8.00% (2018: 5.90% - 8.00%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB97 (2018: RMB97) per sqm per month.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Manufacturing sites located in mainland of China 30 June 2019 : RMB463,764 (31 December 2018: RMB469,777)	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.00% - 8.00% (2018: 7.00% - 8.00%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB126 (2018: RMB122) per sqm per month.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Dwelling house located in mainland of China 30 June 2019 : RMB39,507 (31 December 2018: RMB39,094)	Direct Comparison	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB4,000 to RMB9,260 (2018: from RMB4,000 to RMB9,260) per sqm.	An increase in the market unit rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
	Income capitalisation	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.00% (2018: 6.00%).	A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB48 (2018: RMB48) per sqm per month.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.



## 12. DISPOSAL OF ASSOCIATES

During the six months ended 30 June 2019, the Group disposed of certain associates, including:

- (i) the Group disposed of its entire 20% equity interest in Chengdu Jujin Commercial Trading Company Limited\* (“Chengdu Jujin”) to an independent third party for cash proceeds of RMB311,400,000. Before the disposal, the Group owned 20% equity interest in Chengdu Jujin and the investment was previously accounted for as an investment in an associate using the equity method of accounting. The Group did not retain any remaining equity interest in Chengdu Jujin.
- (ii) the Group disposed of its 40% equity interest in Guangzhou Huahang Bicycle Company Limited\* (“Huahang Bicycle”) and 45% equity interest in Guangzhou AI Aviation Technology Co., Ltd. (“Guangzhou Aviation”) to independent third parties for cash proceeds of RMB130,000 and RMB4,455,000 respectively. Before the disposal, the Group owned 40% equity interest in Huahang Bicycle and 45% equity interest in Guangzhou Aviation, those investments were previously accounted for as investments in associates accounted for using the equity method. After those disposals, the Group did not retain any remaining equity interest in Huahang Bicycle and Guangzhou Aviation.

\* The English names of those companies are management’s best efforts at translating the Chinese names of those companies as no English names have been registered or available.

The total disposal gain of RMB234,524,000 is included in other gains and losses. Proceeds from disposals of investments in associates are calculated as follows:

	<i><b>RMB’000</b></i>
Cash proceeds	241,719
Consideration included in trade and other receivables	<u>74,266</u>
Total consideration	315,985
Less: carrying amount	<u>(81,461)</u>
Gain on disposal	<u><u>234,524</u></u>

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Trade receivables	<b>14,636,154</b>	13,427,953
Less: allowance for credit loss	<b>(1,377,663)</b>	(1,316,617)
Trade receivables – net	<b>13,258,491</b>	12,111,336
Other receivables	<b>3,599,295</b>	2,960,708
Notes receivable	<b>1,122,815</b>	713,995
Loans to employees	<b>46,318</b>	43,317
Prepayments to suppliers	<b>1,474,519</b>	1,527,828
Excess of input over output value added tax	<b>2,105,842</b>	2,046,653
Interests receivable	<b>17,355</b>	28,201
Finance lease receivables	<b>63,900</b>	70,503
	<b>21,688,535</b>	19,502,541
Less: non-current portion		
Excess of input over output value added tax	<b>(35,141)</b>	(32,318)
Other receivables	<b>(29,557)</b>	(175,043)
Finance lease receivables	<b>(26,637)</b>	(46,893)
	<b>(91,335)</b>	(254,254)
Current portion	<b>21,597,200</b>	19,248,287

The directors are of opinions that the bank acceptance bills are considered fully recoverable as they are backed by bills issued by reputable banks and the associated credit risk is highly mitigated.

The Group's credit term on sale of goods is from 1 month to 12 months. Trade and other receivables of RMB298,990,000 as at 30 June 2019 have been classified as part of a disposal group held for sale, including trade receivables amounted to RMB24,613,000.

The following is an aging analysis of trade receivables, including those classified as part of assets held for sale as at 30 June 2019:

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Within 1 year	<b>12,347,169</b>	11,131,232
Between 1 and 2 years	<b>1,359,965</b>	1,267,165
Between 2 and 3 years	<b>338,051</b>	317,371
Over 3 years	<b>636,649</b>	712,185
	<b>14,681,834</b>	13,427,953
Less: allowance for credit loss	<b>(1,398,730)</b>	(1,316,617)
	<b>13,283,104</b>	12,111,336

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB899,390,000 (31 December 2018: RMB96,699,000) which are past due. Out of the past due balances, RMB851,898,000 (31 December 2018: RMB96,699,000) has been past due 90 days or more and is not considered as in default as the debtors are not in significant financial difficulty and the management expects that the debtor is able and likely to pay for the debts.

#### 14. CONTRACT ASSETS

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
<b>Contract assets</b>		
International Engineering and Trading & Logistics	<b>843,335</b>	1,428,359
Others	<b>82,040</b>	7,447
	<b>925,375</b>	1,435,806
Less: allowance for credit loss	<b>(227)</b>	(454)
	<b>925,148</b>	1,435,352
Less: non-current portion	<b>(272,334)</b>	(228,595)
	<b>652,814</b>	1,206,757

The contract assets primarily relate to the retention deposits and the Group's right to consideration for work completed and not billed because the rights are conditioned on the Groups's future performance in achieving specified milestones at the reporting date on construction contracts and design projects. The contract assets are transferred to trade receivables when the rights become unconditional.

#### 15. ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 26 April 2019, the directors of the Company resolved to dispose of equity interests in AVIC Sunda Company Limited ("AVIC Sunda"), an associate of the Group, and equity interests in AVIC Weihai Shipyard Co., Ltd. ("Weihai Shipyard"), a subsidiary of the Group. The Group signed the equity transfer agreement with China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區股份有限公司) ("CMSK") and China Merchants Offshore Engineering Investment (Shen Zhen) Co., Ltd (深圳市招商局海工投資有限公司) ("CMOEI") respectively. The investment in AVIC Sunda and the assets and liabilities attributable to the Weihai Shipyard have been classified as assets/disposal group held for sale and are separately presented in the condensed consolidated statement of financial position as the disposals of equity interests are expected to be completed within twelve months from the end of the current interim reporting period. The operations of Weihai Shipyard are included in the Group's international engineering and trading & logistics activities for segment reporting purposes (Note 4).

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

Major classes of assets and liabilities of the disposal group as at the end of the current interim period are as follows:

	<b>30 June 2019 RMB'000 (Unaudited)</b>
Right-of-use assets	471,172
Intangible assets	12,580
Property, plant and equipment	1,416,403
Construction in progress	30,539
Investments accounted for using equity method	1,273,898
Financial assets at FVTPL	300
Other non-current assets	313
Inventories	163,612
Contract assets	797,980
Trade and other receivables ( <i>Note 13</i> )	298,990
Pledged bank deposits	2,500
Cash and cash equivalents	11,522
	<hr/>
Total assets classified as held for sale	4,479,809
	<hr/>
Deferred income tax liabilities	(45,012)
Trade and other payables ( <i>Note 16</i> )	(540,341)
Contract liabilities	(302,733)
Borrowings	(1,309,000)
	<hr/>
Total liabilities associated with assets classified as held for sale	(2,197,086)
	<hr/>

Included in the financial liabilities of Weihai Shipyard, there is an amount due to the Company and a fellow subsidiary of Weihai Shipyard of approximately RMB2,195,675,000 being eliminated and therefore not included in the liabilities associated with assets classified as held for sale in the condensed consolidated financial statements as at 30 June 2019.

## 16. TRADE AND OTHER PAYABLES

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<b>12,704,808</b>	12,277,248
Salaries and staff welfare payables	<b>977,581</b>	1,234,889
Notes payable	<b>3,091,110</b>	3,045,915
Advances from customers	<b>33,049</b>	26,329
Interest payable	<b>140,317</b>	153,353
Dividend payable	<b>142,425</b>	142,604
Other taxes payable	<b>507,566</b>	630,783
Accruals and other payables	<b>6,306,697</b>	5,850,019
Retention deposits received	<b>358,634</b>	321,507
Repurchase obligation of subsidiaries' shares issued for share award granted by subsidiaries	<b>148,422</b>	–
	<b>24,410,609</b>	23,682,647
Less: non-current portion retention deposits received and repurchase obligation of subsidiaries' shares issued for share award granted by subsidiaries	<b>(373,971)</b>	(187,981)
Current portion	<b>24,036,638</b>	23,494,666

Included in accruals and other payables were RMB1,559,911,000 (31 December 2018: RMB1,137,108,000) due to related parties, these amounts were unsecured, bearing annual interest rate from 4.60% to 7.90% and are repayable on demand.

Trade and other payables of RMB540,341,000 as at 30 June 2019 have been classified as part of a disposal group held for sale, including trade payables amounted to RMB401,591,000.

The aging analysis of trade payables at the end of the reporting period is as follows, including those classified as part of a disposal group held for sale:

	<b>30 June 2019</b>	31 December 2018
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 1 year	<b>12,384,774</b>	10,890,426
Between 1 and 2 years	<b>363,589</b>	748,586
Between 2 and 3 years	<b>138,398</b>	300,331
Over 3 years	<b>219,638</b>	337,905
	<b>13,106,399</b>	12,277,248

## 17. BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to RMB7,714,149,000 (six months ended 30 June 2018: RMB9,493,211,000) of which RMB503,825,000 (six months ended 30 June 2018: Nil) is secured by right-of-use assets. The new acquired bank borrowings bearing interest at floating rates ranged from 0.79% to 6.16% per annum and are repayable over a period of 1 months to 8 years. In addition, the Group repaid bank borrowings amounting to RMB5,495,450,000 (six months ended 30 June 2018: RMB10,753,718,000) during the six months ended 30 June 2019.

On 7 March 2019, Tianma Micro-electronics Co., Ltd (“Tianma Company”) issued the first tranche of the corporate bonds, amount of RMB997,453,000 with a maturity date of 5 years. The bond bears interest at 3.94% per annum. Interest is payable annually in arrears.

During the six months ended 30 June 2019, the Group obtained related parties borrowings amounting to RMB1,317,763,000 (six months ended 30 June 2018: RMB1,095,034,000). The related parties borrowings bearing interest at floating rates ranged from 3.88% to 5.35% per annum and are repayable over a period of 6 months to 1 year. In addition, the Group repaid related parties borrowings amounting to RMB694,964,000 (six months ended 30 June 2018: RMB1,481,814,000) during the six months ended 30 June 2019.

## 18. CONTINGENTS AND COMMITMENTS

### (a) Financial guarantee contracts

As at 30 June 2019 and 31 December 2018, the Group had the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	30 June 2019 Outstanding amounts guaranteed RMB'000	31 December 2018 Outstanding amounts guaranteed RMB'000
AVIC International Beijing Company Limited (Beijing Company)	Subsidiary of the Group	Tuofu Yuanyang Shipping Company Limited* (拓富遠洋海運有限公司)	Independent third party	89,196	105,260
				<u>89,196</u>	<u>105,260</u>

\* The English name of this company is management's best efforts at translating the Chinese name of this company as no English name has been registered or available.

Note: The above outstanding amounts guaranteed also constitute contingent liabilities of the Group at period end.

### (b) Commitments

As at the end of the current interim period, the Group was committed an amount of RMB3,842,356,000 (31 December 2018: RMB3,835,045,000) to acquire property, plant and equipment.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value on a recurring basis at 30 June 2019.

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	<u>7,582</u>	–	<u>217,058</u>	<u>224,640</u>
<b>Total assets</b>	<u><b>7,582</b></u>	<u>–</u>	<u><b>217,058</b></u>	<u><b>224,640</b></u>

The following table presents the Group's financial assets that are measured at fair value on a recurring basis at 31 December 2018.

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	<u>5,391</u>	–	<u>214,358</u>	<u>219,749</u>
<b>Total assets</b>	<u><b>5,391</b></u>	<u>–</u>	<u><b>214,358</b></u>	<u><b>219,749</b></u>

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2019	31 December 2018		
Listed securities held for trading	7,582	5,391	Level 1	Quoted bid prices in an active market.
Private equity investments at FVTPL	217,058	214,358	Level 3	The fair value is calculated based on relative value assessment method. Comparing the target company's important financial ratios, such as ROA and ROE, with listed companies in the same industry, so as to use the market value of the listed company to estimate the value of the target company.

There were no transfers between Levels 1, 2 and 3 during the period.

The following table presents the changes in Level 3 instruments for the periods ended 30 June 2019 and 30 June 2018.

	<b>Private equity investments at FVTPL</b> <i>RMB'000</i>
Opening balance at 1 January 2018 (Audited)	54,617
Unrealised fair value gain recognised in profit or loss	77
	<hr/>
Closing balance at 30 June 2018 (Unaudited)	54,694
	<hr/>
Opening balance at 1 January 2019 (Audited)	214,358
Addition	3,000
Transfer to assets held for sale	(300)
	<hr/>
Closing balance at 30 June 2019 (Unaudited)	217,058
	<hr/>

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



## 20. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by AVIC International, a state-controlled company established in the PRC. AVIC International Shenzhen Company Limited, a state-controlled company established in the PRC, is the major shareholder of the Company. The directors regard AVIC international and Aviation Industry Group as the holding company and ultimate holding company of the Group respectively.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

### (a) Transactions with related parties

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue:		
Sales of goods		
– Fellow subsidiaries	53,208	58,689
– Associates	34,650	2,505
– Holding company	3	–
	<u>87,861</u>	<u>61,194</u>
Rental income		
– Fellow subsidiaries	17,310	10,576
– Associates	–	195
– Holding company	177	–
	<u>17,487</u>	<u>10,771</u>
Construction income		
– Fellow subsidiaries	36,963	–
Agency services income		
– Fellow subsidiaries	75,066	117,121
– Holding company	–	4,794
	<u>75,066</u>	<u>121,915</u>

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Interest and guarantee fee income		
– Fellow subsidiaries	<b>4,263</b>	32,778
– A major shareholder of the Company	–	39
– Associates	–	5,289
– A minority shareholder of the Company	<b>1,076</b>	–
	<u><b>5,339</b></u>	<u>38,106</u>
Purchases of goods and services:		
Purchases of goods		
– Fellow subsidiaries	<b>83,939</b>	207,122
– Holding company	<b>11</b>	–
	<u><b>83,950</b></u>	<u>207,122</u>
Agency services costs		
– Fellow subsidiaries	<b>36,047</b>	35,190
– Associates	–	4,956
	<u><b>36,047</b></u>	<u>40,146</u>
Interest expenses and guarantee fees		
– Fellow subsidiaries	<b>8,497</b>	7,167
– Holding company	–	461
– A major shareholder of the Company	<b>7,771</b>	13,250
– A minority shareholder of the Company	<b>20,111</b>	–
	<u><b>36,379</b></u>	<u>20,878</u>

**(b) Balances with related parties**

The balances with related parties companies are unsecured, non-interest bearing and repayable on demand.

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Other receivables		
– Holding company	<b>48,263</b>	110,543
– A major shareholder of the Company	–	5,149
– Fellow subsidiaries	<b>66,087</b>	269,345
– Associates	<b>4,520</b>	7,830
	<b>118,870</b>	392,867
Accounts receivable		
– Fellow subsidiaries	<b>43,322</b>	145,101
– Joint ventures	–	82,944
– Associates	<b>44,970</b>	52,916
– Holding company	<b>4,918</b>	6,439
	<b>93,210</b>	287,400
Prepayments		
– Fellow subsidiaries	<b>2,395</b>	37,615
– Holding company	<b>424</b>	1,464
	<b>2,819</b>	39,079
Accruals and other payables		
– A major shareholder of the Company	<b>6,543</b>	135,018
– Holding company	<b>975</b>	54,263
– Fellow subsidiaries	<b>35,153</b>	24,370
– Associates	<b>517</b>	–
	<b>43,188</b>	213,651
Accounts payable		
– Fellow subsidiaries	<b>18,058</b>	245,300
– Associates	–	11,052
– Holding company	–	162
	<b>18,058</b>	256,514

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Advance from customers		
– Fellow subsidiaries	–	197
	<u>–</u>	<u>197</u>
Contract liabilities		
– Fellow subsidiaries	356	124,480
– Holding company	20,533	20,876
– Associates	–	15,348
	<u>20,889</u>	<u>160,704</u>
Lease liabilities		
– Fellow subsidiaries	20,157	–
	<u>20,157</u>	<u>–</u>
Interest payables		
– Fellow subsidiaries	1,540	2,129
	<u>1,540</u>	<u>2,129</u>

As at 30 June 2019, the Group had interest-bearing deposits amounting to RMB978,838,000 at AVIC Finance Co., Ltd., a fellow subsidiary of the Company. These deposits could be withdrawn at demand and are included in cash and cash equivalent.

(c) **Borrowings from related parties**

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Included in other payables		
– Fellow subsidiaries	675,912	337,108
– Holding company	755,499	800,000
– A major shareholder of the Company	128,500	–
	<b>1,559,911</b>	<b>1,137,108</b>
Included in other liabilities		
– A major shareholder of the Company	75,000	75,000
– Non-controlling interests	–	463
	<b>75,000</b>	<b>75,463</b>
Included in borrowings		
– A major shareholder of the Company	1,138,971	1,120,072
– Non-controlling interests	–	500,000
– Holding company	–	400,000
– Fellow subsidiaries	1,319,301	718,842
– A minority shareholder of the Company	500,000	–
	<b>2,958,272</b>	<b>2,738,914</b>

(d) **Loan to related parties**

	<b>30 June 2019 RMB'000 (Unaudited)</b>	31 December 2018 RMB'000 (Audited)
Included in other receivables		
– Associates	–	141,595
– Fellow subsidiaries	1,381,349	1,426,941
– A major shareholder of the Company	240,346	–
	<b>1,621,695</b>	<b>1,568,536</b>

**21. COMPARATIVE FIGURES**

Certain comparative figures set out in the condensed consolidated statement of profit or loss has been reclassified to conform with current period's presentation.

## BUSINESS REVIEW

The revenue and profit contributions of the Company in its consolidated results for the six months ended 30 June 2019 (the “**Reporting Period**”) were primarily derived from the following business segments and subsidiaries:

<b>Business segment</b>	<b>Name of subsidiary</b>	<b>Percentage of equity interests held by the Company</b>	<b>Principal activities</b>
High-tech electronic products	Tianma Micro-electronics Co., Ltd (“ <b>Tianma Company</b> ”)	14.24%*	Manufacture and sales of flat panel displays (“ <b>FPD</b> ”) and modules
	Shennan Circuits Co., Ltd (“ <b>SCC</b> ”)	69.05%	Manufacture and sales of printed circuit boards and packaging substrate (“ <b>PCB</b> ”)
Retails and consumer products	Fiyta Holdings Limited (“ <b>Fiyta</b> ”)	36.79%	Manufacture of middle to high-end wrist watches and chain store sales of luxury watches
International engineering, trading and logistics	China National Aero-Technology International Engineering Corporation (“ <b>Engineering Company</b> ”)	100%	Mainly engaged in general contracting of international engineering construction; and engaged in overseas property development and general contracting of domestic construction engineering
	AVIC International Beijing Company Limited (“ <b>Beijing Company</b> ”)	100%	Cement construction, machinery vehicles, etc.
	AVIC International Maritime Holdings Limited (“ <b>AVIC Maritime</b> ”)	73.87%	Ship engineering, design and trading, etc.
	AVIC Weihai Shipyard Co., Ltd. (“ <b>Weihai Shipyard</b> ”)	69.77%	Ship construction
	China National Aero-Technology Guangzhou Company Limited (“ <b>Guangzhou Company</b> ”)	100%	Medical facilities and bitumen engineering
	AVIC Lutong Company Limited (“ <b>Lutong Company</b> ”)	50%	Bitumen engineering

<b>Business segment</b>	<b>Name of subsidiary</b>	<b>Percentage of equity interests held by the Company</b>	<b>Principal activities</b>
	AVIC International Xiamen Company Limited (“ <b>Xiamen Company</b> ”)	100%	Trading and logistics
	AVIC International Trade & Economic Development Company Limited (“ <b>TED Company</b> ”)	100%	Tendering agency, informationization service, automation control, etc.
	AVIC International Renewable Energy Company Limited (“ <b>RE Company</b> ”)	100%	Power station construction, energy-saving management, and purchase and sales of renewable energy equipment
Others	Beijing AVIC Ruixin Investment and Management Company Limited (“ <b>Beijing Ruixin</b> ”)	90%	Mainly engaged in the residential premises development business; and engaged in industrial property development, etc.
	Chengdu AVIC Raise Real Estate Company Limited (“ <b>Chengdu Raise</b> ”)	60%	Mainly engaged in the residential premises development business; also engaged in industrial property development, etc.
	Shenzhen Aero Fasteners MFG Company Limited (“ <b>AFM Company</b> ”)	100%	High intensity bolts, precision screws and nuts, shaped fasteners and other fasteners
	Guangdong International Building Industrial Company Limited (“ <b>GIB Company</b> ”)	75%	Hotel operation

\* *Note:* Xiamen Company holds 1.78% equity interests in Tianma Company and the Group holds an aggregate of 16.02% equity interests in Tianma Company.

The Reporting Period witnessed an intricate international economic environment where international business was faced by various risks and uncertainties, while domestic demands experienced a decline. Coupled with the effect of trade frictions, investment, consumption and exportation experienced a weak rebound, and the growth of domestic economic slowed down. Confronted by such complex and grim external environment, the Group quickened its pace to strip away the real estate business, with reform and restructuring underway to promote value growth within the corporate. During the Reporting Period, we recorded the revenue from principal activities of approximately RMB26,871,678,000, representing an increase of approximately 7.6% over the same period of the previous year of RMB24,983,070,000. The earnings attributable to shareholders of the Company (net of minority interests) amounted to approximately RMB91,576,000, representing a decrease of approximately 33.5% over the same period of the previous year of RMB137,778,000.

### High-tech Electronic Products Business

In respect of the high-tech electronic products business, the Group is engaged in research and development (“R&D”), design, manufacture, sales and service of FPD and PCB products mainly through its subsidiaries, namely Tianma Company and SCC. During the Reporting Period, the Group’s revenue generated from the high-tech electronic products business and net profit performance are as follows:

	Revenue from January to June 2019 <i>RMB'000</i>	Year-on-year increase	Net profit from January to June 2019 <i>RMB'000</i>	Year-on-year increase
High-tech electronic products business	19,147,073	13.2%	1,080,011	-3.4%
of which: FPD	14,472,593	4.9%	609,472	-24.3%
PCB	4,674,480	49.9%	470,539	50.6%

#### (I) FPD

Tianma Company continued to focus on the market development of small and medium-sized FPDs, with products mainly applied to the mobile smart terminal market such as smartphones and tablets as well as professional displays such as those for in-vehicle products, medical service, POS terminals and human machine interface, and actively developed the Internet of Things/new applications such as augmented reality, virtual reality, unmanned flying vehicles and robotics.

During the Reporting Period, the competition in the small and medium-sized display market is increasingly fierce. Facing the difficult market environment, Tianma Company continued to optimize its product structure, enhance the transformation of high-value added products, and increase the market share of high-profitability professional display products such as for middle to high-end smartphones, in-vehicle products and medical service. In the intelligent terminal market, our upgrade, iteration, mass production and shipment of new liquid crystal display (液晶顯示器) full displays such as water-drop screen and blind-hole screen took the lead in the technology for full-display products,



supporting the launch of various mobile intelligent terminal brands. In particular, we saw a continuous ramp-up in mass production at Phase I of Low Temperature Poly-silicon Active-matrix Organic Light-emitting Diode (低溫多晶矽有源矩陣有機發光二極體) (“**LTPS AMOLED**”) Project (Wuhan) and the accelerated construction of Phase II Project (Wuhan). In the professional display market, in-vehicle products have become the fastest-growing field of Tianma Company. During the Reporting Period, owing to its continuous increase in R&D investment and recruitment, Tianma Company recorded an increase in R&D expenses compared with the same period of last year, together with a decline in net profit.

## (II) PCB

SCC’s PCB products cover middle to high-end multilayer PCBs, packaging substrate and printed circuit board assembly (“PCBA”), which are mainly applied to high-tech fields such as telecommunications, medical service, industrial control, aviation and servers.

During the Reporting Period, driven by the expansion of 4G networks and 5G base station developments, downstream markets such as communications and servers continued to display a positive trend and the demands continued to increase. Accordingly, SCC achieved an increase in both revenue and net profit. SCC actively grasped the communications market opportunities to maintain the first-mover advantage with ample orders, with the increase in PCB business output leading to a significant year-on-year increase in revenue; PCBA continued to consolidate and enhance the market segment advantages, attaining great growth in business output; and the packaging substrate business of Wuxi project proceeded smoothly and commenced trial production in June. Meanwhile, work was done to vigorously promote the construction, automation and information transformation of professional factories, with a view to raising labor and equipment efficiency, which resulted in the continuously improving profitability of the Company. During the Reporting Period, SCC proposed to issue A share convertible bonds (the “**Proposed Issuance**”) and received the notice of acceptance from China Securities Regulatory Commission (“**CSRC**”). The funds raised under the Proposed Issuance will mainly be used in the general high-speed and high-density multilayer PCBs (Phase II) project, which will help SCC to consolidate its leading position in the PCB field and further enhance its advanced manufacturing advantages.

## Retails and Consumer Products Business

In respect of the retails and consumer products business, the Group is engaged in the production and brand operation of middle to high-end watches as well as the chain sales and services of luxury watches through its subsidiary, Fiyta. During the Reporting Period, the revenue generated from the retails and consumer products business of the Group and net profit performance are as follows:

	Revenue from January to June 2019 RMB'000	Year-on-year increase	Net profit from January to June 2019 RMB'000	Year-on-year increase
Retails and consumer products	1,770,959	5.4%	127,118	13.1%

During the Reporting Period, the growth of domestic consumer market continued to slow down, with a year-on-year increase of 8.4% recorded in the total retail sales of social consumer products. Under the growth divergence in the watches and clocks industry, the growth of high-end watches was relatively better, while the mid-end watches and domestic watches faced greater pressure of growth. During the Reporting Period, Fiyta finished restructuring its brand portfolios and implemented comprehensive cost and expenses control, which resulted in effective control of the expenses, a significant decline in purchase costs, and higher profit. In respect of the luxury watches retail business, the brand channel synergies have been boosted through training, which led to the increase in frontline sales as reflected in a year-on-year increase of 7.4% in yield per unit for comparable stores, driving the increase in Fiyta's revenue.

### **International Engineering and Trading and Logistics Business**

The Group is engaged in engineering contracting, mechatronics engineering, ship engineering and tendering agency businesses through its subsidiaries, namely Engineering Company, Beijing Company, AVIC Maritime, Weihai Shipyard, Guangzhou Company, Xiamen Company and TED Company.

During the Reporting Period, affected by international economic and trading environment as well as industry cycle, the international engineering and trading and logistics business saw a major decline in revenue and net profit, which was mainly manifested in the following aspects: 1) Under a sluggish global economy, the revenue from the international engineering business was lower than expected as the Angola airport project has not officially commenced according to the schedule; 2) Weihai Shipyard has implemented a transformation strategy, focusing on the production of high value-added ship types. Currently, among the nine orders for STENA high-end Ro-Pax vessels on hand, four have commenced construction and have recorded a significant growth in revenue. However, as the prices of raw materials and equipment rose higher than expected and the project expenditure increased, Weihai Shipyard recorded further widened losses as compared to the same period last year; 3) RE Company made its bad debt provisions in accordance with the principle of prudence. To sum up, the revenue generated from the international engineering and trading and logistics business was approximately RMB5,557,722,000, representing a decrease of approximately 7.3% over the same period of the previous year of approximately RMB5,995,053,000. The loss was approximately RMB548,978,000, representing an increase of approximately RMB330,743,000 as compared to the loss of approximately RMB218,235,000 for the previous year.

In addition, in order to further focus on principal business, reduce loss-making businesses, and improve profitability, the Group transferred its 20% equity interest and shareholder's loan in Chengdu Jujin Trading Co., Ltd. ("**Chengdu Jujin**"). In addition, the Company entered into agreements with CMOEI in Shenzhen and CMSK, respectively, transferring the 69.77% equity interest and shareholder's loan in Weihai Shipyard and the 22.35% equity interest in AVIC Sunda Holding Company Limited ("**AVIC Sunda**") held by the Company. The above transfers were beneficial for the Company to reduce its financial risks and for the Group to focus its resources on the principal business, improve operating results and enhance the level of investment return.

## **BUSINESS PROSPECTS**

Looking ahead, the second half of 2019 will see global economic fluctuation and the further increase in downward pressure on domestic economy. Despite the external challenges, the Group will maintain its strategic theme of “Reform and Restructure, Focus and Breakthrough, and Value Growth,” with an aim to seize market opportunities and enhance the order acquisition capability, accelerate market expansion and project execution, strive to optimize the product structure and adjust the customer structure, as well as speed up the operational improvement of or withdrawal from loss-making businesses. Meanwhile, we will further sharpen our focus on principal business and strip away the real estate business through innovative business models to achieve our whole-year operational target.

### **High-tech Electronic Products Business**

In respect of the high-tech electronic products business, the Group will closely monitor the changes in external environment and markets, continue to improve its market share, strengthen connections with customers in its advantageous fields, reinforce the expansion of new markets and new customers, and lay a solid foundation for reserving orders for new factories. The Group will continue to optimize its product structure, and effectively integrate market expansion with customer classification management to increase customer coverage and penetration of high value-added products. Tianma Company will seize the opportunity to initiate the re-finance project in the capital market, to accelerate the phase II construction of G6 AMOLED production line of Wuhan Tianma and improve the mass production capacity and quality. SCC will proactively promote its project in relation to the Proposed Issuance of A share convertible bonds to further consolidate its leading position in the PCB field.

### **Retails and Consumer Products Business**

With deep combination of consumption demands of the customers, Fiyta will accelerate the optimization of its existing channel structures and increase yield per unit, continue to facilitate the cultivation of new brands and expansion of new business and new markets. It will also continue to strengthen the cost and expense control and improve operating efficiency, speed up the execution of smart retail projects in an orderly manner, and fully promote the continuous improvement of operating results.

### **International Engineering and Trading and Logistics Business**

In the second half of 2019, the international engineering business of the Group will speed up the construction progress of its key projects, focus on the implementation of the Angolan airport project, and promote the early delivery of Algeria project. In respect of the mechatronics engineering business, we will further strengthen our operations control, vigorously promote the execution of key projects, and endeavor to improve the operation as early as possible. Regarding the cement engineering business, we will focus on the key markets, spare no efforts to obtain orders, sign new contracts for the commencement of cement and building materials and petrochemical engineering projects, and facilitate the execution of projects on hand in an orderly manner. For the trading and logistics business, we will continue with the equity transfer of Weihai Shipyard and simultaneously implement the equity transfer of our associate, AVIC Sunda.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the total cash and cash equivalents of the Group amounted to approximately RMB10,116,144,000, including cash in Hong Kong Dollars, US Dollars, Japanese Yen, and Korean Won, which have been converted into Renminbi (31 December 2018: RMB8,526,106,000). The Group's total current borrowings amounted to approximately RMB15,494,269,000; and total non-current borrowings amounted to approximately RMB19,603,104,000 with an annual interest rate ranging from 0.79% to 6.16%. The Group has further strengthened and perfected its regulations in respect of the management of tradable financial assets, and formulated the procedures of decision-making, implementation and risk control.

During the Reporting Period, our capital expenditure amounted to approximately RMB3,641,471,000, the details of which are set forth below:

<b>Company Name</b>	<b>Project Name</b>	<b>Amount of Expenditure (Unit: RMB'000)</b>
Tianma Company	Wuhan Tianma – G6 LTPS AMOLED production line	1,851,760
SCC	PCB substrate business technological transformation projects in 2019	639,324
Tianma Company	production capacity improvement and technological transformation projects, etc.	609,866
Tianma Company	Xiamen Tianma – G6 LTPS and colored filter production line	421,707
Tianma Company	Organic light-emitting – G5.5 AMOLED mass production line	68,023
Fiyta	Ancillary construction for the watch industrial base in Guangming New Area	26,650
Weihai Shipyard	Breakwater and supplies storage, etc.	10,242
Lutong Company	Construction and maintenance of the bitumen base in Tianjin	8,590
Aero Fasteners MFG	Hengyang Songmu Industrial Park Project	1,504
Aero Fasteners MFG	Phase I of the sewage treatment station project	3,805

## LOAN-TO-SHAREHOLDERS' EQUITY RATIO

As of 30 June 2019, the Group's loan-to-shareholders' equity ratio (bank borrowings divided by shareholders' equity) was 89.19% (As at 31 December 2018: 85.15%).

## PLEGDED ASSETS

As at 30 June 2019, certain subsidiaries of the Group had secured bank loans totaling approximately RMB6,783,837,000 (As at 31 December 2018: approximately RMB6,347,533,000). The loans were secured by the plants, buildings and land use rights of the Group. The details are as follows:

Name of Company	Name of Collateral	Type of Borrowings	Net Value of the Collaterals	Amount of Expenditure (Unit: RMB'000)
Beijing Company	Land of the AVIC International Beijing Aviation City Project and the buildings thereon	Pledged against long-term borrowing	546,900	620,500
Beijing Company	AVIC Industrial Park's real estates in Beijing Yizhuang Economic-Technological Development Zone	Pledged against long-term borrowing	75,831	208,587
Montres Chouriet SA	Real estates in Switzerland	Pledged against long-term borrowing	14,609	4,763
Tianma Company	Tianlong real estate and its land use rights	Pledged against long-term borrowing	224,914	500,000
Tianma Company	Land of the Wuhan Tianma G6 Project	Pledged against long-term borrowing	363,887	4,400,000
Tianma Company	Organic light-emitting house buildings	Pledged against long-term borrowing	322,588	284,450
Wuxi Shennan Circuits Co., Ltd. (無錫深南電路有限公司)	Houses and buildings and their land use rights	Pledged against long-term borrowing	644,023	480,314
Nantong Shennan Circuits Co., Ltd. (南通深南電路有限公司)	Land use rights	Pledged against long-term borrowing	99,736	251,224
Hunan AVIC Fastening Systems	Houses and buildings and their land use rights	Pledged against long-term borrowing	143,432	34,000

## ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

During the Reporting Period, the Company had no entrusted deposit or overdue term deposit in any form.

## MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into or maintain any contracts in respect of the management or administration of the whole or any substantial part of its business.

## ISSUE, PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, neither the Company nor any of its subsidiaries issued, purchased, sold or redeemed the Company's listed securities.

## CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 15 January 2019, Mr. Zhong Si Jun (鐘思均) resigned as a joint company secretary of the Company due to change of work positions, and Mr. Xiao Zhang Lin (肖章林), the joint company secretary, became the sole company secretary of the Company. For details, please refer to the announcement of the Company dated 15 January 2019.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its subsidiaries or its holding company a party to any arrangement to enable any Directors, supervisors or senior management members of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

During the Reporting Period, none of the Directors or supervisors of the Company had, either directly or indirectly, any significant interest in any contract or arrangement of significance to the business of the Company.

## NUMBER OF EMPLOYEES AND REMUNERATION

As of 30 June 2019, the Group had approximately 59,969 (the corresponding period of 2018: 59,432) employees, with employee-related costs of approximately RMB3,546,030,000 (the corresponding period of 2018: RMB2,971,920,000). The Group has formulated market-competitive remuneration policies with reference to market conditions and individual employees' performance.

## CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had the following financial guarantees outstanding:

Guarantor	Guarantor's relationship with the Group	Guarantee	Guarantee's relationship with the Group	30 June 2019 Outstanding amounts guaranteed (RMB'000)	31 December 2018 Outstanding amounts guaranteed (RMB'000)
Beijing Company	Subsidiary of the Group	Tuofu Yuanyang Shipping Company Limited (拓富遠洋海運有限公司)	Independent third party	89,196	105,260

## INTERIM DIVIDEND

The Board did not propose the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## MAJOR LITIGATION

On 13 June 2014, Tang Energy Group Limited (“**Tang Energy**”), Soaring Wind Energy LLC. (“**Soaring Wind**”) and its other group members (collectively, the “**Claimants**”) filed an arbitration claim with the American Arbitration Association against AVIC International USA, Inc (“**AVIC USA**”), the controlling shareholders of the Company and subsidiaries of the Company (including, among others, Aviation Industry Group, AVIC International and RE Company) (collectively, the “**Respondents**”) in respect of a dispute (the “**Dispute**”) arising out of a joint venture agreement (the “**Arbitration Claim**”). The Arbitration Claim is the claim brought by the Claimants against the Respondents in respect of a dispute arising out of a joint venture agreement entered into between Tang Energy and AVIC USA in 2008 (the “**JV Agreement**”), whereby the Claimants treated AVIC USA as the agent of Aviation Industry Group in the USA, and all involved Aviation Industry Group and their subsidiaries are deemed as a “single group”, all of which shall be bound by the exclusivity provisions under the JV Agreement. Therefore, the Claimants sought damages totalling US\$2.25 billion from the Respondents for the alleged breach of the JV Agreement. After the Respondents receiving final decision on the Arbitration Claim issued by the International Centre for Dispute Resolution of International Arbitration Tribunal in December 2015 (the “**Award**”), pursuant to which the Respondents were jointly and severally liable to pay to the Claimants damages and fees (including but not limited to compensation, attorneys’ fees and expenses) in relation to the Dispute in the total amount (the “**Amount**”) of approximately US\$71,000,000, the Group had engaged a law firm to assist in the Arbitration Claim and has taken further legal action against the Decision. In March 2016, the Group had filed an application to the competent court to oppose the enforcement of the Award and request for the vacation of the Award (the “**Opposition Application**”). On 15 August 2018, the Respondents received the orders issued by the United States District Court for the Northern District of Texas Dallas Division. The orders ruled that the aforesaid decision against AVIC USA was effective, and the requests made by the Claimants’ against other Respondents shall be determined by the court in a separate action. The Company will issue further announcement if there is any further development. For details, please refer to the Company’s announcements published on 29 April 2015, 22 December 2015 and 15 August 2018.

Save as disclosed above, as at the date of this announcement, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

## SIGNIFICANT EVENTS AND CONNECTED TRANSACTIONS

### Significant Events

1. *Discloseable Transaction, Connected Transaction, Very Substantial Acquisition and Very Substantial Disposal – Acquisition of Two Subject Companies Including Xiamen Tianma Company by Tianma Company and Proposed Placing of A Shares by Tianma Company*

On 10 September 2018, Tianma Company entered into two separate supplemental agreements (the “**Supplemental Agreements**”) with (a) AVIC International, AVIC Shenzhen, Xiamen Company, and Xiamen Jincai Industrial Development Company Limited (廈門金財產業發展有限公司) (the “**Xiamen Tianma Supplemental Agreement**”); and (b) Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) and Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) (the “**Tianma Organic Supplemental Agreement**”) respectively, in relation to the price determination and placing price of the placing shares for the proposed A shares placing, pursuant to which the term in the Framework Agreements that “the placing price of Placing Shares shall not be lower than the issue price of the Consideration Shares” shall be deleted.

As the entering into of the Xiamen Tianma Supplemental Agreement and the Tianma Organic Supplemental Agreement constitutes a material variation to the terms of proposed A shares placing under the framework agreements previously approved by the independent shareholders on 12 June 2017, the Company made an announcement pursuant to the requirements under Rule 14.36 of the Listing Rules with regard to the variation.

As one or more of the applicable percentage ratios in respect of the proposed A shares placing are more than 25% but are less than 75%, the proposed A shares placing constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders’ written approval has been obtained on 28 September 2018 from AVIC International and AVIC Shenzhen, being a closely allied group of shareholders holding in aggregate approximately 71.43% of the entire issued share capital of the Company. For details, please refer to the announcement published on 10 September 2018, the circular published on 13 November 2018 and the announcement of written shareholders’ approval published on 28 September 2018 by the Company.

With the receipt of written approval from CSRC for Tianma Company to issue consideration shares for the acquisitions of two subject companies including Xiamen Tianma Microelectronics Company Limited (廈門天馬微電子有限公司) and the proposed A shares placing, on 2 February 2018, Tianma Company completed the acquisitions and consideration issue.



Due to changes and fluctuations in the environment of the capital market, the proposed A shares placing could not be completed within twelve months from the date of issue of written approval by CSRC which was 11 January 2018, and therefore, the validity period for the written approval from CSRC expired automatically on 10 January 2019. For details, please refer to the announcement of the Company published on 10 January 2019 and the circular of the Company published on 13 November 2018.

2. *Discloseable and Connected Transaction – Potential Disposal of Equity Interest and Creditor’s Rights of Chengdu Jujin by Chengdu Raise*

On 27 June 2018, the Board announced that Chengdu Raise, a non-wholly owned subsidiary of the Company, would conduct the formal process of public tender in relation to the disposal (the “**Chengdu Jujin Disposal**”) of (i) its 20% equity interest in Chengdu Jujin Trading Co., Ltd. (成都聚錦商貿有限公司) (“**Chengdu Jujin**”) (the “**Chengdu Jujin Equity Interest**”) and (ii) the creditor’s rights in Chengdu Jujin held by it (the “**Chengdu Jujin Creditor’s Rights**”) (collectively, the “**Chengdu Jujin Interest**”) through China Beijing Equity Exchange (北京產權交易所) (the “**CBEE**”) after the preliminary disclosure.

It was proposed that Chengdu Raise would, jointly with Beijing Raise Science Co., Ltd. (“**Beijing Raise**”), conduct the disposal of their respective 20% and 80% equity interest and their respective creditor’s rights in Chengdu Jujin through CBEE. Upon completion of the Chengdu Jujin Disposal, Chengdu Raise will no longer have any interests in Chengdu Jujin.

Based on (i) the preliminary appraised value of Chengdu Jujin as at 31 October 2017 and (ii) the audited financial statements of Chengdu Jujin for the year ended 31 December 2017, the preliminary appraised value of Chengdu Jujin Equity Interest is approximately RMB229,087,240 and the audited result for Chengdu Jujin Creditor’s Rights is approximately RMB190,000,000. Therefore, the preliminary minimum bidding price for the Chengdu Jujin Disposal shall be approximately RMB419,087,240. As disclosed in the announcement of the Company dated 26 September 2018, the final minimum bidding price for the Chengdu Jujin Disposal shall be RMB426,886,221, which was determined with reference to the Chengdu Jujin Creditor’s Rights and the appraised value of the entire equity interest of Chengdu Jujin approved by Aviation Industry Group.

Given that (i) Beijing Raise is directly and indirectly held as to 100% by Aviation Industry Group; and (ii) Aviation Industry Group is the controlling shareholder of AVIC International (a controlling shareholder holding approximately 37.50% of the issued share capital of the Company), which in turn owns 100% equity interest of AVIC Shenzhen (a controlling shareholder holding approximately 33.93% of the issued share capital of the Company), Beijing Raise is a connected person of the Company and the Chengdu Jujin Disposal, if materialised, will constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Chengdu Jujin Disposal are more than 5% but less than 25%, the Chengdu Jujin Disposal, if materialised, will also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As such, the Chengdu Jujin Disposal and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. The Chengdu Jujin Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 August 2018. For details, please refer to the announcements of the Company published on 15 June 2018 and 27 June 2018, the circular of the Company dated 27 July 2018 and the poll results announcement of the extraordinary general meeting of the Company dated 13 August 2018.

The formal process of the public tender in respect of the Chengdu Jujin Disposal, which had been approved by the independent shareholders on 10 August 2018, expired on 22 November 2018. During the publication period for the public tender which commenced on 28 September 2018 and lasted for 20 Business Days, there was no potential bidder indicating interest in purchasing the Chengdu Jujin Interest.

On 28 December 2018, the Board decided to conduct a new public tender in relation to the disposal of Chengdu Jujin Interest and re-comply with the Listing Rules in relation to the disposal of Chengdu Jujin Interest.

Based on (i) the new preliminary appraised value of Chengdu Jujin as at 31 August 2018 and (ii) the audited financial statements of Chengdu Jujin for eight months ended 31 August 2018, the new preliminary appraised value for Chengdu Jujin Equity Interest is approximately RMB204,242,160 and the audited result for Chengdu Jujin Creditor's Rights including interest is approximately RMB197,798,972. Therefore, for the purpose of proceeding with the Chengdu Jujin Disposal, the Board decided that the new preliminary minimum bidding price for the Chengdu Jujin Disposal shall be approximately RMB402,041,132.

The final minimum bidding price for the Chengdu Jujin Disposal will be determined with reference to the market price and subject to the final appraised value of Chengdu Jujin, but will in any event be no less than the new preliminary minimum bidding price. As disclosed in the announcement of the Company dated 19 February 2019, the final minimum bidding price is RMB403,998,972, which was determined with reference to the Chengdu Jujin Creditor's Rights and the new appraised value of the entire equity interest of Chengdu Jujin.

The final consideration will depend on the final bidding price offered by the successful bidder for the Chengdu Jujin Interest, but will in any event be no less than the new preliminary minimum bidding price.

As explained above, the Chengdu Jujin Disposal constituted a discloseable and connected transaction of the Company and the Company is required to re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules in respect of the Chengdu Jujin Disposal under the new appraisal and the transactions contemplated thereunder. The Chengdu Jujin Disposal under the new appraisal was approved by the independent shareholders of the Company on the extraordinary general meeting held on 19 February 2019. For details, please refer to the announcement of the Company dated 28 December 2018, the circular of the Company dated 31 January 2019 and the poll results announcement of the extraordinary general meeting of the Company dated 19 February 2019.

The formal process of the public tender in respect of the Chengdu Jujin Disposal under the new appraisal approved by the independent shareholders on 19 February 2019 had been commenced on 21 February 2019. On 10 April 2019, Chengdu Raise and Beijing Raise entered into the Equity Transaction Agreement (the “**Equity Transaction Agreement**”) with Chengdu Pidu Hong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司) in respect of the disposal of Chengdu Jujin Interest held by Chengdu Raise and the disposal of the interest and rights in Chengdu Jujin held by Beijing Raise which includes the 80% equity interest in Chengdu Jujin held by Beijing Raise and creditor's rights in Chengdu Jujin held by Beijing Raise at an aggregate consideration of RMB2,213,869,547. The consideration for the disposal of Chengdu Jujin Interest is RMB509,198,972 among which the consideration for Chengdu Jujin Equity Interest is RMB311,400,000. The consideration for the disposal of the Interest and Rights Held By Beijing Raise is RMB1,704,670,575 among which the consideration for 80% equity interest in Chengdu Jujin held by Beijing Raise is RMB1,245,600,000.

For the purpose of guaranteeing the payment of consideration by Chengdu Pidu Hong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司), on 10 April 2019 Chengdu Raise, Beijing Raise, Chengdu Pidu Hong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司) and Sichuan Languang Development Company Limited (四川藍光發展股份有限公司) entered into the payment guarantee agreement (the “**Payment Guarantee Agreement**”), pursuant to which Sichuan Languang Development Company Limited (四川藍光發展股份有限公司) guaranteed to pay the guaranteed payment which relates to the remaining consideration owed by Chengdu Pidu Hong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司) to Chengdu Raise and Beijing Raise. The term of the Payment Guarantee Agreement shall be two years after the expiration of the performance period for the obligations of Chengdu Pidu Hong Jing Real Estate Company Limited (成都郫都泓璟置業有限公司) under the Equity Transaction Agreement.

Upon completion of the Chengdu Jujin Disposal, Chengdu Raise will cease to have any equity interest in Chengdu Jujin, for details please refer to the announcement of the Company dated 10 April 2019.

3. *Major Transaction – Possible Major Transaction Involving Proposed Issuance of A Share Convertible Bonds by SCC: Deemed Disposal of Interest in SCC by the Company*

On 8 April 2019, the board of directors of SCC (a non-wholly owned subsidiary of the Company) had resolved to issue convertible bonds of SCC in the maximum amount of RMB1,520,000,000, which was calculated at the initial conversion price of RMB57.90 (before ex-rights and ex-dividend), the convertible bonds of SCC can be converted to a maximum of 26,252,158 conversion shares (before ex-rights and ex-dividend).

The proceeds raised from the Proposed Issuance will not exceed RMB1,520,000,000. After deduction of the issuance costs, approximately RMB456,000,000 will be used to supplement the working capital of SCC, and the remaining amount will be fully used in the project of digital universal high speed and high density multilayer printed circuit board (Phase II).

During the Reporting Period, the Company directly holds 69.05% equity interest in SCC. Following the completion of the Proposed Issuance and assuming the maximum amount of the convertible bonds of SCC were successfully placed in full and full conversion of the convertible bonds of SCC at the initial conversion price, the Proposed Issuance will have the effect of diluting the Company's percentage share of the issued share capital of SCC from approximately 69.05% to approximately 63.19%, which will constitute a deemed disposal of the Company.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 25% but less than 75%, the deemed disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the shareholders is required to abstain from voting if the Company were to convene a general meeting for approving the Proposed Issuance. Accordingly, pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders' written approval had been obtained on 24 April 2019 from AVIC International and AVIC Shenzhen, being a closely allied group of shareholders holding in aggregate approximately 71.43% of the entire issued share capital of the Company.

SCC had received the Reply on Issues related to the Issuance of convertible corporate bonds by SCC (關於深南電路發行可轉換公司債券有關問題的批覆) issued by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 30 May 2019. At the shareholder's meeting of SCC held on 6 June 2019, the Proposed Issuance had been approved by the shareholders of SCC.

On 26 June 2019, SCC had received the acceptance notice issued by CSRC related to the application materials submitted by SCC in relation to the proposed issuance.

On 26 July 2019, SCC had received the Notice of Suspension of Review of the Administrative Approval Application from CSRC (No.191509) (《中國證監會行政許可申請中止審查通知書》(191509號)). As the audit institution engaged by SCC for the Proposed Issuance was investigated by the CSRC for allegedly violating the securities laws and regulations of the People's Republic of China (the "PRC") in handling audit matters of other listed companies and the investigation has not been closed, in consideration of the fact that the above matters are regulated by provisions relating to the suspension of review under the Regulations on the Implementation of the Administrative Approval of CSRC (《中國證監會行政許可實施程序規定》), the CSRC decided to suspend the application of SCC for the Proposed Issuance.

On 19 August 2019, SCC received the Notice of Resumption of Review of the Administrative Approval Application From CSRC (No. 191509) (《中國證監會行政許可申請恢復審查通知書》(191509號)) that the CSRC decided to resume the review of the application of SCC for the Proposed Issuance in accordance with the relevant provisions of the Regulations on the Procedures for the Implementation of the Administrative Approval of CSRC (《中國證監會行政許可實施程序規定》). The Proposed Issuance is still subject to the approval of CSRC.

For details, please refer to the announcements of the Company dated 8 April 2019, 24 April 2019, 29 April 2019, 30 May 2019, 6 June 2019, 26 June 2019, 26 July 2019 and 19 August 2019, and the circular dated 20 June 2019.

4. *Major Transaction – Disposal of 69.77% Equity Interest and Shareholder's Loan in Weihai Shipyard; and Disposal of 22.35% Equity Interest in AVIC Sunda*

(I) WEIHAI SHIPYARD DISPOSAL

On 26 April 2019 (after trading hours), the Company entered into the Weihai Shipyard equity transaction agreement (the "**Weihai Shipyard Equity Transaction Agreement**") with CMOEI, pursuant to which the Company agreed to transfer 69.77% equity interest in Weihai Shipyard and the shareholder's loan (the "**Weihai Shipyard Shareholder's Loan**") owed by Weihai Shipyard to the Company (the "**Weihai Shipyard Disposal**") to CMOEI at the consideration of not exceeding RMB620,000,000, which comprises (i) RMB1, being the consideration for the 69.77% equity interest in Weihai Shipyard; and (ii) not exceeding RMB619,999,999, being the consideration for the Weihai Shipyard Shareholder's Loan. Further. As the Company has provided a guarantee in a total amount of RMB1,660,000,000 for Weihai Shipyard. Pursuant to the Weihai Shipyard Equity Transaction Agreement, CMOEI or its actual controller will provide a bank guarantee letter and guarantee letter from China Merchants Group Limited (招商局集團有限公司) ("**CMG**") to execute a counter-guarantee in favour of the Company.

Upon completion of the transfer of the 69.77% equity interest in Weihai Shipyard, the Company will no longer hold any equity interest in Weihai Shipyard and Weihai Shipyard will cease to be a subsidiary of the Company.

## (II) AVIC SUNDA DISPOSAL

On 26 April 2019 (after trading hours), the Company entered into the equity transfer agreement with CMSK, pursuant to which the Company agreed to transfer 149,087,820 A shares in AVIC Sunda (representing 22.35% of the issued share capital of AVIC Sunda) to CMSK at the consideration of RMB1,334,335,989 (the “**AVIC Sunda Disposal**”).

Upon completion of the transfer of the 22.35% equity interest in AVIC Sunda, the Company will no longer hold any equity interest in AVIC Sunda.

As CMOEI and CMSK are parties connected or associated with one another and the Weihai Shipyard Disposal and the AVIC Sunda Disposal (the “**Disposals**”) conducted within a 12-month period, the Disposals are required to be aggregated for the purpose of computing the relevant percentage ratios pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the highest applicable aggregated percentage ratio in respect of the Weihai Shipyard Disposal and the AVIC Sunda Disposal exceeds 25% but less than 75%, the Weihai Shipyard Disposal and the AVIC Sunda Disposal constitute a major transaction of the Company and are subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

On 3 June 2019, SASAC issued the List of Release of Authorization by the SASAC (2019 edition) (國務院國資委授權放權清單 (2019年版)), pursuant to which, among others, State-owned capital investment and operation companies are authorized to approve matters among themselves such as non-public transfer in accordance with the state-owned property rights management regulations. Accordingly, the Weihai Shipyard Disposal is no longer subject to the approval by the SASAC and therefore the parties to the Weihai Shipyard Equity Transaction Agreement entered into a supplement agreement (the “**Supplemental Weihai Shipyard Agreement**”) thereto on 20 June 2019.

Pursuant to the Supplemental Weihai Shipyard Agreement, among others, all references to “date of approval by the relevant supervising authority of SASAC” in the clauses in relation to payment of consideration and guarantee arrangement under the Weihai Shipyard Equity Transaction Agreement (as set out in the sections headed “(I) Weihai Shipyard Disposal – Consideration” and “(I) Weihai Shipyard Disposal – Provision of Guarantee by the Company and Counter Guarantee Provided by CMOEI or its actual controller” in the Announcement dated 26 April 2019) shall be replaced by “*date of approval by the actual controllers of the Company and CMOEI, i.e. Aviation Industry Corporation of China, Ltd and CMG*”.

Save for the amendments made pursuant to the Supplemental Weihai Shipyard Agreement as stated above, all other terms and conditions of the Weihai Shipyard Equity Transaction Agreement shall remain in full force and effect.

Furthermore, the Board would also like to clarify that regarding the effectiveness conditions (ii) and (iii) under the Weihai Shipyard Equity Transaction Agreement as set out in the section headed “(I) Weihai Shipyard Disposal – Effectiveness of the Agreement” in the announcement dated 26 April 2019, each of the Company and CMOEI shall comply with the approval or filing procedures applicable to SASAC or its authorized authorities, instead of obtaining SASAC’s approval or conducting filing procedures with SASAC as required.

On 8 July 2019, the Company received the reply issued by Aviation Industry Group, the actual controller, to sell its 69.77% equity interest in Weihai Shipyard to CMOEI. On the same date, the Company also received the prepayment in relation to the transfer of the equity interest in Weihai Shipyard, the CMG consideration guarantee, bank guarantee letter and CMG guarantee letter. On 25 July 2019, the Company and CMSK had received the reply issued by SASAC dated 23 July 2019, pursuant to which SASAC confirmed its approval of the transfer of 149,087,820 A shares in AVIC Sunda (representing 22.35% issued share capital of AVIC Sunda) by the Company to CMSK. The disposal of the equity interest of Weihai Shipyard and AVIC Sunda was duly passed at the EGM held on 23 August 2019.

For details, please refer to the announcements of the Company dated 26 April 2019, 5 June 2019, 20 June 2019, 24 July 2019, 25 July 2019 and 23 August 2019, and the circular of the Company dated 24 June 2019.

5. *Discloseable Transaction – Master Cooperation Agreement*

On 2 July 2019, Wuhan Tianma Microelectronics Co., Ltd. (“**Wuhan Tianma**”) and Applied Materials East Asia Pte. Ltd. entered into the master cooperation agreement (the “**Master Cooperation Agreement**”), pursuant to which the parties collaborate in relation to the 6th generation project phase 2 of Wuhan Tianma according to the terms set out therein. The term of the Master Cooperation Agreement commences from the date of the Master Cooperation Agreement to 31 July 2019 with the aggregate amount of consideration not exceeding US\$80,000,000 (equivalent to approximately RMB548,000,000).

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Master Cooperation Agreement and the transactions contemplated thereunder are more than 5% but below 25%, the Master Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. For details, please refer to the announcement of the Company dated 2 July 2019.

## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions with agreements signed during the past year and performed during the Reporting Period by the Group are set out below:

1. *Continuing Connected Transactions – Framework Agreements in Relation to Leasing and Management of Properties*

The rental framework agreement dated 13 January 2014 and entered into between the Company and AVIC International in relation to the leasing of real estate properties by the Group to AVIC International and/or its associated companies (the “**AVIC International Rental Framework Agreement**”), the tenancy framework agreement dated 13 January 2014 and entered into between the Company and AVIC International in relation to the leasing of real estate properties to the Group by AVIC International and/or its associated companies (the “**AVIC International Tenancy Framework Agreement**”) and the property management framework agreement dated 13 January 2014 and entered into between the Company and AVIC International in relation to the provision of property management services to the Group by AVIC International and/or its associated companies (the “**AVIC International Property Management Framework Agreement**”) are collectively referred to as the AVIC International Framework Agreements. The AVIC International Framework Agreements expired on 31 December 2016. To renew the agreements, the Company entered into the new AVIC International rental framework agreement (the “**New AVIC International Rental Framework Agreement**”), new AVIC International tenancy framework agreement (the “**New AVIC International Tenancy Framework Agreement**”) and new AVIC International property management framework agreement (the “**New AVIC International Property Management Framework Agreement**”) with AVIC International on 13 January 2017, each of which for a term from the date of its execution to 31 December 2019. The New AVIC International Rental Framework Agreement, the New AVIC International Tenancy Framework Agreement and the New AVIC International Property Management Framework Agreement are collectively referred to as the New AVIC International Framework Agreements, a summary of the major terms of which is set out as follow:

- (1) **New AVIC International Rental Framework Agreement:** the Group agreed to lease real estate properties to AVIC International and/or its associated companies during the term of the New AVIC International Rental Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB35,000,000.
- (2) **New AVIC International Tenancy Framework Agreement:** AVIC International and/or its associated companies agreed to lease its real estate properties to the Group during the term of the New AVIC International Tenancy Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB5,000,000, RMB7,000,000 and RMB7,000,000, respectively.



- (3) New AVIC International Property Management Framework Agreement: AVIC International and/or its associated companies shall provide property management services to the Group during the term of the New AVIC International Property Management Framework Agreement. The proposed annual caps for the three years from 2017 to 2019 will be RMB45,000,000.

As AVIC International (including its associated companies) is a connected person of the Company, the New AVIC International Framework Agreements and the transactions contemplated thereunder constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios for each of (1) the New AVIC International Rental Framework Agreement, (2) the New AVIC International Tenancy Framework Agreement and (3) the New AVIC International Property Management Framework Agreement exceed 0.1% but are less than 5%, each of (1) the New AVIC International Rental Framework Agreement, (2) the New AVIC International Tenancy Framework Agreement and (3) the New AVIC International Property Management Framework Agreement will be subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company published on 13 January 2017.

## 2. *Continuing Connected Transactions – Framework Agreements for the Continuing Connected Transactions of the Group from the year 2018 to 2020*

The framework agreements, setting out the basic content of the transactions between the Group on one hand, and Aviation Industry Group or AVIC International (including their respective associates, where applicable) on the other hand, were entered into on 16 October 2014. As the aforesaid agreements would expire on 31 December 2017, the Company (or its subsidiaries) entered into a (i) new Aviation Industry sale framework agreement (the “**New Aviation Industry Sale Framework Agreement**”), new Aviation Industry purchase framework agreement (the “**New Aviation Industry Purchase Framework Agreement**”), new Aviation Industry agency services provision framework agreement (the “**New Aviation Industry Agency Services Provision Framework Agreement**”), new Aviation Industry agency services acceptance framework agreement (the “**New Aviation Industry Agency Services Acceptance Framework Agreement**”), new Aviation Industry financial assistance provision framework agreement (the “**New Aviation Industry Financial Assistance Provision Framework Agreement**”) and new Aviation Industry financial assistance acceptance framework agreement (the “**New Aviation Industry Financial Assistance Acceptance Framework Agreement**”) with Aviation Industry Group; and (ii) new AVIC International sale framework agreement (the “**New AVIC International Sale Framework Agreement**”), new AVIC International purchase framework agreement (the “**New AVIC International Purchase Framework Agreement**”), new AVIC International agency services provision framework agreement (the “**New AVIC International Agency Services Provision Framework Agreement**”), new AVIC International agency services acceptance framework agreement (the “**New AVIC International Agency Services Acceptance Framework Agreement**”), new AVIC International financial assistance provision framework agreement (the “**New**

**AVIC International Financial Assistance Provision Framework Agreement”**) and new AVIC International financial assistance acceptance framework agreement (the **“New AVIC International Financial Assistance Acceptance Framework Agreement”**) with AVIC International on 24 October 2017. Engineering Company, a wholly-owned subsidiary of the Company, entered into a new AVIC International construction services framework agreement (the **“New AVIC International Construction Services Framework Agreement”**) with AVIC International, and the Company entered into a new Aviation Industry property rental (letting) framework agreement (the **“New Aviation Industry Property Rental (Letting) Framework Agreement”**) with Aviation Industry Group on the same date. Details of these framework agreements are set out as below:

Name of agreement	Content of agreement	Annual cap amount		
		2018 (RMB)	2019 (RMB)	2020 (RMB)
New Aviation Industry Sale Framework Agreement	Sales of goods	100,000,000	100,000,000	100,000,000
New Aviation Industry Purchase Framework Agreement	Procurement of goods	60,000,000	60,000,000	60,000,000
New AVIC International Sale Framework Agreement	Sales of goods	2,000,000,000	2,000,000,000	2,000,000,000
New AVIC International Purchase Framework Agreement	Procurement of goods	2,500,000,000	2,500,000,000	2,500,000,000
New Aviation Industry Agency Services Provision Framework Agreement	Provision of agency services	150,000,000	150,000,000	150,000,000
New Aviation Industry Agency Services Acceptance Framework Agreement	Acceptance of agency services	80,000,000	80,000,000	80,000,000
New AVIC International Agency Services Provision Framework Agreement	Provision of agency services	180,000,000	180,000,000	180,000,000
New AVIC International Agency Services Acceptance Framework Agreement	Acceptance of agency services	50,000,000	50,000,000	50,000,000
New Aviation Industry Financial Assistance Provision Framework Agreement	Provision of borrowings/ guarantee	500,000,000	500,000,000	500,000,000
	Charge interest/ guarantee fee	30,000,000	30,000,000	30,000,000
New Aviation Industry Financial Assistance Acceptance Framework Agreement	Acceptance of borrowings/guarantee	2,000,000,000	2,000,000,000	2,000,000,000
	Provision of interest/ guarantee fee	80,000,000	80,000,000	80,000,000
New AVIC International Financial Assistance Provision Framework Agreement	Provision of borrowings/guarantee	1,700,000,000	1,700,000,000	1,700,000,000
	Charge interest/ guarantee fee	75,000,000	75,000,000	75,000,000

Name of agreement	Content of agreement	Annual cap amount		
		2018 (RMB)	2019 (RMB)	2020 (RMB)
New AVIC International Financial Assistance Acceptance Framework Agreement	Acceptance of loans/ guarantee	10,000,000,000	10,000,000,000	10,000,000,000
	Provision of interest/ guarantee fee	110,000,000	110,000,000	110,000,000
New AVIC International Construction Services Framework Agreement	Provision of construction services	700,000,000	500,000,000	400,000,000
New Aviation Industry Property Rental (Letting) Framework Agreement	Property letting	6,000,000	6,000,000	6,000,000

For details of the aforementioned continuing connected transactions, please refer to the announcement published on 24 October 2017 and the circular of the Company despatched on 12 December 2017. The abovementioned continuing connected transactions had been approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 28 December 2017. Please refer to the poll results announcement of the Company published on 28 December 2017 and the circular of the Company published on 12 December 2017 for details.

### 3. *Continuing Connected Transactions – Concessionaire Framework Agreement*

On 28 December 2017, Rainbow Department Store Co., Ltd. (天虹商場股份有限公司) (“**Rainbow Department Store Company**”) and Fiyta (a subsidiary of the Company) entered into the 2017 rainbow concessionaire framework agreement (the “**2017 Rainbow Concessionaire Framework Agreement**”), pursuant to which Rainbow Department Store Company agreed to allow Fiyta to use part of the areas in the Rainbow Department Stores in various cities across the PRC and to establish its own sales counters for the sale of Fiyta watches and world-famous watches, etc. for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020. According to the 2017 Rainbow Concessionaire Framework Agreement, the proposed annual caps in respect of the turnover commission payable by Fiyta to Rainbow Department Store Company for the three years from 2018 to 2020 shall not exceed RMB27,500,000, RMB30,000,000 and RMB32,500,000, respectively.

As AVIC Shenzhen is a controlling shareholder of the Company holding approximately 33.93% of the total issued share capital of the Company and approximately 43.40% equity interest of Rainbow Department Store Company is owned by AVIC Shenzhen, Rainbow Department Store Company is a connected person of the Company.

As the highest applicable percentage ratios for the annual caps of the transactions contemplated under the 2017 Rainbow Concessionaire Framework Agreement are more than 0.1% but less than 5%, the 2017 Rainbow Concessionaire Framework Agreement (including the respective annual caps) are only subject to reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company published on 28 December 2017.

4. *Continuing Connected Transactions – Renewal of the Financial Services Agreement*

On 26 September 2018, the Company and AVIC Finance Co., Ltd. (中航工業集團財務有限責任公司) (“**AVIC Finance**”) entered into the 2018 financial services agreement (the “**2018 Financial Services Agreement**”) for renewal of the 2015 financial services agreement dated 29 September 2015 (the “**2015 Financial Services Agreement**”). Pursuant to the 2018 Financial Services Agreement, AVIC Finance will provide to the Group a range of financial services as the Company may request from time to time for a term commencing from the effective date to 31 December 2021. The financial services provided by AVIC Finance to the Group are set out below:

	For the year ending 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)	For the year ending 31 December 2021 (RMB)
Deposit services (the maximum daily outstanding balances) (the deposit cap)	4,000,000,000	4,000,000,000	4,000,000,000
	<b>For the period of the year ending 31 December 2019 (US\$)</b>	<b>For the period of the year ending 31 December 2020 (US\$)</b>	<b>For the period of the year ending 31 December 2021 (US\$)</b>
Foreign exchange settlement and sale (the maximum daily transaction amount) (the spot FX trading cap)	26,000,000	26,000,000	26,000,000

Aviation Industry Group is the ultimate holding company of the Company and AVIC Finance. AVIC Finance is a connected person of the Company and the transactions contemplated under the 2018 Financial Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios for the deposit cap exceed 5%, the deposit service is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the deposit cap exceed(s) 25%, the deposit services contemplated under the 2018 Financial Services Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As each of the applicable percentage

ratios in respect of spot FX trading cap is more than 0.1% but less than 5%, the transactions contemplated under the foreign exchange services are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The 2018 Financial Services Agreement has been duly approved by the extraordinary general meeting of the Company. For details in relation to the 2018 Financial Services Agreement, please refer to the announcement published by the Company on 26 September 2018, the circular of the Company dated 16 November 2018 and the poll results announcement of the extraordinary general meeting of the Company held on 11 December 2018.

## SUBSEQUENT EVENTS

### 1. *Connected Transaction – Underwriting Agreement in Connection with the Proposed Issuance of Convertible Bonds of SCC by SCC*

On 9 July 2019, SCC entered into the underwriting agreement (the “**Underwriting Agreement**”) with AVIC Securities Co., Ltd. (“**AVIC Securities**”) in relation to the Proposed Issuance. According to the Underwriting Agreement, it is agreed that the underwriter will be responsible for the underwriting of the A shares convertible bonds of SCC. The Underwriting Agreement is not exclusive. If necessary, SCC may engage other institutions as joint sponsoring institutions and lead underwriters for the Proposed Issuance. The portion of subscription amount of the Proposed Issuance below RMB1,520,000,000 will be underwritten by the lead underwriter(s), among which the maximum subscription amount of AVIC Securities is RMB200,000,000. As the lead underwriter in respect of the Proposed Issuance, upon delivery of sponsorship and underwriting services and other services by AVIC Securities to SCC, SCC will pay the sponsorship and underwriting services fees in the amount of RMB7,000,000 to AVIC Securities.

Aviation Industry Group is a controlling shareholder of AVIC International which in turn owns 100% equity interest of AVIC Shenzhen, and AVIC Securities is an indirect non wholly-owned subsidiary of AVIC Capital Co., Ltd. (中航資本控股股份有限公司) (“**AVIC Capital**”) with AVIC Capital being held as to 39.32% by Aviation Industry Group, 3.56% by AVIC International and 3.99% by AVIC Shenzhen, respectively, AVIC Securities is therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Underwriting Agreement is/are more than 0.1% but all of them are less than 5%, the Underwriting Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 9 July 2019.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In accordance with code provision A.2.1 of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established in writing. During the Reporting Period, the executive Directors exercised the function of the management of the Company and the Company did not appoint any chief executive. The executive Director and Chairman of the Company, Mr. Liu Hong De, and the Board hold meetings regularly to consider major matters that influence the operation of the Group. The Board considers that the structure will not impair the balance of power and authority between the Board and the management of the Company. Each executive Director assigned with different functions will complement the role of the Chairman. The Board believes that this structure is beneficial for establishing a stable and consistent leadership, which will enable an effective operation of the Group. Except for the aforesaid, during the Reporting Period, the Company has complied with all the code provisions of the Code.

## **TRADING OF SHARES BY DIRECTORS AND SUPERVISORS**

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) has been adopted as the code of securities transactions for the Directors and the supervisors of the Company. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Reporting Period, all Directors and supervisors of the Company complied with the required standards of dealing in securities specified in the Model Code.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting processes and internal control of the Company. The Audit Committee members currently comprise the independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei. The Audit Committee reviewed the interim financial statements of the Group for the six months ended 30 June 2019, which was also reviewed by Deloitte Touche Tohmatsu, and discussed with the management of the Company on the adopted accounting policies and practices, as well as matters such as internal risk and internal control.

## **PUBLIC FLOAT**

Based on information that was publicly available to the Board and to the best knowledge of the Board, the Company maintained sufficient level of public float as at the date of this announcement.

By order of the Board  
**AVIC International Holdings Limited**  
**Liu Hong De**  
*Chairman*

Shenzhen, PRC, 23 August 2019

*As at the date of this announcement, the Board comprises a total of 9 Directors, Mr. Liu Hong De, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Liu Jun, Mr. Fu Fang Xing and Mr. Chen Hong Liang as executive Directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei as independent non-executive Directors.*